

# FIRST DIVISION

[ G.R. No. 222289, June 08, 2020 ]

**EAST CAM TECH CORPORATION, PETITIONER, VS. BAMBIE T. FERNANDEZ, YOLANDA DELOS SANTOS, LEONORA TRINIDAD, AND CHARITO S. MANALANSAN, RESPONDENTS.**

## DECISION

**REYES, J. JR., J.:**

### The Case

This petition for review on *certiorari* under Rule 45 assails the May 29, 2015 Court of Appeals (CA) Decision<sup>[1]</sup> and December 11, 2015 Resolution<sup>[2]</sup> in CA-G.R. SP No. 123946, which nullified the October 11, 2011 National Labor Relations Commission (NLRC) Decision<sup>[3]</sup> and ordered the reinstatement of respondents Bambie T. Fernandez (Fernandez), Yolanda Delos Santos (Delos Santos), Leonora Trinidad (Trinidad), and Charito S. Manalansan (Manalansan) with payment of backwages and other money claims.

### The Facts

Petitioner East Cam Tech Corporation (East Cam) is a company engaged in the manufacture of bags. It hired respondents Fernandez, Delos Santos, Trinidad, and Manalansan as sewers in May 2002. Respondents previously filed an illegal dismissal complaint against East Cam, which resulted in their reinstatement. Upon returning to East Cam, they were reassigned to the sewing line of the sample department. They noticed that the machines assigned to them were old and worn out. They were stationed at a place far from the sample room where all the special machines were located. They felt singled out in terms of work because they were the only ones required to meet a production quota and to submit hourly reports. They alleged that the Department of Labor and Employment (DOLE) did not approve the unreasonable quota. They also averred that the company officers required them to work outside their assigned tasks.<sup>[4]</sup>

On January 12, 2010, East Cam charged them of negligence of duty for failure to comply with the production quota. Their supervisor told them that there was no need to answer the charge and that he would solve the problem. On February 27, 2010, they were dismissed from the service for failure to answer the charge.<sup>[5]</sup> This prompted the filing of a new complaint against East Cam, its president In Soo Jung, plant manager Sang Yong Kim, and Human Resources Department head Corazon Bustamante for illegal dismissal with prayer for reinstatement, backwages, other money claims, damages, and attorney's fees.<sup>[6]</sup>

For their part, East Cam explained that it adopted a Time and Motion Study (TMS) for each product to achieve productivity and efficiency. The study aimed to reduce the number of motions in performing a certain task. The employees must comply

with the study so that East Cam would not incur unnecessary costs resulting in operational damage.<sup>[7]</sup>

East Cam further asserted that in their Management and Employee Handbook, failure of an employee to meet the prescribed quantity and quality standards is considered as negligence of duty punishable by a written warning for the first offense, and dismissal from the service for the second offense.<sup>[8]</sup>

East Cam claimed that on December 16, 2009, the respondents were assigned to do a job order for 280 pieces of bags. Based on the TMS, four sewers can finish the job in three days with a target rate of 100 pieces per day or 25 pieces per sewer per day. East Cam maintained that the respondents were informed that the job order was a production line, which is a line that mass produces items and not a sample line or a specialized line producing samples. East Cam insisted that the respondents failed to meet the target output and the prescribed quality standards. As a result, respondents were given a written warning that repetition of the same offense would result to dismissal from the service.<sup>[9]</sup>

On another date, the respondents were assigned a second job order for 315 pieces of bags. The target rate was 100 pieces per day to be done by four sewers. The rate was later reduced to 88 pieces per day. Despite the reduced rate, the respondents were unable to meet the production quota as it took them seven days to finish the job order with one additional sewer. The respondents were asked to explain their failure to complete the quota, but were unable to do so. On February 27, 2010, they were dismissed from service for violation of the company rules. Their omission constituted gross and habitual neglect of duty under Article 282 of the Labor Code of the Philippines.<sup>[10]</sup>

### **The Labor Tribunals' Decisions**

In its April 21, 2011 Decision,<sup>[11]</sup> Executive Labor Arbiter (ELA) Lita V. Aglibut dismissed the complaint for lack of merit. The LA upheld the management prerogative of East Cam to regulate all aspects of employment, such as work assignment, working methods, processes to be followed, working regulations, transfer of employees, work supervision, lay-off, and discipline of workers. East Cam had the right to assign the respondents in any sewing post in the exigency of service. There was no showing that the rules on production quota were designed to discriminate them. The fact that they were assigned a production work affirmed the management's trust and confidence over their kind of work. Further, East Cam had the prerogative to discipline its employees and to impose appropriate penalties for erring workers pursuant to company rules. The respondents' failure to meet the production quota and the quality standards twice resulted to operational damage. This constitutes as negligence of duty, which is punishable by dismissal from the service when committed for the second time.<sup>[12]</sup>

Aggrieved, the respondents appealed to the NLRC, which dismissed the same and affirmed the ELA's Decision in its October 11, 2011 Decision.<sup>[13]</sup> The NLRC held that there was habituality in the neglect of duty where the commission of the same act occurs more than once. Here, the respondents failed to meet the production quota twice. Thus, they are guilty of habitual neglect of duty and calls for an affirmance of the ELA's Decision. The respondents moved for reconsideration, which the NLRC denied in its January 16, 2012 Resolution.<sup>[14]</sup>

Unconvinced, the respondents filed a petition for *certiorari* under Rule 65 before the CA alleging that the NLRC committed grave abuse of discretion in finding them guilty of habitual neglect of duty and that they were validly dismissed.

### **The Court of Appeals Decision**

In its May 29, 2015 Decision, the CA granted the petition and nullified the NLRC Decision. The CA determined that the respondents were not guilty of gross and habitual neglect of duty that would justify their termination from employment. The respondents had been employed for eight years in East Cam, and they had no record of neglect of duty prior to the imposition of quota. In fact, East Cam gave them a commendation for exemplary performance, which was the basis for their transfer to the sewing line of the sample department.<sup>[15]</sup>

The CA pointed out that in the second job order, the respondents asked for help from another sewer, which was an indication that they were not remiss in their duties and tried to comply with an unachievable quota. The CA concluded that their failure to meet the quota did not justify the charge of gross and habitual neglect of duty that led to their dismissal.<sup>[16]</sup>

Moreover, the CA explained that the management's prerogative to fix the production quota must be exercised in good faith. The duty to prove good faith rests with the employer as part of its burden to show that the dismissal was for a just or valid cause. The CA ascertained that East Cam failed to show that the imposition of production quota was done in good faith and not tainted with malice, unfairness, and oppression. The CA opined that the imposition of production quota was a desperate attempt to provide a semblance of validity to the respondents' dismissal. The CA observed that: (1) East Cam singled them out because they were given a quota while the rest of the employees were not; (2) since the TMS was used for the first time, the production output could not be reasonably quantified yet; and (3) the respondents were assigned to the production line of mass producing items, which was a task different from what they were accustomed to do in the sample line. As such, they could not be expected to instantly adapt in the production line and meet the quota. The CA concluded that it was unjust to dismiss the respondents for failure to meet a new quota requirement when the efficacy of which has yet to be proven. The CA held that the NLRC committed grave abuse of discretion in finding that the respondents were guilty of habitual neglect of duty when the records were bereft of any evidence.<sup>[17]</sup>

The CA ordered the reinstatement of the respondents without loss of seniority rights and other privileges, payment of full backwages including allowances and other benefits, or their monetary equivalent from the time compensation was withheld up to actual reinstatement. Attorney's fees equivalent to 10% of the total monetary award was given since the respondents were forced to litigate their complaint.<sup>[18]</sup>

East Cam moved for reconsideration, which the CA denied in its December 11, 2015 Resolution. Dissatisfied, East Cam elevated the case before the Court through a petition for review on *certiorari* under Rule 45.

### **The Issue Presented**

Whether or not the CA erred in reversing the NLRC's Decision and ruling that the respondents were illegally dismissed.