

## THIRD DIVISION

**[ G.R. No. 229746, October 11, 2017 ]**

**ABBOTT LABORATORIES (PHILIPPINES), INC. AND STEPHANE LANGEVIN, PETITIONERS, VS. MANUEL F. TORRALBA, ROSELLE P. ALMAZAR, AND REDEL ULYSSES M. NAVARRO, RESPONDENTS.**

### D E C I S I O N

**VELASCO JR., J.:**

#### Nature of the Case

For consideration is the Petition for Review on Certiorari under Rule 45 of the Rules of Court, filed by Abbott Laboratories (Philippines), Inc. (Abbott), and Stephane Langevin (Langevin), seeking to nullify the April 26, 2016<sup>[1]</sup> Decision and the partial reversal of the January 25, 2017 Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. SP No. 136213. The challenged rulings held that petitioners' redundancy program was invalid, and that respondents were illegally dismissed from employment.

#### The Facts

Respondent Roselle P. Almazar (Almazar) was employed by Abbott as the National Sales Manager of its PediaSure Division, while respondents Redel Ulysses M. Navarro (Navarro) and Manuel F. Torralba (Torralba) were Regional Sales Managers of the same department. The further details of their employment can be summarized as follows:

<b>Employee</b>	<b>Date of Hiring</b>	<b>Monthly Salary</b>
Roselle P. Almazar	June 1, 1992	Php98,938.28
Manuel F. Torralba	July 4, 1988	Php109,645.34
Redel Ulysses M. Navarro	June 1, 1993	Php87,092.78

Sometime in November 2012, Abbott decided to integrate into one sales unit its PediaSure Division and its Medical Nutrition Division, both under the Specialty Nutrition Group. The decision was made after a study, entitled "*Specialty Nutrition Group Sales Force Restructure Philippines*," (Study) revealed that both departments have similar business models and sales execution methods. As a result of the merger, respondents' positions were declared redundant.<sup>[3]</sup>

On February 18, 2013, Abbott informed both the Department of Labor and Employment (DOLE) and respondents of the latter's termination effective March 22, 2013 due to redundancy. Thereafter, the company offered respondents the District Sales Manager positions, with a lower job rate and with duties and responsibilities different from that of a National or Regional Sales Manager.

Respondents rejected the offer and, on May 10, 2013, signed their respective Deeds of Waiver, Release, and Quitclaim (Deeds)<sup>[4]</sup> after receiving the following amounts:

- a. Torralba - PhP4,111,700.25 as separation pay and PhP549,022.33 as his last pay;
- b. Navarro PhP2,612,783.40 as separation pay and PhP440,070.62 as his last pay; and
- c. Almazar - PhP3,116,555.82 as separation pay.

On September 20, 2013, respondents filed a complaint for illegal dismissal on the ground that Abbott allegedly did not observe the criteria of preference of status, efficiency, and seniority in determining who among its redundant employees are to be retained. They also filed a claim for underpayment of separation pay and discrimination because other former employees who were terminated due to redundancy allegedly received 250% of their monthly salaries per year of service as separation pay, while they only received 150% thereof. Likewise included in the complaint was a claim for moral and exemplary damages and attorney's fees.

Abbott maintained that respondents were terminated for authorized cause; that respondents' functions as sales managers were redundant because they were already being performed by the Medical Nutrition Division; that respondents' separation pays were equivalent to one-and-a-half month pay for every year of service plus three (3) months gratuity, which is more than what the Labor Code requires; that in addition to their separation pays, respondents were able to acquire their service vehicles at a big discount; and that respondents voluntarily signed the Deeds.

### **Ruling of the Labor Arbiter**

On February 4, 2014, Labor Arbiter Madjayran H. Ajan rendered a Decision<sup>[5]</sup> holding that respondents were illegally dismissed, and granted the complaint thusly:

WHEREFORE, premises considered, complainants were illegally terminated and respondent Abbott Laboratories is hereby directed as follows:

1. To reinstate complainants to their former positions without loss of seniority rights and benefits within ten (10) days from receipt hereof and to full backwages from the time they were dismissed until finality of this decision, which as of this date, [are] computed as follows:

Backwages:

- a. Roselle P. Almazar - P990,000.00
- b. Manuel F. Torralba - P1,096,453.40
- c. Redel Ulysses M. Navarro - P870,927.80

2. To pay moral damages of P500,000.00 and exemplary damages of P200,000.00 or a total of P800,000.00 (sic) to each complainants (sic);
3. To pay attorney's fees in the amount equivalent to 10% of the total judgment award.

Other claims are dismissed for lack of merits (sic).

SO ORDERED.<sup>[6]</sup>

According to the Labor Arbiter, Abbott failed to overcome the burden of proving that the adoption and implementation of the redundancy program was not in violation of law, and that it was not attended by malice or arbitrariness. The Labor Arbiter found wanting the evidence presented to establish that Abbott followed the required preference criteria of status, efficiency, and proficiency in determining who among the employees are going to be retained. There being no job evaluation conducted to gauge how the allegedly redundant employees would fare against the criteria, the Labor Arbiter deemed that respondents were arbitrarily and illegally dismissed. Moreover, the Labor Arbiter ruled that the execution of the Deeds did not bar respondents from contesting the validity of their termination.

Aggrieved, Abbott appealed the Labor Arbiter's Decision to the National Labor Relations Commission (NLRC). Simultaneously therewith, and in compliance with the Labor Arbiter's order of reinstatement, petitioners furnished respondents with Return to Work Notices<sup>[7]</sup> directing them to personally appear for work. In the same month, respondents discussed with petitioners the terms of the employment that the former would be returning to. However, respondents rejected the offer of reinstatement on the ground that the proposed positions were not equivalent to the ones they were previously occupying. It also appears that the offer was preconditioned on the respondents' returning the amounts they previously received when they executed the Deeds.

### **Ruling of the NLRC**

On May 20, 2014, the NLRC promulgated its Decision<sup>[8]</sup> reversing the Labor Arbiter's findings in the following wise:

**WHEREFORE**, upon the premises, the appealed Decision dated 4 February 2014 of Labor Arbiter Madjayran H. Ajan is **REVERSED** and **SET ASIDE**. In lieu thereof, judgment is hereby rendered **DISMISSING** the Complaint for lack of merit.

**SO ORDERED.**<sup>[9]</sup>

The NLRC was in agreement with the Labor Arbiter that Abbott failed to prove that respondents' positions were superfluous or unnecessary. However, the NLRC nevertheless ruled that the Deeds precluded them from claiming that they were illegally dismissed. It then affirmed its Decision through its June 23, 2014 Resolution<sup>[10]</sup> denying petitioners' motion for reconsideration therefrom. Thus, respondents elevated the case to the CA on *certiorari*.

## **Ruling of the CA**

On April 26, 2016, the appellate court rendered the assailed Decision reinstating, with modification, the ruling of the Labor Arbiter, viz:

**WHEREFORE**, premises considered, the instant Petition for Certiorari is hereby **GRANTED**. Accordingly, the assailed Decision dated 20 May 2014 and **RESOLUTION** dated 23 June 2014 of the National Labor Relations Commission are hereby **ANNULLED** and **SET ASIDE** and the Decision of the Labor Arbiter dated 04 February 2014 is **REINSTATED**, with the **MODIFICATION** that backwages are to be computed from the time the petitioners were illegally dismissed up to their actual reinstatement.

In consonance with the prevailing jurisprudence, the monetary judgment due to the petitioners shall earn legal interest at the rate of six percent (6%) per annum from finality of the Decision until fully satisfied.

**SO ORDERED.**<sup>[11]</sup>

In justifying its ruling, the CA noted first that the Labor Arbiter and the NLRC are in concurrence that there was no valid redundancy program because Abbott failed to prove one of its requisites - that it used a fair and reasonable criteria in the selection of the employees who will be dismissed. Thus, as the ground for termination of employment was illegal, the Deeds signed by respondents could not also be valid, vitiated as they were by either mistake or fraud. With the annulment of the Deeds, respondents are then entitled to reinstatement, so the CA held.

Petitioners timely moved for reconsideration, assailing the consistent findings that the records are bereft of any evidence to prove that Abbott adopted a fair and reasonable criteria in the implementation of the redundancy program. They argued, on the main, that the criteria to be used in determining who among the employees are to be retained is part of management prerogative, and that they are not constrained to resolve the issue on retention based solely on its employees' status, efficiency, and proficiency.

A second set of Return to Work Notices,<sup>[12]</sup> dated June 9, 2016, was also furnished by petitioners to respondents, appointing them to positions equivalent to their old ones and allowing them to maintain their ranks in the company and receive the same salaries and benefits that they were previously receiving. In the letter addressed to Torralba, petitioner stated that his "district assignment shall be determined on the basis of a territory deliberation to be conducted by management on July 1, 2016, following the product refresher modules and evaluation that [Torralba] will undergo until June 30, 2016."<sup>[13]</sup>

The improved offers, however, were also flatly refused by Torralba and Navarro on July 12, 2016, and by Almazar on July 18, 2016.<sup>[14]</sup> Respondents deemed the offer of reinstatement to be violative of the ruling of the Labor Arbiter, as upheld by the CA.<sup>[15]</sup> They averred that the District Sales Manager positions are not equivalent to their former ones and, hence, could not be considered as a valid offer of reinstatement. Payroll reinstatement should have then been carried out.

Petitioner, for its part, advised respondents that they can no longer be reinstated to their original posts since those were already abolished effective March 22, 2013. The company admitted that the Regional Sales Manager positions no longer exist, which is why it offered respondents the posts of District Sales Manager in lieu thereof. Petitioner added that respondents would have realized that they are equivalents had they perused the onboarding plan that it prepared upon their return to work. And anent respondents' claim of payroll reinstatement, petitioner claimed that, although the award of reinstatement is self-executory, the option to exercise actual reinstatement or payroll reinstatement belongs to the employer.<sup>[16]</sup>

On account of petitioners' earnest efforts to reinstate respondents to their former positions, albeit futile, they filed a Manifestation with Motion<sup>[17]</sup> on July 27, 2016 praying that respondents' entitlement to backwages be tolled up until the date of respondents' refusal.

Subsequently, on January 25, 2017, the CA resolved the pending incidents thusly:

**WHEREFORE**, premises considered, private respondents' Motion for Reconsideration is hereby **DENIED**.

As to the Manifestation with Motion filed by private respondents, the same is **GRANTED**. Accordingly, the award of backwages of Torralba and Navarro is computed from 22 March 2013 to 12 July 2016, while the backwages of Almazar is computed from 22 March 2013 to 18 July 2016.

**SO ORDERED.**<sup>[18]</sup>

Hence, the instant recourse.

### **The Issues**

In arguing for the reversal of the challenged rulings, petitioners assign to the CA the following errors:

- I. THE COURT OF APPEALS ERRED IN AFFIRMING THE FINDING OF THE LABOR ARBITER AND THE NLRC THAT THE REDUNDANCY IMPLEMENTED BY PETITIONERS WAS INVALID.
- II. THE COURT OF APPEALS ERRED IN REVERSING THE NLRC'S FINDING THAT PRIVATE RESPONDENTS VALIDLY EXECUTED QUITCLAIMS AFTER THEY WERE REDUNDATED.
- III. THE COURT OF APPEALS ERRED IN AFFIRMING THE LABOR ARBITER'S AWARD OF FULL BACKWAGES TO PRIVATE RESPONDENTS.
- IV. THE COURT OF APPEALS ERRED IN AFFIRMING THE LABOR ARBITER'S AWARD OF DAMAGES TO PRIVATE RESPONDENTS.<sup>[19]</sup>

Petitioners argue that the conclusion of the courts *a quo* that the company allegedly did not utilize a substantive criteria in deciding who among its employees would be retained following its restructuring - is not supported by evidence on record. On the