

SECOND DIVISION

[G.R. NO. 150278, August 09, 2007]

**LANDTEX INDUSTRIES AND WILLIAM GO, PETITIONERS, VS.
COURT OF APPEALS, SALVADOR M. AYSON, AND LANDTEX
INDUSTRIES WORKERS UNION - FEDERATION OF FREE
WORKERS (FFW), RESPONDENTS.**

DECISION

CARPIO, J.:

The Case

This is a petition for review on certiorari^[1] of the Decision^[2] dated 13 February 2001 and of the Resolution^[3] dated 16 October 2001 of the Court of Appeals (appellate court) in CA-G.R. SP No. 50060. The Decision ordered petitioners Landtex Industries (Landtex) and William Go to award respondent Salvador M. Ayson (Ayson) separation pay in lieu of reinstatement, backwages, 13th month pay, service incentive leave pay, and attorney's fees.

The Facts

Landtex, a sole proprietorship owned by Alex Go and managed by William Go, is a business enterprise engaged in the manufacture of garments. Ayson worked in Landtex as a knitting operator from 19 May 1979 to 6 July 1996. Ayson was an officer^[4] of Landtex Industries Workers Union - Federation of Free Workers (union) which had an existing collective bargaining agreement (CBA) with Landtex.

Ayson received a letter^[5] from Landtex dated 16 March 1996 which stated that Ayson committed acts contrary to company policies on 2 and 7 March 1996. The letter required Ayson to explain in writing within 24 hours from receipt why no disciplinary action should be taken against him for spreading damaging rumors about the personal life of an unspecified person, and for having an altercation with one of the company's owners when he was asked to submit an ID picture.

Ayson replied in writing^[6] that he could not defend himself from the charge of spreading damaging rumors because Landtex's letter failed to state what rumors he was supposed to have spread. Ayson further explained that he merely replied in a loud voice to the company owner's request because he was carrying textiles. Ayson then apologized for his actions.

Landtex sent Ayson another letter dated 2 April 1996 informing him of its receipt of his explanation. Landtex informed Ayson that the omission of the details about the damaging rumors was intentional because other employees might be able to read the letter. Furthermore, Landtex decided to conduct an investigation on 26 April

1996 in view of Ayson's denials.

The first meeting between Ayson and Landtex's counsel took place on 26 April 1996. The minutes of the 26 April 1996 meeting state that Ayson was informed that there were witnesses who could testify that he spread rumors about the personal life of William Go and his family. Ayson denied that he spread rumors and requested for another meeting so that he could hear the alleged witnesses and defend himself. Ayson further requested that the next investigation be held at Landtex's Mauban office because he and the union officers accompanying him suffer salary deductions for their attendance of investigations during office hours.^[7] Another meeting was scheduled for 5 May 1996, but Ayson was unable to attend it and went home early because he allegedly needed to look after his child.

The second meeting between Ayson and Landtex's counsel took place on 5 June 1996. The minutes of the 5 June 1996 meeting state that Ayson and a union officer accompanying him appeared but refused to sign the attendance sheet or to participate. Landtex's counsel, Atty. Generosa Jacinto, made a note in the minutes which reads, "Pls. advise mgt. They can take any action they want."^[8]

In a letter dated 19 June 1996, Landtex terminated Ayson's services effective 30 June 1996 because of Ayson's lack of cooperation during the investigations. Despite this notice, Ayson still reported for work until 6 July 1996.

In a letter dated 8 July 1996, the union president requested Landtex for a formal dialogue regarding Ayson's case. Landtex reaffirmed its decision to terminate Ayson in meetings with the union held on 10 and 16 July 1996. Landtex and the union agreed to refer the matter to a third party in accordance with the provisions of law and of the CBA. Landtex expected Ayson to refer the issue to the National Conciliation and Mediation Board (NCMB) for the selection of a voluntary arbitrator. Ayson and the union, however, filed a complaint before the labor arbiter.^[9]

The labor arbiter conducted mandatory conferences for amicable settlement with the participation of all parties. The parties agreed to the idea of payment of separation pay in lieu of reinstatement but differed as to the amount. Ayson wanted to receive one month basic salary for every year of service while Landtex wanted to pay only one-half month basic salary for every year of service from date of hiring to termination of employment.^[10] The parties were not able to settle; hence, the labor arbiter ordered them to submit their position papers.

In his position paper, Ayson asked whether his dismissal from employment has any just cause. Ayson also asked whether Landtex complied with procedural due process when it terminated his employment.

On the other hand, Landtex and William Go revealed in their position paper that Ayson was seen having a drinking session with other Landtex employees near the company premises. A Landtex security guard, who was a part of the drinking session but whose identity was not revealed, stated that Ayson maliciously narrated spiteful stories about the personal life of William Go. Landtex also questioned the jurisdiction of the labor arbiter over Ayson's case. Landtex insisted that the labor arbiter should dismiss Ayson's case and refer it to the NCMB for the selection of a voluntary arbitrator.

The Ruling of the Labor Arbiter

On 30 September 1997, the labor arbiter promulgated his decision^[11] which ruled in favor of Ayson. The labor arbiter declared that despite the union's manifestation of its desire to refer Ayson's case to "a third party in accordance with provisions of law and CBA,"^[12] this manifestation did not affect Landtex's termination of Ayson's employment. Ayson's termination thus properly falls under the jurisdiction of the labor arbiter. Moreover, the labor arbiter did not find any evidence supporting Landtex's allegations that Ayson spread malicious rumors about William Go or shouted at William Go's wife. The pertinent portions of the labor arbiter's decision read:

Dismissal of a worker is no trifling matter; more so, of herein [Ayson] who had been employed with [Landtex] for seventeen years, more or less. The dismissal must be for a just cause, let alone with due process, and must be based on substantial evidence. Mere allegations will not suffice.

WHEREFORE, premises considered, judgment is hereby rendered ordering [Landtex Industries and William Go] to reinstate [Ayson] to his former position without loss of seniority rights with full backwages from the date his salary has been withheld until the actual date of reinstatement.

[Landtex Industries and William Go] are further ordered to pay ten (10%) percent of [Ayson's] total monetary award as attorney's fees.

Backwages

6/30/96 - 8/31/97 = 14.0 mos.
P165.00 x 30 x 14.00 mos. = P 69,300.00

13th Month Pay = 5,775.00

SILP

5.833 days x P165.00 = 962.50
P 76,037.50

Attorney's Fees = 7,603.75

TOTAL P 83,641.25

All other claims of [Ayson] are dismissed for lack of merit.

SO ORDERED.^[13]

Landtex and William Go appealed the labor arbiter's decision to the National Labor Relations Commission (NLRC). Landtex and William Go posted a bond in the amount of the total award in the labor arbiter's decision to perfect their appeal and to enjoin the execution of the decision. Landtex and William Go insisted that the labor arbiter had no jurisdiction over the parties and over the subject matter in the present case.

The Ruling of the NLRC

On 20 July 1998, the NLRC promulgated its decision^[14] which agreed with Landtex and William Go's argument that Ayson's case falls within the original and exclusive jurisdiction of the voluntary arbitrators, as provided in Article 261 of the Labor Code. Landtex merely imposed a disciplinary measure when it terminated Ayson's employment. Furthermore, the NLRC ruled that Ayson waived his right to have his case heard before any other forum when he did not undergo the grievance process mandated by his union's CBA with Landtex. The NLRC declared that the disciplinary action meted out by Landtex to Ayson and the waiver of Ayson's right to have his case heard were matters which require the interpretation of the CBA, and thus were within the original and exclusive jurisdiction of the voluntary arbitrators. The dispositive portion of the NLRC's decision reads:

WHEREFORE, the decision appealed from is hereby SET ASIDE on the ground of lack of jurisdiction over the subject matter. The instant case is hereby referred to Voluntary Arbitration in accordance with the Collective Bargaining Agreement.

SO ORDERED.^[15]

The NLRC dismissed Ayson and the union's motion for reconsideration on 11 September 1998. Ayson and the union then filed a petition for certiorari before the appellate court.

The Ruling of the Appellate Court

In a decision promulgated on 13 February 2001, the appellate court sustained the jurisdiction of the labor arbiter and modified the award in favor of Ayson. The appellate court further stated that the records are "bereft of any showing that a grievance mediation had been undertaken so as to thresh out any disciplinary measure against [Ayson]."^[16] The appellate court took Landtex and William Go to task because they took "the avenue of least resistance" and discussed the possibility of an amicable settlement instead of filing a motion to dismiss before the labor arbiter. Moreover, the appellate court found that Ayson was illegally dismissed because his termination was characterized by "bad faith, [and] wanton and reckless exercise of management prerogative."^[17] Landtex's allegations against Ayson failed to show that Ayson's dismissal was for a just cause. The appellate court awarded Ayson full backwages, separation pay (equivalent to one month's pay for every year of service, a fraction of at least six months being considered as one whole year) in lieu of reinstatement, 13th month pay, service incentive leave pay, and attorney's fees. The dispositive portion of the decision of the appellate court reads:

WHEREFORE, premises considered, the petition is GRANTED- and the decision (promulgated on July 20, 1998) and the resolution (promulgated on September 11, 1998) of the public respondent (National Labor Relations Commission) in NLRC NCR Case No. 00-07-04492-92 is hereby REVERSED and SET ASIDE. The decision of the labor arbiter, which was rendered on September 30, 1997 is hereby REINSTATED-subject, however, to the MODIFICATION that separation pay shall be awarded to [Ayson] in lieu of reinstatement. No pronouncement as to costs.

SO ORDERED.^[18]

Landtex and William Go filed a motion for reconsideration of the appellate court's decision. Ayson and the union also contested the appellate court's award of separation pay in lieu of reinstatement. The appellate court dismissed both motions in a resolution promulgated on 16 October 2001.

Landtex and William Go then filed a petition for review before this Court on 11 December 2001. Ayson and the union also filed a petition for review, docketed as G.R. No. 150392, but this petition was withdrawn as Ayson no longer desired to question the resolution of the appellate court.^[19] Emilia P. Ayson, respondent Ayson's wife, later made a manifestation that she would like to represent Ayson in the present case since her husband died on 28 August 2002. She attached Ayson's death certificate and their marriage certificate to prove her allegations.

When Landtex and William Go filed their memorandum in the present case, they stated that Landtex started to suffer serious business reverses in the first quarter of 2001. Landtex's cutting and knitting departments temporarily closed in December 2002, and Landtex permanently ceased its operations in February 2003. Landtex and William Go attached Landtex's notice of closure to the union dated 9 January 2003, Landtex's balance sheets for the years 2000 to 2002, Landtex's profit and loss statements for the years 2000 to 2002, notice of extra-judicial sale of the property of spouses Alex and Nancy Go, demand letters addressed to Alex Go, and unpaid utility bills in the name of Alex Go to prove their allegations.

The Issues

Landtex and William Go raise the following issues before this Court:

- A. Whether the NLRC correctly ruled that jurisdiction over the subject matter of the instant case pertains exclusively to the voluntary arbitrator considering that
 1. The existing CBA provides that "a grievance is one that arises from the interpretation or implementation of this agreement, including disciplinary action imposed on any covered employee"; and
 2. The parties have undergone the grievance machinery of the collective bargaining agreement.
- B. Whether the instant case concerns enforcement and implementation of company personnel policy and that the issue therein was timely raised.
- C. Whether there is a valid ground for termination of the employment of [Ayson].
- D. Whether [Ayson] is entitled to backwages and separation pay.