

FIRST DIVISION

[G.R. NO. 143542, June 08, 2006]

**SIME DARBY PILIPINAS, INC. AND LARRY C. DUBBERLY,
PETITIONERS, VS. ALFREDO ARGUILLA AND HENRY C.
PEDRAJAS, RESPONDENTS.**

DECISION

CALLEJO, SR., J.:

Before the Court is a Petition for Review on *Certiorari* of the Decision^[1] of the Court of Appeals (CA) in CA-G.R. SP No. 50377 affirming the Decision of the National Labor Relations Commission (NLRC) in NLRC NCR CA No. 004693-93, which, in turn, affirmed the ruling of the Labor Arbiter in NLRC NCR Case No. 08-04696-90.

The Antecedents

On March 27, 1984, Sime Darby Pilipinas, Inc. (SDPI) employed Alfredo Arguilla as truck helper in its Recapping Department in Marikina (now Marikina City), Metro Manila. Henry C. Pedrajas was employed as truck driver in the same department on June 1, 1981.^[2]

On May 31, 1990, Arguilla and Pedrajas received separate letters^[3] from SDPI informing them that due to the insufficiency of available jobs in its recapping operations, it had decided "to retrench the excess personnel based on the 'last in, first out' principle," and that their services were considered terminated effective June 30, 1990. Arguilla and Pedrajas were assured that they would receive the following from SDPI:

- a. Severance Pay equivalent to one and one-half (1-1/2) months pay for every year of service;
- b. Commutation of proportionate unused sick leave credits;
- c. Commutation of proportionate unused emergency leave credits;
- d. Proportionate 13th month pay; and
- e. Enjoyment of balance of [their] vacation leave credits.^[4]

In a Letter^[5] dated June 8, 1990, SDPI informed the Department of Labor and Employment (DOLE) that it had undertaken a retrenchment program in its recap operations "in view of the insufficiency of available jobs resulting in redundancy and/or excess personnel," and that Arguilla and Pedrajas were among the retrenched employees.

On August 28, 1990, Arguilla and Pedrajas signed, under protest, their respective receipts and quitclaims, worded as follows:

KNOW ALL MEN BY THESE PRESENTS:

For and in consideration of the sum of PESOS ONE HUNDRED TWO THOUSAND FIVE HUNDRED NINETY THREE & 32/100 (P102,593.32) the receipt of which is by these presents acknowledged, I hereby release and quitclaim SIME DARBY PILIPINAS, INC. and/or SIME DARBY PILIPINAS, INC. - AMENDED RETIREMENT PLAN from any and all claims and demands which I have, or even to the present, and particularly from all claims, demands, damages and/or causes of action arising out of my employment with, and separation from SIME DARBY PILIPINAS, INC.

IN WITNESS WHEREOF, I hereby sign and execute these presents in Makati, Metro Manila, this 28th day of August 1990.

(Signature)
HENRY C. PEDRAJAS

UNDER PROTEST 8/31/90

SIGNED IN THE PRESENCE OF:

(Signature)

(Signature)

X X X X
RECEIPT AND QUITCLAIM

KNOW ALL MEN BY THESE PRESENTS:

For and in consideration of the sum of PESOS SEVENTY ONE THOUSAND EIGHT HUNDRED THIRTY EIGHT & 16/100 (P71,838.16) the receipt of which is by these presents acknowledged, I hereby release and quitclaim SIME DARBY PILIPINAS, INC. and/or SIME DARBY PILIPINAS, INC. - AMENDED RETIREMENT PLAN from any and all claims and demand which I have, or even to the present, and particularly from all claims, demands, damages and/or causes of action arising out of my employment with, and separation from SIME DARBY PILIPINAS, INC.

IN WITNESS WHEREOF, I hereby sign and execute these presents in Makati, Metro Manila, this 28th day of August 1990.

(Signature)
ALFREDO A. ARGUILLA

UNDER PROTEST 8/31/90

SIGNED IN THE PRESENCE OF:

(Signature)

(Signature)^[6]

Arguilla and Pedrajas (herein respondents), thereafter filed a complaint for illegal dismissal with plea for their reinstatement and monetary benefits against SDPI and

its President, Larry C. Dubberly (herein petitioners). The case was docketed as NLRC NCR Case No. 08-04696-90.

In their Position Paper,^[7] petitioners alleged the following:

10. There should be no dispute at all that the retrenchment program undertaken by the respondents is legitimate and was done in good faith and for a valid purpose. For one, not only the two (2) complainants were affected or singled out, as they would want to project and impress upon this Honorable Office. To state a fact, there were a total of not less than sixty-five (65) employees from the company's different departments, in the provinces and in Metro Manila since February 1990, who were similarly retrenched and were paid their respective separation pay and other benefits due them by reason of such retrenchment move undertaken by the respondent company. x x x
11. Secondly, to show its good faith and the legitimacy of the retrenchment program, respondents complied with and observed the requirement of thirty (30) days prior notice to each and every affected employee, and the payment of benefits grossly over and above what was required under the law, and in fact, both complainants received and were paid substantial benefits in the amounts of P102,593.32 and P71,838.16, respectively, which they acknowledged receipt in a quitclaim and release, which they, however, inexplicably signed "Under Protest" on August 31, 1990, after receiving and benefiting from the proceeds thereof.
12. Thirdly, respondents complied with the reportorial requirements whereby it reported to the Chief, Labor Statistics Service of the Department of Labor and Employment (DOLE) the names of the employees of the Company who were/would be affected by the retrenchment program of the respondent company x x x, even only for statistical purposes. By and large, contrary to the contention by the complainants, the retrenchment program undertaken by the respondents, in whatever angle one is to look at it, is legitimate and was done in good faith. Consequently, unless shown to have been done in bad faith, and as a means to circumvent or defeat the intention of the law, the prerogative of the company to undertake an honest-to-goodness retrenchment program is inviolable and could not validly be interfered with.^[8]

Sometime in 1991, petitioner SDPI closed its Bacolod branch and retrenched 15 employees who were members of the Sime Darby Salaried Employees Association, Inc. (Union), the duly recognized collective bargaining unit of SDPI employees.^[9] The Union, in behalf of its members, filed a complaint for unfair labor practice against petitioner SDPI, alleging therein that the retrenchment program, the closure of the Bacolod, Iriga and Cagayan de Oro City branches, and the termination of the employment of its members were intended to bust the Union. They insisted that these were in the nature of unfair labor practice, as the dismissed employees were not given the opportunity to resign. The Union prayed that, after due proceedings, judgment be rendered, thus:

WHEREFORE, it is respectfully prayed that a decision be rendered in favor of complainant against the respondents ordering the latter:

- a) Guilty of committing unfair labor practice acts;
- b) To reinstate with full backwages and without loss of seniority rights the following:
 - 1. Antonio Domantay - Sales Dept., Head Office-Marketing Coordinator - Original & TBA Sales. One of the most senior of the Sales Dept.
 - 2. Leonardo Amodia - Accounts Receivable Clerk - Cebu Branch - A union officer and the most senior of the Dept.
 - 3. Bethoven Tupas - Davao Branch - Inside Salesman - previously a marketing coordinator/outside salesman.
 - 4. Romulo Reblingca - Davao Branch - Partsman.
 - 5. Rommel Felstado - Sales Engineer, Head Office Tractors Division.
- c. To immediately comply [with] the decision in:
 - c.1 NCR Case No. 1-34-85
 - c.2 G.R. No. 77188
- d. To open up all those closed positions which were formerly handled by union members and contracted out;
- e. To cease and desist from committing acts of union-busting, contracting out of jobs and other similar or analogous acts which may constitute unfair labor practice.

Considering that the charges in this case constituted criminal liabilities, it is respectfully prayed that this case be immediately, as much as possible, terminated in order to discourage and prevent the individual respondents from further committing unfair labor practice acts similar to the charges in the above-entitled case.

It is so finally prayed that complainant be granted with such other reliefs and remedies under the premises.^[10]

The case was docketed as NLRC NCR Case No. 00-06-0355-91.

On December 8, 1992, the Labor Arbiter rendered judgment in NLRC NCR Case No. 08-04696-90 in favor of respondents. The *fallo* of the decision reads:

Accordingly, respondent is hereby declared guilty of illegal dismissal and is hereby ordered to reinstate complainants to their former or equivalent positions without loss of seniority rights and other benefits plus one year backwages, computed as follows:

HENRY PEDRAJAS

6/30/90 - 6/30/91 = 12.0 mos.	
P257.76 x 26 x 12.0 mos.	= P80,421.12
1/12 of P80,421.12	<u>6,701.76</u>
Total	P87,122.88

ALFREDO ARGUILLA

3/30/90 - 3/30/91 = 12.0 mos.	
P257.76 x 26 x 12.0 mos.	= P80,421.12
1/12 of P80,421.12	<u>6,701.76</u>
Total	P87,122.88

SO ORDERED.^[11]

The Labor Arbiter anchored his ruling on the finding that petitioners failed to produce evidence to support the contention that they resorted to retrenchment for reasons of "economic survival," let alone submit record and documents to prove their claim. The Labor Arbiter emphasized that any act sanctioning the dismissal of respondents would open the floodgates to abuse, as there simply was no evidence to prove that petitioner SDPI has been suffering losses or that the position the dismissed employees were occupying had become redundant.^[12]

According to the Labor Arbiter, the fact that respondents executed their respective Quitclaims and Releases and had received amounts corresponding to their years of service was of no moment, since respondents, from the very start, had manifested their protest against petitioners' decision to do away with their services. It was not surprising that they accepted the amounts paid to them, as they were left with no choice. The Labor Arbiter, likewise, considered the ages of the respondents at the time of their separation from the service, and how it would be very hard for them to get other jobs.^[13]

Petitioners appealed the decision to the NLRC. In the meantime, respondents were reinstated to their former positions, per their manifestation to the NLRC dated July 5, 1995.

In a separate development, the Labor Arbiter rendered judgment in NLRC NCR Case No. 00-06-0355-91 on August 4, 1992, dismissing the complaint for unfair labor practice against petitioners. The Labor Arbiter ruled that the retrenchment program implemented by petitioners in the SDPI head office, including the closure of its Bacolod office, was a valid exercise of management prerogative. It was further pointed out that even the Union itself admitted that the retrenchment of employees would reduce labor costs by at least P7,200,000.00, and that even Goodyear Philippines, a competitor of petitioner SDPI, was winding up its affairs.

The Union appealed the decision to the NLRC.

Meanwhile, on August 4, 1995, respondents received P18,884.03 and P18,887.80, respectively, from petitioner SDPI, and signed their respective Receipt and Quitclaims^[14] pertinent thereto.

A few months later, petitioner SDPI and Goodyear Philippines, Inc. executed a