

THIRD DIVISION

[G.R. No. 163033, October 02, 2009]

SAN MIGUEL CORPORATION, PETITIONER, VS. EDUARDO L. TEODOSIO, RESPONDENT.

DECISION

PERALTA, J.:

This is a petition for review on *certiorari*, under Rule 45 of the Rules of Court, seeking to annul and set aside the Decision^[1] dated October 30, 2003, rendered by the Court of Appeals (CA) in CA-G.R. SP No. 60334 and its Resolution^[2] dated February 24, 2004 denying petitioner's motion for reconsideration.

The factual and procedural antecedents are as follows:

On September 5, 1991, respondent Eduardo Teodosio was hired by San Miguel Corporation (SMC) as a casual forklift operator in its Bacolod City Brewery.^[3] As a forklift operator, respondent was tasked with loading and unloading pallet^[4] of beer cases within the brewery premises. Respondent continuously worked from September 5, 1991 until March 1992, after which he was "asked to rest" for a while. A month after, or sometime in April 1992, respondent was rehired for the same position, and after serving for about five to six months, he was again "asked to rest." After three weeks, he was again rehired as a forklift operator. He continued to work as such until August 1993.^[5]

Sometime in August 1993, respondent was made to sign an "Employment with a Fixed Period"^[6] contract by SMC, wherein it was stipulated, among other things, that respondent's employment would be "from August 7, 1993 to August 30, 1995, or upon cessation of the instability/fluctuation of the market demand, whichever comes first." Thereafter, respondent worked at the plant without interruption as a forklift operator.

On March 20, 1995, respondent was transferred to the plant's bottling section as a case piler. In a letter^[7] dated April 10, 1995, respondent formally informed SMC of his opposition to his transfer to the bottling section. He asserted that he would be more effective as a forklift operator because he had been employed as such for more than three years already. Respondent also requested that he be transferred to his former position as a forklift operator. However, SMC did not answer his letter.

In an undated letter,^[8] respondent informed SMC that he was applying for the vacant position of bottling crew as he was interested in becoming a regular employee of SMC.

On June 1, 1995, SMC notified the respondent that his employment shall be

terminated on July 1, 1995 in compliance with the Employment with a Fixed Period contract.^[9] SMC explained that this was due to the reorganization and streamlining of its operations.

In a letter^[10] dated July 3, 1995, respondent expressed his dismay for his dismissal. He informed SMC that despite the fact that he would be compelled to receive his separation pay and would be forced to sign a waiver to that effect, this does not mean that he would be waiving his right to question his dismissal and to claim employment benefits as provided in the Collective Bargaining Agreement (CBA) and company policies.

Thereafter, respondent signed a Receipt and Release^[11] document in favor of SMC and accepted his separation pay, thereby releasing all his claims against SMC.

On July 4, 1995, respondent filed a Complaint^[12] against SMC before the National Labor Relations Commission (NLRC), Regional Arbitration Branch No. VI, Bacolod City, for illegal dismissal and underpayment of wages and other benefits.

After the filing of the parties' respective pleadings, the Labor Arbiter rendered a Decision^[13] dismissing the complaint for lack of merit. The Labor Arbiter concluded that the contract of employment with a fix period signed by respondent was a legitimate exercise of management prerogative. There was thus nothing illegal about respondent's transfer to the bottling section and the assignment of a regular employee to his former position. Considering that respondent failed to qualify in the bottling section and there was no longer any available position for him, his termination in accordance with the employment contract was valid. Moreover, the Labor Arbiter opined that since the respondent was not a union member and not a regular employee of SMC, he was not entitled to the benefits granted by the existing CBA.^[14]

Aggrieved, respondent sought recourse before the NLRC, Fourth Division, Cebu City. On November 26, 1999, the NLRC rendered a Decision^[15] dismissing the appeal and affirming the decision of the Labor Arbiter. The NLRC anchored its decision on the fact that respondent signed a "Receipt and Release" upon receiving his separation pay from SMC. It upheld the validity of the said Receipt and Release document, finding the same to have been voluntarily executed by the respondent and the consideration therefor appears to be reasonable under the circumstances.^[16] The respondent filed a motion for reconsideration, but it was denied in a Resolution^[17] dated May 26, 2000.

Respondent then filed before the CA a petition for *certiorari*, docketed as CA-G.R. SP No. 60334, seeking to annul and set aside the said Decision and Resolution of the NLRC.^[18]

On October 30, 2003, the CA rendered a Decision^[19] granting the petition, the decretal portion of which reads:

WHEREFORE, the instant petition is **GRANTED.** The Decision dated November 29, 1999 and Resolution dated May 26, 2000 of the National

Labor Relations Commission, Fourth Division, Cebu City and Decision dated April 24, 1998 of the Labor Arbiter are **REVERSED** and **SET ASIDE**. Judgment is rendered ordering:

1. The reinstatement of petitioner Eduardo Teodosio to his position as forklift operator without loss of seniority rights.
2. The private respondent San Miguel Corporation to pay the full backwages of the petitioner from the day of his illegal dismissal until actual reinstatement. Said backwages shall be computed on the basis of the basic salary, allowances and other benefits granted to regular employees under the Collective Bargaining Agreement existing at the time. Public respondent NLRC is hereby directed to make the computation of said full backwages and inform soonest all parties as well as this Court, accordingly, within thirty days after receipt of this decision.
3. The private respondent San Miguel Corporation to pay the deficiency amount of salary, allowances and benefits that petitioner should have received as a regular employee from the time he attained the status of regular employee by operation of law on September, 1996 to the time he was illegally dismissed. Public respondent NLRC is likewise directed to make the necessary computation and inform all parties and this Court within thirty (30) days after receipt of this decision.
4. The private respondent San Miguel Corporation to pay petitioner the amount of FIFTY THOUSAND PESOS (P50,000.00) as moral damages, TEN THOUSAND PESOS (P10,000.00) as exemplary damages and ten percent (10%) of the total amount awarded to petitioner by this Court as attorney's fees. Costs against private respondent San Miguel Corporation.

SO ORDERED.^[20]

In granting the petition, the CA ratiocinated that the Employment with a Fixed Period contract was just a scheme of SMC to circumvent respondent's security of tenure. The CA concluded that even before the respondent signed the employment contract, he already attained the status of a regular employee. Consequently, respondent's transfer to the bottling section and his subsequent dismissal were evidently tainted with bad faith. Moreover, the appellate court declared invalid the Receipt and Release document signed by the respondent, since the law proscribes any agreement whereby a worker agrees to receive less compensation than what he is entitled to recover. It added that a deed of release or quitclaim cannot bar an employee from demanding benefits to which he is legally entitled.

SMC filed a motion for reconsideration, but it was denied in the Resolution^[21] dated February 24, 2004.

Hence, this petition assigning the following errors:

First ground

The hon. Court of appeals committed serious errors when it did not uphold the validity of the contract of employment with a fixed period (hereinafter referred to as "EWFP", for brevity) between smc and respondent teodosio.

Second ground

The hon. Court of Appeals seriously erred in declaring that respondent had already attained status of a regular employee even before [THE] parties entered into the ewfp contract.

Third ground

The hon. Court of Appeals seriously erred in its conclusion that respondent's transfer to the bottling section and subsequent dismissal was tainted with bad faith since having acquired the status of a regular employee as early as 1992, respondent had a vested right to his position as foklift (sic) operator which could not be arbitrarily taken from him and given to accommodate another regular employee, mr. vaflor.

Fourth ground

The hon. Court of Appeals seriously erred when it declared that from September 1992 or one (1) year after respondent was hired and attained regular status by operation of law, he was entitled to receive the same basic salary and benefits granted by the collective bargaining agre[E]ment to respondent's co-workers/forklift operators who were regular employees.

Fifth ground

The hon. Court of Appeals seriously erred when it did not uphold the validity of the "receipt and release" signed by respondent.

Sixth ground

The hon. Court of Appeals seriously erred when it concluded that smc intentionally evaded its legal obligation of granting the benefits and privileges to which its loyal employee of five years is clearly entitled to and such act being oppressive to labor and contrary to the avowed public policy of protecting labor rights entitled the grant to respondent of moral

damages in the amount of fifty thousand pesos (P50,000.00) and exemplary damages of ten thousand pesos (P10,000.00) as well as attorney's fees in the amount of ten percent (10%) of the total award for expenses incurred by respondent to protect his rights and interests.

Seventh ground

The hon. Court of Appeals seriously erred when it granted the petition on certiorari filed by respondent and reversed and set aside the decision dated November 26, 1999 (not November 29, 1999 as erroneously stated) and resolution dated May 26, 2000 of the nlrc, fourth division, cebu city, and decision dated April 24, 1998 of the labor arbiter, and consequently ordered the following:

- 1) the reinstatement of petitioner Eduardo teodosio to his position as forklift operator without losss [sic] of seniority rights;
 - 2) the private respondent san Miguel corporation to pay the full backwages of the petitioners from the day of his illegal dismissal until actual reinstatement. Said backwages shall be computed on the basis of the basic salary, allowances and other benefits granted to regular employees under the collective bargaining agreement existing at the time;
 - 3) The private respondent san Miguel corporation to pay the deficiency amount of salary, allowances and benefits that petitioner should have received as a regular employee from the time he attained the status of regular employee by operation of law on September, 1996 to the time he was illegally dismissed. x x x.;
 - 4) the private respondent san Miguel corporation to pay petitioner the amount of fifty thousand PESOS (P50,000.00) as moral damages, ten thousand pesos (P10,000.00) as exemplary damages and ten percent (10%) of the total amount awarded to petitioner by this court as attorney's fees.
- Costs against private respondent san Miguel corporation.^[22]

Simply stated, the issues before us are the following: 1) whether the respondent was a regular employee of SMC; 2) whether the respondent was illegally dismissed; and 3) whether the respondent is entitled to his monetary claims and damages.

SMC argues that it did not have the slightest intention to circumvent respondent's right to security of tenure. When SMC employed respondent, it was in response to the business environment and operating needs prevailing at that time. It was made in good faith and in the exercise of business judgment. The option of SMC to fully mechanize its operations and to regularize the second shift of employees in the bottling section if favorable conditions prevail were known to the respondent when