

THIRD DIVISION

[G.R. No. 228328, March 11, 2020]

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DECISION

ZALAMEDA, J.:

A company's decision to resume part of its previous operation does not automatically negate good faith in its prior action to close shop. The circumstances leading to the company's closure should properly be evaluated to determine whether it was done in good faith or otherwise resulting in the circumvention of the rights of its workers.

The Case

In this petition for review on *certiorari*, petitioners assail the Decision dated 23 May 2016^[1] and Resolution dated 4 November 2016^[2] of the Court of Appeals (CA), which reversed the ruling of the National Labor Relations Commission (NLRC) and held that petitioners were not illegally dismissed.

Antecedents

Respondent Shin Heung Electrodigital, Inc. (Shin Heung) is a company primarily engaged in the manufacture of a computer part called "deck" exclusively for Smart Electronics Manufacturing Service Philippines, Inc. (SEPHIL). Due to dwindling sales and decreasing use of their manufactured product, Shin Heung was initially forced to reduce its labor force from 2000 to 991 employees.^[3] Eventually, Shin Heung decided to close shop after SEPHIL formally terminated its contract with the company.^[4] It, thus, issued a Memorandum dated 18 April 2013, informing its employees of the company's impending closure on 31 July 2013, to wit:

Much to our regret, we are informing all workers and staff that our company, Shin Heung Electro Digital, Inc., will cease to operate starting at the close of business hours on July 31, 2013. Retrenchment of workers shall however start after 30-days from notice due to lack of work and so that the company may be able to save from further losses. Workers who

last joined the company shall be the first to go (LAST IN, FIRST OUT). However, workers may volunteer to be retrenched ahead. Those who belong to a section that was closed for lack of work maybe be (sic) retrenched earlier regardless of their date of joining the company.

Regular and probationary, workers who has (sic) rendered service of more than six (6) months shall be paid of separation pay in accordance with law, that of fifteen (15) days basic salary for every year of service, a fraction of six (6) months or more shall be considered one year for the purpose of computation of separation pay, in no case will a worker receive separation pay of less than one month salary, as provided for under Article 283 of the Labor Code of the Philippines. Workers will however be required to process their individual clearance and to execute and sign the required documents as a condition for the payment of separation. NO DOCUMENT, NO PAY.

The decision to close is due to the sad fact that our only client, SEPHIL has officially informed our management that they can no longer maintain orders with our company and with Shin Yae at the same time. Shin Yae will remain as the vendor for SEPHIL based on the decision of the parties concerned.

The decision of SEPHIL may have been prompted by the continuous decrease in the market demand and due to the very stiff business competition in the electronic industry.

As it maybe (sic) already known to everybody, our company has been suffering from continuous business losses since business orders from our only client has steadily decreased since last year. The management has resorted to borrowing from bank to continue its business operation, hoping for business improvement but unfortunately, the business situation even worsened. As a result, our company is now heavily indebted and the stockholders was (sic) left with no other choice but to decide to close business operation and to sell the company factory and equipment to pay our bank loans and obligations.

Everybody is reminded to observe the company rules and regulation during this (sic) last few days of business operation. Every infraction of the company rules shall be penalized in accordance with the rules, including that of termination from work. Workers shall be updated of any development on the matter. Further inquiry may be addressed to the management during office hours.

THE MANAGEMENT^[5]

On the same day, Shin Heung also informed the Department of Labor and Employment (DOLE) of its intent to completely close operations, viz:

This is to report that our company, Shin Heung Electro Digital, Inc., with office and plant address at CPIP, Batino, Calamba City, Laguna will totally close operation at the end of business hours on July 31, 2013.