THIRD DIVISION

[G.R. No. 194467, July 17, 2020]

MELCHOR A. CUADRA, MELENCIO TRINIDAD, AND SERAFIN TRINIDAD, PETITIONERS, VS. SAN MIGUEL CORPORATION, RESPONDENT.

DECISION

LEONEN, J.:

When there is no evidence to the contrary, an employee's period of service is presumed continuous and its reckoning point shall be the day the employee first came under the employ of the employer. However, if in the interim, the employer-employee relationship was validly severed, returning to the same employer for work shall be considered a rehiring, and the length of service shall be reckoned from the day the employee was rehired.

This resolves the Petition for Review on Certiorari[1] assailing the Decision[2] and Resolution[3] of the Court of Appeals in CA-G.R. SP No. 104828. The Court of Appeals declared that the length of service of Melchor Cuadra (Melchor), Melencio Trinidad (Melencio), and Serafin Trinidad (Serafin) in San Miguel Corporation (San Miguel) must be reckoned from the time they were declared regular employees on December 15, 1994.[4] Thus, the Court of Appeals affirmed with modification the Voluntary Arbitrator's Decision[5] that reckoned the computation of Melchor, Melencio, and Serafin's length of service from the time they first started working in San Miguel, i.e., 1985 for Melchor, and 1988 for Melencio and Serafin.

Melchor, Melencio, and Serafin were among the 60[6] complainants who filed an illegal dismissal case before the National Labor Relations Commission against Lippercon Services, Inc. and San Miguel on January 4, 1991.[7] During the pendency of the proceedings before the Labor Arbiter, 51 out of the 60 complainants amicably settled with San Miguel.

In the December 15, 1994 Decision,[8] Labor Arbiter Manual R. Caday (Labor Arbiter Caday) found that the remaining nine (9) complainants were regular employees of San Miguel. According to Labor Arbiter Caday, Lippercon Services was a mere labor-only contractor and that San Miguel was the true employer of complainants. Therefore, it was San Miguel who was ordered to reinstate the complainants to their former positions as regular employees, their regular status "effective as of the date of [the Labor Arbiter's] decision."[9] The complainants were then awarded backwages "of not more than three (3) years"[10] as well as wage differentials pursuant to Wage Order No. NCR-01 and NCR-02. The dispositive portion of Labor Arbiter Caday's December 15, 1994 Decision reads:

> WHEREFORE, premises all considered, judgment is hereby rendered declaring the respondent San Miguel Corporation (SMC) as the true employer of the remaining nine (9) complainants, with the respondent Lippercon Services, Inc. as "labor only" contractor; declaring the dismissal of the said remaining nine (9) complainants to be illegal and ordering the respondent San Miguel Corporation to reinstate them as regular employees, effective as of the date of this decision, to their former positions at its Manila Glass Plant with backwages of not more than three (3) years without any qualification or reductions and to pay them the P17.00 and P10.00 Wage increases under Wage Order No. NCR-01 and Wage Order No. 2 pursuant to the above dispositions.
>
> SO ORDERED.[11]

San Miguel appealed before the National Labor Relations Commission. In its May 31, 1995 Resolution, the Commission's Third Division modified the Decision of Labor Arbiter Caday, ordering instead the payment of separation pay to complainants, thus:

> WHEREFORE, premises considered, the appealed decision is hereby MODIFIED as aforediscussed. The award of reinstatement with one (1) year backwages is hereby deleted. In lieu thereof, respondent is hereby ordered to pay complainants their separation pay equivalent to one (1) month salary for every year of service, as period of at least six (6) months considered as one (1) whole year or the benefits provided under the Company's total assistance program, whichever is higher.[12]

Alleging grave abuse of discretion on the National Labor Relations Commission's part, the complainants directly filed a Petition for Certiorari before this Court.[13] However, pursuant to *St. Martin Funeral Homes v. National Labor Relations Commission*,[14] this Court referred the Petition for Certiorari to the Court of Appeals.[15]

In the April 12, 1999 Resolution, the Court of Appeals affirmed with modification the National Labor Relations Commission's Decision. The Court of Appeals further ordered the payment of backwages to complainants to be computed from the time they; were dismissed until the furnace they used for work was closed in June 1993. [16] The dispositive portion of the April 12, 1999 Resolution reads:

> WHEREFORE, premises considered, the appealed Decision dated 31 May 1995 and Resolution dated 13 October 1995 are both AFFIRMED with modification that the petitioners are likewise entitled to backwages corresponding to the period commencing on their respective dates of dismissal until the closure of the furnace in June 1993. The case is hereby REMANDED to the public respondent for a computation of the amount of backwages to be paid to petitioners in accordance with this decision as modified.[17]

San Miguel Corporation filed a Motion for Reconsideration and the complainants filed a Motion for Partial Reconsideration of the April 12, 1999 Resolution.[18] The Court of Appeals, in an October 14, 1999 Resolution, denied San Miguel's Motion for Reconsideration and partly granted the complainants' Motion for Partial

Reconsideration by deleting the award of separation pay and ordering the complainants' reinstatement.[19] The dispositive portion of the October 14, 1999 Resolution states:

> Accordingly, the private respondent's motion for reconsideration is DENIED and the petitioners' Motion for Partial Reconsideration is partly granted. The Court's Decision dated April 12, 1999 is MODIFIED to the extent that the award of separation pay is deleted and private respondent is directed to reinstate the petitioners to their former positions. In all other respects, the Decision stands.[20]

The Petition for Review on Certiorari filed by San Miguel was denied by this Court in the Resolution dated December 15, 1999 for having been filed out of time and for lack of the required affidavit of service. San Miguel's Motion for Reconsideration and Second Motion for Reconsideration were likewise denied by this Court.[21]

On May 25, 2000, this Court made an Entry of Judgment in its Book of Entries of Judgments, declaring its December 15, 1999 and February 7, 2000 Resolutions final and executory.[22]

On Melchor, Melencio, and Serafin's motion, Labor Arbiter Caday issued a Writ of Execution on September 1, 2000, directing the Sheriff to implement the order of reinstatement, thus:

> NOW THEREFORE, you are hereby commanded to proceed to the premises of the respondents at SMC Complex, San Miguel Avenue, Mandaluyong City, or wherever it may be found to cause the immediate reinstatement of complainants herein as decreed in the dispositive portion of the decision.[23]

During the execution proceedings, the parties entered into a compromise. Specifically for Melchor, Melencio, and Serafin, they each received P550,000.00 "as full, complete, absolute[,] and final settlement and satisfaction"[24] of each of their money claims and benefits as well as "any and all claims" connected with the illegal dismissal case filed before the National Labor Relations Commission. The complete terms of the quitclaim are as follows:

> I, Melchor A. Cuadra[,] of legal age, Filipino[,] and with residence address at _____ , hereby acknowledge receipt of United Coconut Planters Bank (UCPB-SMC Complex, Mandaluyong City) Check No. 0000047548 dated May 23, 2003 in the amount of Five Hundred Fifty Thousand Pesos (PhP 550,000.00) only, given to me by San Miguel Corporation as full, complete, absolute[,] and final settlement and satisfaction of all my money claims and benefits in connection with the case of Melchor Cuadra, et al. vs. San Miguel Corporation, et al.[,] [docketed as NLRC-NCR Case No. 01-0049-91, now pending before the NLRC and whatever claims I may have in connection therewith as well as any and all claims of whatever kind and nature which I had, I now may have or hereafter have against all respondents regarding incidents of this case and if any and all other cases, related to or which arose from the incidents of this case which were filed or are still pending.[25]

The compromise agreement was approved by Labor Arbiter Antonio R. Macam Labor Arbiter Macam),[26] replacing Labor Arbiter Caday who had died during the pendency of the execution proceedings.[27] Labor Arbiter Macam's June 25, 2003 Order provides:

> The parties appeared and manifested that they have finally settled the case with each complainant receiving a sum of P550,000.00 plus reinstatement with a daily salary rate of P400.00. Reinstatement will begin on July 1, 2003. Submitted in addition, are the respective Quitclaim and Release which complainants have executed.
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> ACCORDINGLY, finding the agreement to be fair and reasonable, the same is approved and the case dismissed, with prejudice.[28]

Pursuant to the compromise agreement, Melchor, Melencio, and Serafin were accordingly reinstated on July 1, 2003. However, as reflected in their newly issued identification cards, San Miguel reckoned the date of their employment from July 1, 2003—not from the time they were first hired to work in San Miguel, which was 1985 for Melchor, and 1988 for Melencio and Serafin.[29]

Thus, with the reckoning date of their service's length in San Miguel as the sole issue for resolution, Melchor, Melencio, and Serafin submitted their grievance to the Office of the Voluntary Arbitrator of the National Conciliation and Mediation Board. [30]

For them, Melchor's reckoning date should be from 1985, while Melencio and Serafin's should be from 1988, simply because they began their employment in those years. As for San Miguel, however, the lump sum paid under the quitclaim already included Melchor, Melencio, and Serafin's separation pay. Thus, they were already effectively new hires upon reinstatement, considering that their new positions were substantially different from their previous positions.[31]

Furthermore, the reckoning date—as San Miguel concluded—should begin on July 1, 2003, as provided in Labor Arbiter Macam's Order. Neither should the length of service be reckoned from December 15, 1994, the date of Labor Arbiter Caday's Decision; nor should it be reckoned from 1985 and 1988—the years when Melchor, Melencio, and Serafin began their employment in San Miguel.[32]

Voluntary Arbitrator Angel A. Ancheta (Voluntary Arbitrator Ancheta) decided the grievance, ruling in favor of Melchor, Melencio, and Serafin. Voluntary Arbitrator Ancheta held that the length of their service should be reckoned from the date when they were first hired, i.e., 1985 for Melchor, and 1988 for Melencio and Serafin. His reason was that reinstatement, "in its generally accepted sense, refers or denotes to restoration to a state which one has been removed or separated."[33]

Moreover, "[s]ince [Melchor, Melencio, and Serafin] were to be restored to their [former] positions and [their] status being found to be regular employees^]" Voluntary Arbitrator Ancheta concluded that they "could not be said as having started their employment only on the date when they were reinstated unless proven otherwise."[34]

Examining the terms of the quitclaim executed by Melchor, Melencio, and Serafin, Voluntary Arbitrator Ancheta held that nothing in the quitclaim provided that the compromise amount included separation pay. Therefore, based on the Parol Evidence Rule,[35] San Miguel cannot claim that Melchor, Melencio, and Serafin received the P550,000.00 as separation pay. They were not new hires when they commenced their employment on July 1, 2003, and their length of service must be reckoned from the time they were first hired: 1985 for Melchor and 1988 for Melencio and Serafin.

The dispositive portion of Voluntary Arbitrator Ancheta's July 22, 2008 Decision[36] reads:

> **WHEREFORE, in the light of the foregoing, judgment is hereby rendered declaring that the complainants' length of service must be reckoned from the date when they were hired specifically in 1985 for Melchor Cuadra, 1988 for both Melencio and Serafin Trinidad.**
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> **All other claims are dismissed for lack of merit.**
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> **SO ORDERED**.[37] (Emphasis in the original)

Similar to Voluntary Arbitrator Ancheta's finding, the Court of Appeals found that the parties agreed on reinstatement, defined as the "continuation of the service that was temporarily stopped due to an act of illegal dismissal imposed against an employee."[38] It noted that the June 25, 2003 compromise judgment ordered reinstatement.[39] Therefore, San Miguel cannot conclude that the compromise amount included separation pay.

For the Court of Appeals, the contention that the new positions given to Melchor, Melencio, and Serafin were substantially different from the previous positions they held does not mean that they were new hires when they returned for work on July 1, 2003.[40]

Moreover, the Court of Appeals said that "while an employer cannot be compelled to reinstate an employee to the same position if it is already legally impossible, [the employer], however, can choose to reinstate the latter to a different position subject to the acceptance of the said employee."[41] Considering that Melchor, Melencio, and Serafin accepted their new positions, the Court of Appeals said that such acceptance amounted to "a waiver of their right to be restored to their prior positions."[42]

However, the Court of Appeals differed from Voluntary Arbitrator Ancheta's finding on the reckoning date of Melchor, Melencio, and Serafin's length of service. For the Court of Appeals, the date should be reckoned from December 15, 1994: the date when they were officially declared as regular employees of San Miguel. The reason was that reinstatement is "a right accorded to an illegally dismissed *regular* employee."[43]

The dispositive portion of the June 29, 2010 Decision[44] of the Court of Appeals reads: