598 Phil. 768

SECOND DIVISION

[G.R. No. 172628, February 13, 2009]

COATS MANILA BAY, INC., PETITIONER, VS. PURITA M. ORTEGA (REPRESENTED BY ALEJANDRO SAN PEDRO, JR.) AND MARINA A. MONTERO, RESPONDENTS.

D E C I S I O N

TINGA, J.:

In this Petition for Review, [1] Coats Manila Bay, Inc. (petitioner) assails the decision[2] of the Court of Appeals dated 25 January 2002 which ruled that respondents were illegally dismissed by petitioner as the latter failed to substantiate its claim that it observed fair and reasonable criteria in selecting employees for dismissal as part of its redundancy program. The appellate court set aside the decision and resolution of the National Labor Relations Commission (NLRC) reversing the labor arbiter's decision granting respondents' complaints for illegal dismissal.

The facts are as follows:

Petitioner, a corporation registered under Philippine laws, is primarily engaged in the business of thread production. Purita M. Ortega and Marina A. Montero (respondents) were both employed by petitioner as Clerk Analysts in the Industrial Engineering Department. Both were members of Anglo-KMU Monthly Union (Union). [3]

On 27 April 2000, petitioner issued a memorandum announcing that a redundancy plan would be implemented.[4] It was stated that the redundancy program was necessary to prevent further losses. Petitioner assured its employees that implementing a redundancy program rather than a retrenchment program would result in better benefits to those dismissed.

As a result of this redundancy program, 135 employees were terminated, including respondents. They were advised on 9 May 2000 that they would be dismissed effective 15 June 2000.[5] On 10 May 2000, petitioner filed with the Department of Labor and Employment its *Establishment Termination Report*,[6] indicating that it was terminating 135 of its employees, including respondents, on the ground of redundancy. On 31 May 2000, petitioner and the Union held a labor-management meeting to discuss the fate of the employees affected by the redundancy program. [7] On 1 June 2000, respondents received their respective separation payments and thereafter executed release waivers and quitclaims in favor of petitioner.[8] In the meantime, 11 of the terminated employees were rehired by petitioner to different positions but with lower salaries.

On 8 June 2000, respondents filed a complaint for illegal dismissal, backwages, reinstatement, vacation/sick leave, 13th month pay, moral and exemplary damages, attorney's fees, litigation expenses and CBA benefits with the NLRC against petitioner and/or its Chief Executive Officer Arsenio N. Tanco (Tanco).[9]

Respondents asserted in their position paper that despite their dismissal due to redundancy, their functions were assigned to other workers.[10] They also claimed that they were constrained to sign the quitclaims and release waivers due to their pressing need for the separation pay. They further alleged that as a result of their termination they had suffered humiliation, wounded feelings, mental anguish and thus prayed for exemplary and morals damages well as attorney's fees.

Petitioner and Tanco claimed that they had the management prerogative to implement a redundancy program as per Article 283 of the Labor Code.[11] They aver that both respondents were notified that they would be subject to redundancy and that they never objected thereto as shown by the execution of their respective waivers/quitclaims.

On 21 October 2002, the Labor Arbiter rendered a decision[12] declaring illegal respondents' dismissal and directing petitioner to reinstate respondents to their former positions. The dispositive portion of the decision reads:

> WHEREFORE, premises considered, the complainants are hereby declared illegally dismissed, and respondent Coats Manila Bay, Inc. is thereby directed to reinstate them to their former positions without loss of seniority rights and other benefits, to pay their full backwages, including their 13th month pay, from the time of their termination up to the time of their actual reinstatement, and to pay each complainant 10% of the total award as attorney's fees.
>
> Nevertheless, the sums of money already paid by and received from the respondents by the complainants when they were terminated from the service shall be deducted from the total amount of their respective awards in this case, in the amount as computed by the NLRC NCR Computation Unit.
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> All other claims are dismissed for lack of merit.
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> SO ORDERED.[13]

On 18 November 2002, petitioner appealed the decision of the Labor Arbiter to the NLRC. On 21 January 2004, the NLRC reversed the decision of the Labor Arbiter and held that the dismissal was valid due to redundancy. Respondents moved for reconsideration but this was denied by the NLRC in a resolution dated 30 March 2005.

Undaunted, respondents filed a petition for *certiorari* with the Court of Appeals. The Court of Appeals granted their petition, reversed the decision of the NLRC and reinstated the decision of the Labor Arbiter. The dispositive portion of the decision states:

> WHEREFORE, the petition, being meritorious is GRANTED. The decision of the NLRC dated January 21, 2004 and its Resolution dated March 30, 2005 in NLRC NCR CA No. 033967-03 (NLRC NCR Case No. 06-03132-2000) are hereby REVERSED and SET ASIDE. The decision of the Labor Arbiter dated October 21, 2002 (NLRC NCR Case No. 06-03132-2000) is REINSTATED and AFFIRMED.
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> SO ORDERED.

The Court of Appeals ratiocinated that the record is bare of any evidence that fair and reasonable criteria in selecting the respondents were used. Moreover, the waivers and quitclaims executed by respondents did not negate their right to pursue their claims, the appellate court stated.

In the instant petition, petitioner asserts that the implementation of its redundancy program was not discriminatory, and that it implemented reasonable criteria in selecting employees to be retrenched. Moreover, the decision to dismiss respondents was reached after consultations with the Union. Petitioner also maintains that the quitclaims executed by respondents, in which the latter acknowledged receipt of their salaries, 13th month pay, vacation leave conversion, retrenchment pay and refund of withholding taxes, were not procured through fraud or deceit on its part, and that respondents had better educational attainment than the other workers; hence, the two understood what they were signing.

Respondents filed their comment,[14] asserting that petitioner raised no substantial argument to warrant reconsideration.[15] They contend that petitioner cannot invoke redundancy since there was no showing that the functions of respondents are duplicitous or superfluous. They also assert that petitioner failed to show that it was suffering from a serious downturn in business that would warrant redundancy given that such serious business downturn was the cause given by petitioner in the termination letters sent to respondents. They also assert that their educational attainment is irrelevant since the compelling factor in their acceptance of separation pay was the dire economic necessity to be caused by their impending loss of jobs.

The issues posed before the Court may thus be simplified into two: (i) the propriety of the redundancy program implemented by petitioner; and (ii) the validity of the waivers and quitclaims executed by respondents.

The petition is meritorious.

Propriety of redundancy program

For purposes of the Labor Code, redundancy exists where the services of an employee are in excess of what is reasonably demanded by the actual requirements of the enterprise. Succinctly put, a position is redundant where it is superfluous, and superfluity of a position or positions may be the outcome of a number of factors, such as over hiring of workers, decreased volume of business, or dropping of a particular product line or service activity previously manufactured or undertaken by the enterprise.[16] That no other person was holding the same position prior to the termination of one's services, does not show that his position had not become redundant. Indeed, in any well-organized business enterprise, it would be surprising

to find duplication of work and two (2) or more people doing the work of one person.[17] Just like installation of labor-saving devices, the ground of redundancy does not require the exhibition of proof of losses or imminent losses. In fact, of all the statutory grounds provided in Article 283 of the Labor Code, it is only retrenchment which requires proof of losses or possible losses as justification for termination of employment.[18]

The Court recognizes that a host of relevant factors comes into play in determining cost-efficient saving measures and in choosing who among the employees should be retained or separated. It is well settled that the characterization of an employee's services as no longer necessary or sustainable, and, therefore, properly terminable, is an exercise of business judgment on the part of the employer. However, the wisdom or soundness of such characterization or decision is not subject to discretionary review provided, of course, that violation of law or arbitrary or malicious action is not shown.[19] In several instances, the Court has held that it is important for a company to have fair and reasonable criteria in implementing its redundancy program, such as but not limited to, (a) preferred status, (b) efficiency and (c) seniority.[20]

We are satisfied that petitioner employed reasonable criteria in choosing which positions to declare redundant.

The Court notes that considerable deliberations were made before the redundancy program was implemented. As early as 22 April 2000, management had been upfront regarding its plans to implement a redundancy program, issuing a memorandum informing its employees that imminent "serious business downturn" had forced it to take "urgent steps to reduce (its) workforce." The memorandum also mentioned the criteria for selection of employees to be made redundant. Thus: "x x x primarily performance, *viz* absenteeism, record of disciplinary action, efficiency and work attitude. All other things being equal, the basis will be seniority." [21]

Records also show that petitioner held a labor-management meeting on 31 May 2000, wherein it discussed with the Union the redundant positions as well as the possible placement of the would-be displaced employees, the wage rate and work hours. Obviously, the redundancy program was carried out with the full consent and participation of the duly recognized labor union, which represents the employees-members. The minutes of the meeting which were duly signed by both the management and the union panels read in part:

> Marina Montero and Purita Ortega's positions are redundant. The same is true with Robert Higado's position. As earlier mentioned, Management told the Union there are no more available monthly positions but should they wish to take up daily jobs Management is willing to accommodate them.
>
> x x x
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> On the case of Marina Montero, Mr. Dequito suggested that Management accommodate M. Montero for one or two more years since she is already