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SECOND DIVISION

[G.R. NO. 148195, May 16, 2005]

LOPEZ SUGAR CORPORATION, PETITIONER, VS. LEONITO G. FRANCO, ROGELIO R. PABALAN, ROMEO T. PERRIN AND EDUARDO T. CANDELARIO, RESPONDENTS.

D E C I S I O N

CALLEJO, SR., J.:

This is a petition for review on *certiorari* of the Decision[1] of the Court of Appeals (CA) in CA-G.R. SP No. 49964, which affirmed the decision of the National Labor Relations Commission (NLRC) in NLRC Case No. V-0138-97, which, in turn, reversed the decision of the Labor Arbiter in RAB Case Nos. 06-01-10047-96, 06-64-10164-96 and 06-07-10292-96.

The Antecedents

Private respondents Leonito G. Franco, Rogelio R. Pabalan, Romeo T. Perrin and Eduardo T. Candelario were supervisory employees of the Lopez Sugar Corporation (the Corporation, for brevity). Franco was barely 20 years old when he was employed in 1974 as Fuel-in-Charge. His co-employee, Pabalan, was about 28 years old when he was hired by the Corporation as Shift Supervisor in the Sugar Storage Department in 1975.[2] On the other hand, Perrin and Candelario were employed in 1975 and 1976, respectively, as Planter Service Representatives (PSRs), who rose from the ranks and, by 1994, occupied supervisory positions in the Corporation's Cane Marketing Section.[3]

Franco supervised the fuel tenders, monitored fuel and lubricant requirements of the central, as well as those of the planters who ordered their requirements from the central. He also ensured the adequate supply of oil products. For his part, Pabalan supervised the delivery of sugar and molasses to and from the storage during his shift; he likewise supervised the regular, contractual and casual employees who were engaged in handling sugar. Perrin and Candelario, on the other hand, were tasked to convince planters to mill their canes using the services of the Corporation, provide technical assistance to planters, and attend to their various needs.[4]

By 1994, the supervisory employees of the Corporation, spearheaded by Franco, Pabalan, Perrin and Candelario, decided to form a labor union called Lopez Sugar Corporation Supervisor's Association. On December 29, 1994, the Department of Labor and Employment (DOLE) in Iloilo City, Regional Office No. VI, issued a Certificate of Registration[5] to the union. During its organizational meeting, Franco was elected president and Pabalan as treasurer. Perrin and Candelario, on the other hand, were among its active members. Out of the 108 members, 105 had agreed to authorize the check-off[6] of union dues against their salaries even before any

Collective Bargaining Agreement (CBA) had been executed by the union and management.

In January 1995, the officers of the union and the management held a meeting, which led to the submission of the union's proposals for a CBA on July 24, 1995.[7]

Meantime, on August 8, 1995, the Corporation's president issued a Memorandum[8] to the vice-president and department heads for the adoption of a special retirement program for supervisory and middle level managers. He emphasized that the management shall have the final say on who would be covered, and that the program would be irrevocable once approved.

In a Letter[9] dated August 14, 1995, the Corporation requested for more time to study the union's proposals for a CBA. The union was made to understand that the management's counter-proposals would be presented during their conference on August 30, 1995.

Perrin and Candelario were on leave when they were invited by Juan Masa, Jr., the head of the Cane Marketing Section, to the Northeast Beach Resort in Escalante, Negros Occidental. The latter informed them that they were all included in the special retirement program and would receive their respective notices of dismissal shortly.[10]

True enough, Masa, Pabalan, Franco, Perrin and Candelario received copies of the Memorandum dated August 25, 1995 from the Corporation's Vice-President for Administration and Finance, informing them that they were included in the "special retirement program" for supervisors and middle level managers; hence, their employment with the Corporation was to be terminated effective September 29, 1995, and they would be paid their salaries until September 27, 1995, thus:

> In line with the memorandum of the President dated August 8, 1995, announcing the adoption of a special retirement program for the supervisors and the middle level managers, and our earlier discussion with you, we wish to formalize our advice that you are one of the employees who will be covered by the Program. Your inclusion in the Program is primarily due to the fact that our study of our current organizational set-up reveals that the organization is presently over-staff[ed]. There are actually duplication of functions and responsibilities, and some duties could actually be performed by just one person. Management therefore had no choice but to reduce the present number of employees and you were selected as among those who will be separated from the service.
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> As stated in the memorandum, you will be entitled to a separation package equivalent to two months pay for every year of service, in addition to the conversion of your unused/earned sick leave and vacation leave credits and pro-rated 13th month pay. This generous non-precedent setting separation package, which is twice what the law provides, is being offered in consideration of your acceptance of your separation, thereby relieving the company from the trouble of any court litigation.[11]

The private respondents received their respective separation pays and executed their respective Release Waiver and Quitclaim[12] after receiving their clearances from the Corporation.

On August 31, 1995, the management wrote the union that its proposals for a CBA had been referred to its counsel.

Thereafter, the private respondents filed separate complaints against the corporation with the NLRC for illegal dismissal, unfair labor practice, reinstatement and damages.[13]

In their position paper, the private respondents claimed that they were made to understand that their employment was terminated on the ground of redundancy; however, they were not informed of the criteria, guidelines or standard in the implementation of the special retirement program. They were thus led to conclude that their dismissal was capricious. They pointed out that Perrin and Candelario, who had been with the corporation for already 20 years, were included in the special program, while others who had been employed with the corporation for only one to six years had been retained. Moreover, one year before the program was implemented, the Corporation hired two more PSRs, thus increasing their number; and even after the termination of Perrin and Candelario's employment, the Corporation hired two more on a contractual basis. Candelario was then rehired on a contractual basis only until January 1996 when the complaint was filed against the Corporation. Franco, on the other hand, had rejected a similar offer to work on a contractual basis.

The private respondents also alleged that their inclusion in the said program was resorted to in order to intimidate the union and its members from pursuing their objective of institutionalizing a collective bargaining mechanism for supervisory employees in the company, thus, aborting the birth of a labor organization capable of bargaining with the management on the terms and conditions of employment. The complainants averred that for all intents and purposes, "the collective bargaining process [was] over, having failed to progress beyond the proposal stage, a pathetic end for an enterprise that started with such great enthusiasm from 105 of the 108 supervisors."[14]

They further averred that the connection between the untimely demise of the negotiations and the dismissal of 32 employees, who were officers and members of the union, was too obvious to be ignored considering further that the claim of redundancy was untenable. The complainants also averred that they were all in their late 40s, and had served the petitioner for about 20 years; although still in their productive years, their prospects for other employment were very slim.[15]

In its position paper, the Corporation maintained that the termination of the employment of the complainants was in response to the challenges brought about by the General Agreement on Tariff and Trade (GATT), the AFTA and other international trade agreements, which greatly affected the local sugar industry. The respondent summarized its position, thus:

> 12.0 Complainants' separation from employment was made pursuant to a legitimate exercise by the Company of its prerogatives to adopt

measures to cut cost and to maintain its profitability and competitiveness.

13.0 The inclusion of the complainants in the special retirement or right sizing program has nothing to do with their exercise of their right to self-organization; hence, there is no unfair labor practice being committed by the Company.

14.0 Complainants' separation from service was done in good faith and in complete compliance with procedural and substantive legal requirements; hence, legal and justified.

15.0 Complainants are barred by the release waiver and quitclaim that they have executed in favor of the Company from further contesting the validity of their separation from service.[16]

The Corporation also averred that in July 1995, it commissioned Sycip, Gorres, Velayo and Company (SGV) to conduct a study of the Corporation and its operations to identify changes that could be implemented to achieve cost effectiveness and global competitiveness.

In their Reply-Affidavit, the complainants averred that they signed their respective Release Waiver and Quitclaim because their employer had driven them to the wall, and found themselves in no position to resist, as they were no longer employed. They insisted that it was "a case of adherence, not of choice." They averred that they did not relent on their claim, nor did they waive any of their rights.

They further emphasized that nowhere in the SGV study was it recommended that they be dismissed from employment, or that their positions be abolished. In the case of the Sugar and Molasses Storage Department (SMSD), for instance, the recommendation to save cost was not implemented; instead Pabalan and another shift supervisor who was also a union officer (Bitera), were dismissed, and replacements were hired on December 1, 1996. As to the Cane Marketing Department where Perrin and Candelario were assigned as PSRs, the study, in fact, recommended the strengthening of the said unit; the respondent dismissed such employees who had been employed from 13 to 25 years. The private respondents pointed out that this was an evidence of the Corporation's intention to contract out the work of the PSRs, considering further that those who had been employed for only one to six years were retained.[17]

On February 26, 1997, the Labor Arbiter rendered judgment in favor of the Corporation and ordered the dismissal of the complainants. According to the Labor Arbiter, there was a real and factual basis to declare redundancy, thus:

" Based on this study, the position and functions of fuel-in-charge, held by complainant Franco, are basically the same as that of Fuel Tenders and therefore his activities could well be done by existing Fuel Tenders who would be directly under the General Warehouse Supervisor. In the case of complainant Pabalan, whose position was Shift-in-Charge/Supervisor, it was observed that his tasks could be merged in the functions of the Property Warehouse Supervisor. With respect to complainants Perrin and Candelario, who were Planters" Service

> Representatives, it was observed that the job was more complementary to the marketing aspect, wherein they are tasked to maintain good and harmonious relations with the company's sugar planters, to ensure continued patronage of the mill's services. It was found that these PSR functions could well be handled by agents or consultants, who would be paid on commission basis.[18]

The Labor Arbiter noted that the complainants received their separation pay and other monetary benefits from the Corporation, and thereafter, voluntarily executed their respective Deeds of Release Waiver and Quitclaim[19] in its favor.

The complainants appealed to the NLRC which rendered judgment on December 9, 1997 granting their appeal and reversing the decision of the Labor Arbiter. The NLRC ruled that there was no factual and legal basis for the termination of the employment of the private respondents based on retrenchment or redundancy, and that the Deeds of Release Waiver and Quitclaim executed by the complainants were ineffective. The Corporation filed a motion for reconsideration of the decision, which was denied by the NLRC.

Unsatisfied, the Corporation filed a petition for *certiorari* with the CA, insisting that:

> PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION WHEN IT SET ASIDE AND OVERRULED THE DECISION OF THE LABOR ARBITER ON THE BASIS OF COINCIDENCES AND BASELESS ACCUSATION OF BAD FAITH, COMPLETELY MISAPPRECIATING THE SUBSTANTIAL EVIDENCE WHICH SUPPORTED THE LABOR ARBITER'S DECISION.
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> PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION IN OVERRIDING THE LEGITIMATE EXERCISE BY THE PETITIONER OF ITS MANAGEMENT PREROGATIVE OF REDUCING ITS WORK FORCE TO ADDRESS CURRENT BUSINESS AND ECONOMIC REALITIES.
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> PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION IN DISREGARDING BASIC PRINCIPLES OF LAW AND JURISPRUDENCE LAID DOWN BY THE SUPREME COURT TO THE EFFECT THAT:
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> i. The matter of evaluating the merits of the issues presented in a labor case is primarily addressed to the sound discretion of the Labor Arbiter. Thus, when the decision of the Labor Arbiter is amply supported by substantial evidence, his findings and conclusions should not be disturbed but must be accorded with respect by the NLRC and even by the Supreme Court.
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> ii. The determination that a position is redundant and therefore legally terminable, is basically an exercise of management prerogative, and for as long as it is done in good faith, the wisdom or soundness thereof is beyond the review power of the Labor Arbiter nor of the NLRC, which by law and jurisprudence are not vested with managerial functions.
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> iii. Termination on ground of redundancy is anchored on the superfluity of a position and not on the fact that actual loss is incurred by a