

****Title:**** SHS Perforated Materials, Inc., et al. v. Manuel F. Diaz (2008)

****Facts:****

SHS Perforated Materials, Inc. (SHS), a corporation registered in the Philippines, employed Manuel F. Diaz as its Manager for Business Development on probationary status from July 18, 2005, to January 18, 2006, with a salary of P100,000.00 monthly. Diaz's duties primarily involved sales and marketing functions and required him to report to the SHS office and plant at least twice every work week to familiarize himself with the company's products and processes.

During Diaz's employment, SHS's president Winfried Hartmannshenn, who was often abroad, expressed dissatisfaction with Diaz's performance, alleging failure to deliver concrete business proposals or sales, save for a trivial amount for a sample product. After several unsuccessful attempts to contact Diaz and instructing the withholding of his salary, SHS received Diaz's resignation and demand letter on November 30, 2005, citing "illegal and unfair labor practices."

Diaz filed a complaint against SHS for illegal dismissal, non-payment of wages, 13th month pay, moral and exemplary damages, and attorney's fees on December 9, 2005. The Labor Arbiter ruled in favor of Diaz, finding him to have been illegally dismissed and ordering his reinstatement and payment of back wages, unpaid salary, 13th month pay, damages, and attorney's fees. However, the National Labor Relations Commission (NLRC) reversed this decision, dismissing Diaz's complaint for lack of merit. Upon Diaz's appeal, the Court of Appeals (CA) overturned the NLRC's decision, holding that he was illegally dismissed and awarding him separation pay, back wages, and other benefits.

****Issues:****

1. Was the withholding of Diaz's salary a valid exercise of management prerogative?
2. Did Diaz voluntarily resign, or was he constructively dismissed?
3. Should individual petitioners Hartmannshenn and Schumacher be held solidarily liable with SHS for the monetary awards to Diaz?

****Court's Decision:****

The Supreme Court affirmed the CA's decision, with modification. It ruled that the withholding of Diaz's salary was not a valid exercise of management prerogative and amounted to constructive dismissal. The Court found Diaz entitled to back wages, allowances, and other benefits, but it removed the additional amount for the 13th month pay

as included in his salary package. The Court also held that Hartmannshenn and Schumacher were not solidarily liable with SHS for the monetary awards.

****Doctrine:****

This case elucidates that the withholding of an employee's salary without valid cause is illegal and can constitute constructive dismissal. Management prerogative does not include the right to withhold salary/wages without the employee's consent, except in cases expressly provided in the Labor Code.

****Class Notes:****

1. Constructive Dismissal - Occurs when an employee's resignation is made under duress, force, or undue influence by the employer or when continued employment becomes impossible, unreasonable, or unlikely due to unfair labor practices.
2. Management Prerogative - Refers to the right of an employer to regulate aspects of employment but does not include withholding an employee's salary without valid cause.
3. Separation Pay in Lieu of Reinstatement - Awarded when reinstatement is no longer feasible due to strained relations between the employee and the employer.
4. Individual Liability of Corporate Officers - Corporate directors and officers are liable only when the termination of employment is done with malice or in bad faith.

****Historical Background:****

The case highlights the judiciary's role in protecting employee rights within the bounds of labor law in the Philippines. It emphasizes the balance between management prerogative and the protection of workers from unjust practices, reflecting the constitutional mandate to afford full protection to labor, ensure equal work opportunities, and secure a living wage under conditions fostering dignity, freedom, and equity.