

### Title: Philippine National Bank vs. Jumelito T. Dalmacio

### Facts:

Jumelito T. Dalmacio and Emma R. Martinez, initially employed by the National Service Corporation (a PNB subsidiary), eventually held positions within the Philippine National Bank (PNB) as an Information Technology (IT) Officer and a Junior IT Field Analyst, respectively. Their employment was terminated on September 15, 2005, following PNB's implementation of a redundancy program. This prompted Dalmacio and Martinez to file a complaint for illegal dismissal, underpayment of separation pay and retirement benefits, illegal deduction, nonpayment of provident fund, and damages with attorney's fees.

The Labor Arbiter (LA) Romelita N. Rioflorido ruled on June 30, 2009, that PNB's redundancy program was valid, prompting an appeal by Dalmacio and Martinez to the National Labor Relations Commission (NLRC), which also affirmed the LA's decision on March 30, 2010. The NLRC found no evidence of bad faith in PNB's redundancy program. Unsuccessful in their Motion for Reconsideration with the NLRC, Dalmacio filed a Petition for Certiorari with the Court of Appeals (CA), which on September 21, 2011, affirmed in part the NLRC's decision but modified the separation package awarded to Dalmacio, notably regarding the GSIS Gratuity Pay's deduction.

Both parties appealed the CA's decision to the Supreme Court, with Dalmacio contesting the validity of the redundancy program and the computation of his separation pay, and PNB challenging the CA's equity jurisdiction and the decision to order the return of Dalmacio's GSIS Gratuity Pay.

### Issues:

1. The validity of PNB's implementation of its redundancy program.
2. The correctness of the CA's order for PNB to return Dalmacio's GSIS Gratuity Pay.

### Court's Decision:

The Supreme Court denied both appeals, affirming the decisions of the lower courts (LA, NLRC, and CA) that PNB validly implemented its redundancy program. The Court emphasized respect for the business judgment in implementing redundancy programs, barring evidence of violation of labor laws or principles of fairness. It also confirmed that PNB complied with procedural requirements and that Dalmacio's Deed of Quitclaim and Release barred his claims for reinstatement. Regarding Dalmacio's GSIS Gratuity Pay, the Court affirmed the CA's ruling that it should not have been deducted from his separation

package, as it is separate and distinct from any separation pay due to mandatory GSIS contributions by government employees.

### ### Doctrine:

In redundancy cases, valid implementation requires compliance with procedural requisites such as notice to both employees and the Department of Labor and Employment (DOLE) and payment of separation pay, predicated on good faith and the application of fair and reasonable criteria for determining redundancy. Additionally, quitclaims, when voluntarily entered into with reasonable consideration, are generally upheld barring evidence of fraud or coercion. Lastly, benefits mandated by law, such as GSIS Gratuity Pay, cannot be deducted unlawfully from an employee's separation package.

### ### Class Notes:

- **\*\*Redundancy as a Ground for Termination\*\***: Requires compliance with specific procedural requisites including adequate notice and fair criteria for selection.
- **\*\*Management Prerogative in Redundancy\*\***: Courts accord respect to business judgments unless shown to violate labor laws or general principles of fairness.
- **\*\*Deed of Quitclaim and Release\*\***: Effectively bars further claims when entered into voluntarily, knowingly, and for reasonable consideration.
- **\*\*GSIS Gratuity Pay\*\***: Distinct from separation benefits and must not be deducted from the latter.

### ### Historical Background:

The case reflects the legal complexities surrounding labor relations in the Philippines, specifically regarding the rights and protections afforded to employees vis-a-vis the operational prerogatives of employers. It underscores the judiciary's careful balancing act between safeguarding employee rights and respecting business judgments under the country's labor laws and jurisprudence.