

**\*\*Title:\*\***

Manuel Sosito vs. Aguinaldo Development Corporation

**\*\*Facts:\*\***

In 1964, Manuel Sosito was employed by Aguinaldo Development Corporation (ADC), a logging company, and was in charge of logging importation with a monthly salary of P675.00. On January 16, 1976, Sosito went on indefinite leave with the company's consent.

On July 20, 1976, ADC announced a retrenchment program due to financial losses and offered separation pay to employees who were in active service as of June 30, 1976, if they tendered their resignations by July 31, 1976.

Sosito submitted his resignation on July 29, 1976, to avail of the separation pay. However, ADC did not act on his resignation nor did they provide him the separation pay.

Sosito filed a complaint with the Department of Labor, which resulted in a decision by the labor arbiter ordering ADC to pay Sosito P4,387.50 for six-and-a-half months of salary. ADC appealed to the National Labor Relations Commission (NLRC), which reversed the labor arbiter's decision, ruling that Sosito was not covered by the retrenchment program.

Sosito then petitioned to the Supreme Court for relief.

**\*\*Issues:\*\***

1. Was Sosito entitled to separation pay under ADC's retrenchment program?
2. Did Sosito fall under the classification of "active service" as of June 30, 1976, as per the retrenchment program's requirements?

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

The Supreme Court dismissed Sosito's petition and affirmed the NLRC's decision, with the following analysis:

1. **\*\*Entitlement to Separation Pay:\*\*** The Court focused on the specific terms of the retrenchment program outlined by ADC, which mandated that only employees "in the active service" as of June 30, 1976, were entitled to the separation pay. Since Sosito was on indefinite leave by his own volition and not due to being temporarily laid off or forced to go on leave, he was not considered to be in active service at the critical date.
2. **\*\*Active Service Definition:\*\*** The Court interpreted "active service" to mean employees who were actually working and receiving salary and benefits at the stipulated date. While

technically, Sosito was still an employee, he did not meet the active service criterion because he was not rendering service or receiving active employee benefits during his indefinite leave.

**\*\*Doctrine:\*\***

1. **\*\*Eligibility for Retrenchment Benefits:\*\*** Employees must strictly comply with employer-defined criteria to qualify for retrenchment benefits.
2. **\*\*Active Service Requirement:\*\*** Employees on indefinite leave are not considered in active service for purposes of benefits tied to active employment status.

**\*\*Class Notes:\*\***

- **\*\*Elements of Retrenchment Eligibility:\*\***

1. Must be in active service at a specific cut-off date.
2. Must submit resignation within a specified time frame.
3. Employer-defined terms and conditions are paramount.

- **\*\*Article 272(a), Labor Code (current Article 283):\*\***

- Employers can terminate employment or reduce workforce due to serious business reverses, without the obligation to pay separation benefits unless otherwise stipulated.

**\*\*Historical Background:\*\***

During the mid-1970s, the logging industry in the Philippines suffered from a significant decline in global demand and prices, which heavily affected companies like Aguinaldo Development Corporation. The company implemented a retrenchment program to mitigate financial losses, reflecting broader economic challenges faced by similar enterprises at that time. This context underpins the factual backdrop of Sosito's claim and the company's strict adherence to its retrenchment criteria to manage its financial crisis effectively.