

****Title:****

Korean Air Co., Ltd. and Suk Kyoo Kim vs. Adelina A.S. Yuson, G.R. No. 120802

****Facts:****

1. ****Employment and Promotion:**** Adelina A.S. Yuson was hired by Korean Air Co., Ltd. as a reservations agent in July 1975. She was promoted to assistant manager in 1993 and to passenger sales manager in 1999.
2. ****Travel Benefits and CBA:**** Korean Air implemented employee travel benefits via a collective bargaining agreement (CBA) rather than an International Passenger Manual (IPM).
3. ****Financial Losses and Budget Cuts:**** In 2000, due to a net loss exceeding \$367 million, Korean Air cut its 2001 budget by 10%.
4. ****Transfer Request:**** In April 2001, Yuson requested a temporary transfer to the cargo department, a request the company granted on 4 June 2001.
5. ****ERP Offer and Exclusion:**** Korean Air offered an Early Retirement Program (ERP) on 21 August 2001, applicable at management discretion. Yuson accepted in a letter dated 23 August 2001. However, on 24 August 2001, she was informed of her exclusion due to her impending retirement on 8 January 2002.
6. ****Dispute and Legal Action:**** Disagreeing with her exclusion, Yuson claimed harassment and demanded performance under the ERP terms. She reiterated her claims in subsequent letters, even attempting to secure the IPM travel benefit. She filed a complaint for early retirement benefits with the NLRC on 28 November 2001.
7. ****Retirement:**** On 8 January 2002, Yuson availed of optional retirement under Article 287 of the Labor Code.
8. ****Criminal and Deportation Complaints:**** Yuson filed criminal charges and a deportation complaint against several Korean Air officials but settled the criminal case amicably on 14 February 2003.
9. ****Labor Arbiter's and NLRC's Decisions:**** Labor Arbiter Santos denied Yuson's claims under the ERP, awarding her retirement pay instead. Yuson appealed to the NLRC which initially ruled in her favor but reversed this decision upon reconsideration.

10. **Court of Appeals Decision:** The Court of Appeals set aside the NLRC's dismissal, ruling that Yuson's acceptance of the ERP offer constituted a perfected contract.

11. **Supreme Court Petition:** Korean Air and Suk Kyoo Kim petitioned the Supreme Court, questioning the Court of Appeals' ruling.

Issues:

1. Did Yuson's acceptance of ERP benefits become a moot issue upon her availing of retirement under Article 287?
2. Was Yuson entitled to benefit under the ERP?
3. Was Yuson entitled to 10 Korean Air economy tickets as part of her retirement benefits?

Court's Decision:

1. **Optional Retirement Under Article 287:** Yuson's claim for ERP benefits became moot when she accepted the benefits under Article 287 and retired on 8 January 2002. The compromise agreement settling her retirement claim was deemed a full settlement.
2. **ERP Eligibility and Contract Perfection:** A contract under the ERP memorandum was not perfected as the memorandum explicitly stated that the program was offered at management discretion, requiring approval by the head office. This discretion meant the offer lacked the definiteness required under Articles 1315, 1318, and 1319 of the Civil Code.
3. **Imposed Retirement:** Korean Air did not force Yuson to retire as the circumstances and Yuson's own actions indicated retirement was mutually understood and expected.
4. **Management Prerogative:** Denial of Yuson's ERP application was a legitimate exercise of management prerogative aimed at cost-saving.
5. **Travel Benefits Under IPM:** The award of 10 economy tickets was unsupported. Korean Air's established practice granted travel benefits under the CBA, not those stipulated in the IPM, and there was no precedent of implementing the IPM travel benefit policy within the Philippines.

Doctrine:

1. **Article 287 of the Labor Code:** Establishes the terms of optional retirement.
2. **Perfection of Contracts (Article 1315, 1318, 1319, Civil Code):** A contract requires definite, complete, and intentional offers, with absolute acceptance.
3. **Management Prerogative:** Legitimate, non-oppressive exercise of managerial

discretion is permissible.

****Class Notes:****

- ****Article 287, Labor Code:**** Optional retirement at 60-65 years, minimum benefits equivalent to one-half month's salary per year of service.
- ****Essentials of Contract (Article 1315, 1318, 1319, Civil Code):**** Consent, object certain, and cause of the obligation; meeting of the minds without need for additional acts by the offeror defines a valid offer and acceptance.
- ****Management Prerogative:**** As long as exercised in good faith, decisions regarding employment terms, such as approval of early retirement, are valid.

****Historical Background:****

The case is set against the backdrop of corporate downsizing due to significant financial distress. It highlights the tension between employees seeking contractual benefits and employers exercising management prerogatives to safeguard financial stability.