DOLE PHILIPPINES, INC., THOMAS W. OLIVER, MANUEL LOPEZ, ELIEZER TANLAPCO AND JOEL BATISLAONG, PETITIONERS, VS. NATIONAL LABOR RELATIONS COMMISSION (FIFTH DIVISION), JUAN A. BARR...

G.R. No. 120009. September 13, 2001

Ponente: KAPUNAN, J.

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KAPUNAN, J.:

At issue in this case is the validity of petitioner company's redundancy program pursuant to which the respondent employees were dismissed.

Petitioner Dole Philippines, Inc., is a corporation organized and existing under Philippine laws. It is engaged in the business of growing, canning, processing and manufacturing pineapples and other allied products. The other petitioners were Dole corporate officers at the time the cases were instituted.[1]

Private respondents were Dole's employees of different ranks and positions.

The petition alleges that in 1990 and 1991, Dole carried out a massive manpower reduction and restructuring program aimed at reducing the total workforce and the number of positions in the company's table of organization. Dole intimates that the 1990-1991 reduction was a continuation of previous efforts to restructure its organization. Previously, in 1982, Dole reduced its manpower by 509 workers but prolonged collective bargaining negotiations, which ended in 1990, prevented the company from proceeding with its restructuring.[2]

Among the factors considered by the company in undertaking the reduction program was the high absenteeism rate, which in 1989 accounted for 16% of total man hours. The high absenteeism rate translated to higher paid sick leaves, higher operating costs for medical facilities, and higher transportation costs due to under-filled and late hauls.[3] Dole also cites "the exacerbation of operating cost problems due to factors beyond [its] control, i.e., the Gulf War, oil price increases, mandated wage increases, the 9% import levy, power rate hikes, [and] increased land rentals," existing at that time. Furthermore, the "bloody December 1989 coup d'etat shook investor confidence and put in doubt the continued economic progress of the country."[4]

Pursuant to its restructuring efforts, Dole abolished the positions of foremen, bargaining capataces and foreladies. Employees occupying these positions were either promoted or were dismissed on grounds of redundancy.[5]

To address the surplus of manpower relative to its operations, Dole also decided to reduce the number of employees company-wide.[6] In 1990, the company offered a Special Voluntary Resignation (SVR) program of which many employees, including a number of private respondents, availed.

Upon approval of the applications, notices of termination[7] were sent to the employees who availed of the SVR. These employees received the following benefits under the redundancy program:

- 40 days for every year of service;

- cash conversion of any earned/unused and accrued vacation leave credits;

- proportionate 13[th] month pay;

- one month extra pay in lieu of one month prior written notice; and

- relocation assistance of P3,000.00[8]

After receiving the benefits, said employee-applicants executed a "Release"[9] stating that the employee had no claims against Dole in connection with his or her employment. Subsequently, the dismissed employees executed another "Release of Claim"[10] in favor of Dole.

A total of 2,357 hourly and monthly salaried employees were separated from Dole during this period.[11]

After assessing the outcome of the SVR, Dole found that it could still do with lesser employees, and proceeded to dismiss more of them in March 1991.[12] Separated were employees "who applied for the SVR in 1990 but whose applications were still pending as well as those... determined by the Company to be redundant owing to excess manpower of a surplus of employees relative to the jobs needed to be accomplished."[13] The employees dismissed during this second phase totaled 435,[14] all of whom received the following benefits:

- 40 days for every year of service;

- Cash conversion of accrued vacation leave credits;

- Proportionate 13[th] month pay;

- One month extra pay; and

- Relocation assistance of P3,000.00.[15]

Overall, 2,792 employees were separated under the SVR Program. A total of P298,199,000.00 in benefits were paid by Dole to the separated employees.[16]

On October 22, 1991, a Complaint[17] for illegal dismissal, docketed as RAB-11-10-50401-91, was filed against petitioners before the Sub-Regional Arbitration Branch of the National Labor Relations Commission in General Santos City. Named as complainants in the caption of the complaint were "Adela L. De Lara, Roberto Laab, Sr., Teresita Pelaez, Jesus Maritoria, Maximo Cruz, Arcadio Gomera, Adelaida Penig and others."[18]

On September 18, 1992, another Complaint[19] against Dole, docketed as RAB-11-09-40318-92, was also filed before the Sub-Regional Arbitration of General Santos City. The caption of the complaint named "Lilia Balucanag, Democrito Lloren, Rogelio Dizon, Felisa Perales, Selvestra Perales, Eulalio Tejero, Panfilo Puebla, Delia Puebla, Florencia Pedroso, Rodulfo Antonio, and others" as complainants. The complaint contained similar allegations as the complaint in RAB-11-09-50318-92.

RAB-11-10-50401-91 and RAB-11-09-50318-92 were subsequently consolidated. On 5 November 1993, Labor Arbiter Amado M. Solano rendered a decision dismissing the complaints for lack of merit. The dispositive portion of the decision reads:

> WHEREFORE, IN THE LIGHT OF ALL THE FOREGOING, judgment is hereby rendered.
>
> 1. Declaring the dismissal of the above-named complainants in the instant cases, as valid and lawful;
>
> 2. The claims for reinstatement with full backwages, damages and attorney's fees are hereby dismissed for lack of merit.

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SO ORDERED.[20]

Private respondents appealed to the National Labor Relations Commission (NLRC). On 29 November 1994, the NLRC issued a Resolution reversing the decision of the Labor Arbiter as follows:

> WHEREFORE, the decision appealed from is hereby Reversed and Set Aside and a new one entered declaring the dismissal of complainants illegal. Accordingly, respondent company is hereby ordered to reinstate herein complainants to their respective former positions or equivalent positions without loss of seniority rights and to pay complainants backwages effective from the date of their termination up to the time they are actually reinstated but not exceeding three (3) years, less the amounts they received as separation pay.
>
> In addition, respondent company is ordered to pay complainants moral and exemplary damages fixed in the sum of P15,000.00 and P10,000.00 each, respectively and attorney's fees equivalent to ten (10%) percent of the aggregate monetary award, subject to computation by the Arbitration Branch of origin at the execution stage.
>
> SO ORDERED.[21]

Petitioners filed a motion for reconsideration but this was denied by the NLRC in an Order[22] issued on January 30, 1995.

Private respondents belatedly filed an opposition to petitioners' motion for reconsideration[23] on February 2, 1995, which the NLRC received on February 15, 1995. In said opposition, private respondents also asked for a clarification concerning the actual number of complainants referred to in the Resolution of November 29, 1994. Private respondents alleged that the complaints filed with the Labor Arbiter were in the nature of a class suit; hence, the judgment award should not be limited to 21 complainants but should extend to the other complainants, numbering about 1,407.

Meanwhile, on May 16, 1995, petitioners came to this Court praying for the annulment of the NLRC Resolution and the issuance of a writ of preliminary injunction and/or temporary restraining order to enjoin its execution.

On July 3, 1995, the NLRC issued a Resolution granting private respondents' motion for clarification, holding:

> There is merit to the contention of complainants that the word "complainants" in the dispositive portion of the resolution of the Commission dated November 19, 1994 should not refer exclusively to the named 21 complainants but to all the 1,413 [later corrected to 1,407] complainants. It is very evident from the records that the names and signatures of other complainants have been specified and that during the arbitration proceedings, additional lists of complainants were submitted by complainants/movants herein x x x.[24]

The dispositive portion of the July 3, 1995 NLRC Resolution reads:

> WHEREFORE, the instant motion for clarification is granted. Accordingly, the complaints referred in the dispositive portion of the resolution of this Commission dated November 29, 1994 are the employees numbering about 1,407 (as corrected) whose names are listed in Annexes "A", "A-1" to "A-14" and "B", "B-1" to "B-9" and forming an integral part of this resolution.
>
> SO ORDERED.[25]

In reaction to the adverse resolution, petitioners filed on August 14, 1995 in this Court a supplement to their petition for certiorari, assailing the July 3, 1995 Resolution of the NLRC and reiterating their prayer for a preliminary injunction and/or temporary restraining order.

On August 21, 1995, this Court issued a Resolution[26] granting the temporary restraining order prayed for.

The issues for this Court's resolution are:

I

WHETHER OR NOT PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO WANT OR ABSENCE OF JURISDICTION IN SUBSTITUTING ITS OWN JUDGMENT ON WHETHER OR NOT THERE WAS A NECESSITY FOR THE REDUNDANCY PROGRAM IN PETITIONER FIRM.

II

WHETHER OR NOT PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION IN HOLDING THE RELEASE OF CLAIMS SIGNED BY THE DISMISSED EMPLOYEES TO BE OF NO LEGAL EFFECT.

III

WHETHER OF NOT PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION IN ORDERING THE REINSTATEMENT OF THE EMPLOYEES WHO WERE DISMISSED UNDER A VALID REDUNDANCY PROGRAM.

IV

WHETHER OR NOT PUBLIC RESPONDENT COMMITED GRAVE ABUSE OF DISCRETION IN HOLDING THAT THE REDUNDANCY PROGRAM WAS INVALID FOR WANT OF THE NECESSARY NOTICE TO THE DOLE.

V

WHETHER OR NOT PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION WHEN IT ISSUED THE CLARIFICATORY ORDER DECLARING 1,407 PERSONS AS NEW COMPLAINANTS.

VI

WHETHER OR NOT PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION IN AWARDING MORAL AND EXEMPLARY DAMAGES AS WELL AS ATTORNEY'S FEES TO PRIVATE RESPONDENT.[27]

We shall examine the first assigned error, which involves the validity of petitioner's redundancy program.

Redundancy is one of the authorized causes for the dismissal of an employee.[28] In the leading case of Wiltshire File Co. Inc., vs. NLRC,[29] we explained the nature of redundancy as an authorized cause for dismissal:

> x x x redundancy in an employer's personnel force necessarily or even ordinarily refers to duplication of work. That no other person was holding the same position that private respondent held prior to the termination of his services, does not show that his position had not become redundant. Indeed, in any well-organized business enterprise, it would be surprising to find duplication of work and two (2) or more people doing the work of one person. We believe that redundancy, for purposes of the Labor Code, exists where the services of an employee are in excess of what is reasonably demanded by the actual requirements of the enterprise. Succinctly put, a position is redundant where it is superfluous, and superfluity of a position or positions may be the outcome of a number of factors, such as overhiring of workers, decreased volume of business, or dropping of a particular product line or service activity previously manufactured or undertaken by the enterprise.

We held, moreover, that the characterization of an employee's services as no longer necessary or sustainable, and, therefore, properly terminable, is an exercise of business judgment on the part of the employer. The wisdom or soundness of such characterization or decision is not subject to discretionary review provided, of course, that violation of law or arbitrary or malicious action is not shown.

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Dole's redundancy program does not appear to be tainted by bad faith. The petition alleges that the redundancy program is part of a wide-scale restructuring of the company. This purported restructuring is supported by the company's undisputed history towards these ends, which culminated in the abolition of certain positions and the Special Voluntary Resignation program in 1990-1991. Among the avowed goals of such restructuring is the reduction of absenteeism in the company. The harsh economic and political climate then prevailing in the country also emphasized the need for cost-saving measures.

Reorganization as a cost-saving device is acknowledged by jurisprudence. An employer is not precluded from adopting a new policy conducive to a more economical and effective management,[30] and the law does not require that the employer should be suffering financial losses before he can terminate the services of the employee on the ground of redundancy.[31]

Private respondents submit, however, that the subsequent hiring of casual employees to replace the dismissed regular employees is an indication of bad faith. Petitioner does not deny that they hired casual employees after the implementation of the redundancy program. Petitioner explains, however, that it has always hired casuals to augment the company's manpower requirements in accordance with the demands of the industry. Petitioner further asserts that the number of casuals remained relatively constant after the implementation of the redundancy program, as shown by the graph appended as Annex "J"[32] of its supplement to the motion for reconsideration before the NLRC. The Court finds the foregoing explanation sufficient to negate the allegations of bad faith by its former employees.

Private respondents also point to references in petitioner's studies of the redundancy program to the elimination of "undesirables," "abusers" and "worst performers" as another indicia of petitioner's bad faith. The Court is not too keen on attaching such a sinister significance to these allusions, however. It may be argued that the elimination of the so-called "undesirables" was merely incidental to the redundancy program or that past transgressions could have been part of the criteria in determining who among the redundant employees is to be dismissed.

Private respondents harp on the fact that petitioner's desire to save on labor costs was the motivation for the redundancy program. The law, however, does not prevent employers from saving on labor costs. This Court has recognized such right. In International Macleod, Inc. vs. Intermediate Appellate Court, supra, this Court found that the appointment by the company to the International Heavy Equipment Corporation as its dealer with the government rendered redundant the position of Government Relations Officer held by the private respondent therein. It was held that the determination of the need for the phasing out of a department as a labor and cost saving device because it was no longer economical to retain said department is a management prerogative, with which the courts will not interfere.

In De Ocampo vs. National Labor Relations Commission,[33] the Court similarly ruled that "[t]he reduction of the number of workers in a company made necessary by the introduction of the services of Gemac Machineries in the maintenance and repair of its industrial machinery is justified. There can be no question as to the right of the company to contract the services of Gemac Machineries to replace the services rendered by the terminated mechanics with a view to effecting more economic and efficient methods of production." So long as the undertaking to save on labor costs is not attended by malice, arbitrariness, or intent on the part of the employer to circumvent the law, as in this case, the Court will not interfere with such endeavor.

The lack of notice to the Department of Labor and Employment (DOLE) does not render the redundancy program void. Petitioner accurately invokes International Harvester, Inc. vs. NLRC.[34]

> x x x if an employee consented to his retrenchment or voluntarily applied for retrenchment with the employer due to the installation of labor-saving devices, redundancy, closure or cessation of operation or to prevent financial losses to the business of the employer, the required previous notice to the DOLE is not necessary as

the employee thereby acknowledged the existence of a valid cause for termination of his employment.

Here, most of the private respondents even filled up application forms to be considered for the redundancy program and thus acknowledged the existence that their services were redundant.

In any case, private respondents executed two releases in favor of petitioner company. Not all quitclaims are per se invalid or against public policy. But those (1) where there is clear proof that the waiver was wangled from an unsuspecting or gullible person or (2) where the terms of settlement are unconscionable on their face are invalid. In these cases, the law will step in to annul the questionable transaction.[35] There is no showing here that private respondents are unsuspecting or gullible persons. Neither are the terms of the settlement unconscionable. Indeed, private respondents received a generous separation package, as set out in the narration of facts above.

WHEREFORE, the petition is GRANTEDand the decision of the NLRC ANNULLEDand SET ASIDE. The temporary restraining order issued by this Court on August 21, 1995 is LIFTED.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Pardo, and Ynares-Santiago, JJ., concur.
Puno, J., on official leave.

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[1] Rollo, pp. 3-4.

[2] Id., at 4-5.

[3] Id., at 5.

[4] Id., at 24.

[5] Id., at 5-6.

[6] Id., at 6.

[7] Annexes "L" to "S" of Petition; Rollo, pp. 108-113.

[8] Annexes "E" to "K" of Petition; Rollo, pp. 99-105.

[9] Annexes "BB" to "II" of Petition; Rollo, pp. 122-129.

[10] Annexes "JJ" to "QQ" of Petition; Rollo, pp. 130-137.

[11] Rollo, pp. 9-10.

[12] Id., at 23.

[13] Id., at 10.

[14] Id., at 11-12.

[15] Id., at 11.

[16] Id., at 12.

[17] II Records, pp. 1-12.

[18] The complaint was originally for "illegal dismissal, unfair labor practice, damages and attorney's fees" and included the Pawis ng Makabayang Obrero-National Federation of Labor (PAMAO-NFL) as one of the

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respondents. The complaint was however later amended dropping the union as a party.

[19] I Records, pp. 1-12.

[20] II Records, p. 500.

[21] Rollo, p. 51.

[22] Id., at 53-55.

[23] III Records, pp. 390-397.

[24] Rollo, p. 172.

[25] Id., at 174.

[26] Id., at 312-313.

[27] Rollo, pp. 757-758.

[28] Labor Code, Article 283.

[29] 193 SCRA 665 (1991).

[30] International Harvester Macleod, Inc. vs. IAC, 149 SCRA 641 (1987).

[31] Escareal vs. National Labor Relations Commission, 213 SCRA 472 (1992).

[32] III Records, p. 530.

[33] 213 SCRA 652 (1992).

[34] 176 SCRA 256 (1989).

[35] Lambo vs. Naional Labor Relations Commission, 317 SCRA 420 (1999).

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