

NATIONAL FEDERATION OF LABOR (NFL), CENON BANGA, ROGELIO VILLACORTE, NAZARIO HATAM, JULIO CUGAL, JUANITO GAVIOLA, BONIFACIO MANLAPAZ, TOMAS FABILLAR, BERNARD SIASON, WILFREDO SA...*G.R. No. 149464. October 19, 2004*

Ponente: CALLEJO, SR., J.

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This is a petition for review of the Decision[1] of the Court of Appeals in CA-G.R. SP No. 56230, holding that the petitioners were properly paid their separation pay after the closure of the rubber plantation of Sime Darby Pilipinas, Inc. (SDPI) in Latuan, Isabela, Basilan.

The Antecedents

American Rubber Company, Inc. (ARCI) is a domestic corporation existing in and incorporated under the laws of the Philippines. It was the registered and beneficial owner of a 1, 024-hectare rubber plantation in Latuan, Isabela, Basila. On July 21, 1986, ARCI also had another rubber plantation in Tumajubong and Ito-ito. ACI entered into a Farm Management Agreement (FMA) with SDPI, another domestic corporation, involving the 1,024-hectare rubber plantation in Latuan and other rubber plantations. SDPI was given the right to manage, administer, develop, cultivate, and improve the rubber plantations as an agro-industrial development project, specifically designed for planting rubber trees, processing of and marketing of its products and providing technical expertise for a period of twenty-five years, or up to the year 2011.[2]

National Federation of Labor (NFL) was the duly registered bargaining agent of the daily-and-monthly-paid rank-and-file employees of SDPI in the Latuan rubber plantation.[3] SDPI and NFL executed a collective bargaining agreement (CBA) in which they agreed that in case of permanent or temporary lay-off, workers affected would be entitled to termination pay as provided by the Labor Code. The 150 petitioners were daily-and-monthly paid employees of SDPI in the Latuan plantation and were, likewise, members of NFL.

On June 15, 1988, during the effectivity of the FMA between ARCI and SDPI, Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL) of 1988, took effect.[4] Section 8 thereof mandated that all lands of public domain leased, held or possessed by multinational corporations or association or private non-governmental corporations, devoted to agro-industrial enterprises shall be subjected to immediate compulsory acquisition and distribution upon the applicable lease, management, grower or service contracts in effects as of August 29, 1987 or otherwise upon its valid termination, whichever comes sooner but not later than after ten years following the effectivity of Rep. Act No. 6657.

Prior to the expiration of the June 30, 1998 deadline, SDPI decided to terminate the FMA with ARCI and cease operation of the rubber plantation in Latuan, Isabela, Basilan, effective January 17, 1998. On December 17, 1997, SDPI served formal notices of termination to all the employees of the plantation effective January 17, 1998.[5] Simultaneously, a letter to the Department of Labor of Employment (DOLE) of Region IX, Zamboanga City,

respecting the terminations was sent by SDPI. Separation pay for the employees was computed pursuant to the provisions of the CBA between SDPI and NFL, in relation to the Labor Code of the Philippines.

Meanwhile, when the 150 daily-and-monthly-paid rank-and-file employees received their individual termination letters, the members of the NFL met, on January 10, 1998, and approved Resolution No. 1, Series of 1998, requesting SDPI that the separation pay benefits for its members be segregated from regular workdays, vacation leave, unused sick leave and other benefits.[6] Cenon S. Banga, the union president of the daily-paid-rank-and-file employees, wrote Emmanuel A. Tamayo, the Senior Vice President of SDPI, requesting the segregation of separation pay benefits from the other receivables.[7] He also sent, on the same date, a letter to SDPI seeking the clarification on the basis of computation of their separation pay. He pointed out that separation pay should be computed pursuant to the company policy of thirty days per year of service. He stressed that the union members would refuse to receive the computed separation pay if less than that previously given to employees whose employment had been terminated by SDPI on prior dates pursuant to the company policy,[8] more specifically separation pay equivalent to one month for every year of employment of the employees.

On January 17, 1998, each of the petitioners received his separation pay equivalent to one-half month pay for every year of service, and other benefits which were all lumped in one Metrobank check.[9] The petitioners simultaneously executed individual "Released and Quitclaim"[10] following the explanation to them by Executive Labor Arbiter (ELA) Rhett Julius J. Plagata of the nature and legal effects of the said quitclaims.[11] The Labor Arbiter also assured that each of the petitioners executed his respected deed of quitclaim voluntarily.

However, on April 2, 1998, the petitioners filed a complaint for illegal dismissal, deficiency in separation pay, backwages, reinstatement, legal interest, moral damages, exemplary damages, attorney's fees, and cost of litigation before the Regional Arbitration Branch of Zamboanga City of the National Labor Relations Commission (NLRC), docketed as NLRC case No. RAB-09-04-00125-98.[12] The complainants raised the following issues:

...(1) whether or not the complainants were illegally dismissed; and (2) whether or not they are entitled to their claims for separation pay differentials ("non-payment of the exact computation of separation pay"), legal interest, moral and exemplary damages, and attorney's fees and costs of litigation.

A matter also put is the effect of the quitclaim and releases executed by the complaints before the undersigned on 15 and 16 January 1998 in consideration of payment to them by SDPI of separation pay computed at one-half (1/2) month pay for every years of service.[13]

On November 24, 1998, the ELA rendered a decision dismissing the complaints for lack of merit.[14] He ruled the termination of the petitioners' employment was based on authorized cause, namely, the closure of SDPI, Latuan rubber plantation, as a consequence of the implementation of CARL, which set the deadline for the compulsory distribution of agricultural, including agro-industrial lands ten years after the effectivity of the law or June 30, 1998. Consequently, pursuant to the CBA between the SDPI and NFL in relation to Article 283 of the Labor Code, the dismissed employees should receive separation pay at the rate of one-half month pay per year of service instead of a rate equivalent to one month for every year of service. He also held that the petitioners had no right to invoke company policy of paying separation pay equivalent to one month pay for every year of employment granted by SDPI for its retrenched employees in its plantations. He also ruled that the petitioners were estopped from demanding for separation pay differentials because they voluntarily and willingly executed their respective deeds of quitclaim.

Aggrieved, the petitioners appealed to the NLRC, which issued a Resolution on May 19, 1999 affirming the decision of the ELA.[15] The NLRC ruled that payment of separation pay in check did not violate Article 102 of the Labor Code which required payment of wages in legal tender because (a) the check is a legal tender; and (b)

the statement allows payment of wages in check in special circumstances, as in the present case where the individual complaints were paid large amounts of monetary benefits.

Dissatisfied, the petitioners filed a motion for reconsideration of the resolution, contending that the NLRC denied the said motion for lack of merit. In the absence of any provision in the CBA, the existing company policy or practice should have been applied in the computation of the separation pay of the monthly-paid employees. Thee noted that in several instances, SDPI had paid separation pay computed at one month per year of service. The NLRC denied the motion in a Resolution dated August 23, 1999.[16]

Distressed, the petitioners filed a petition for certiorari under Rule 65 of the 1997 Rules of Procedure before the Court of Appeals (CA) docketed as CA-G.R. SP No. 56230. The petitioners alleged that:

(I)

THE RESPONDENT NLRC COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION, MORE SPECIFICALLY, IN NOT RULING THAT THE ELIMINATION OR DIMINUTION OF EMPLOYEE BENEFITS IS PROHIBITED UNDER ARTICLE 100 OF THE LABOR CODE, AS AMENDED.

(II)

THE RESPONDENT NLRC COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION, MORE SPECIFICALLY, WHEN IT RULED THAT PETITIONER-WORKERS WERE ESTOPED FROM CLAIMING THE BALANCE OF THEIR SEPARATION PAY OR BENEFITS.

(III)

THE RESPONDENT NLRC COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION, MORE SPECIFICALLY, WHEN IT RULED THAT CHECK IS LEGAL TENDER.[17]

In its Manifestation and Motion, the Office of the Solicitor General (OSG) agreed that the petitioners were dismissed based on authorized cause. However, it asserted that they were entitled to separation pay equivalent to one-month pay for every year of service. Citing the case of *Robles v. Zambales Chromite Mining Co.*, [18] the OSG opined that to hold that payment of separation pay equivalent to one-month pay applies only in cases of retrenchment and not when the termination is due to cessation of business operations not due to serious business losses, would create a distinction which was not contemplated under the law. According to the OSG, Section 9, Implementing Rules of Book VI, which provides that in case of terminations based on business closures, separation pay shall be computed at one-half month pay per year of service, cannot prevail over the provisions of the law.

The OSG furthered that the petitioners were not barred from recovering the balance of their separation pay because they were compelled to sign the quitclaims prepared by the respondent SDPI. The signing was made a condition to enable the petitioners to receive their separation pay and other monetary benefits without undue delay.

On May 7, 2001, the CA rendered a decision affirming the decision of the NLRC and dismissing the petition.

Applying Article 283 of the Labor Code, the CA ruled that separation pay due to business closures not due to business losses shall be equivalent to one-month pay or at least one-half month pay for every year of service, whichever is higher. Citing the cases of *Philippine Tobacco Flue-Curing & Redrying Corporation v. NLRC*[19]

and *Naguiat v. NLRC*,^[20] the CA held that separation pay of employees dismissed based on business closures should be one half their respective monthly wage, multiplied by the number of years they actually rendered service, provided that they worked for at least six months during a given year.

The threshold issue is whether or not the CA erred in holding that the petitioners are entitled to separation pay equivalent to one-half month pay for every year of employment with the private respondent.

The petitioners contend that the private respondent is bound by its policy of granting separation pay equivalent to one-month pay for every year of service to its retrenched employees in the Tumajubong and Latuan plantations prior to the closure of Latuan rubber plantation where they were employed. They aver that the separation pay equivalent to one-half month pay for every year of service with the private respondent is proscribed by Article 100 of the Labor Code of the Philippines, to wit:

ART. 100. Prohibition against elimination or diminution of benefits.— Nothing in this book shall be construed to eliminate or in any way diminish supplements, or other employee benefits being enjoyed at the time of promulgation of this Code.

The petitioners posit that Article 100 of the Labor Code of the Philippines should prevail over any provisions of the CBA between the NFL and the private respondent. They assert that they believed in good faith that the private respondent would follow and implement its policy which had been in effect even before the private respondent and the NFL executed their CBA. They contend that had the NFL and/or its members been informed, before the execution of the said CBA, that the private respondent would not follow its policy when the plantation stopped its operation, for sure, NFL and/or its members would have insisted in the inclusion in the CBA of a provision granting each of them separation pay equivalent to one month pay for every year of service. On the other hand, the CA ruled that:

We agree with respondent SDPI that its past payment of separation pay at one (1) month pay for every year of service cannot be taken as “precedent or company practice” applicable to individual complaints herein due to different factual setting. Firstly, there was no provision in the CBA between the respondent SDPI and the rank-and-file employees in Tumajubong Rubber Plantation fixing the rate of separation pay for any worker who was terminated for authorized cause. Secondly, the Tumajubong Rubber Plantation and Latuan Rubber Plantation where individual complaints herein were assigned were two entities, separate and distinct from each other. Thirdly, the workers in the Latuan Rubber Plantation alluded to have been terminated from employment on April 1, 1994 in pursuance of the staff reduction program were actually separated from the service due to redundancy, and, as such, they were entitled to separation pay equivalent to one (1) month pay for every year of service under Article 283 of the Labor Code. Fourthly, Rustom Democrito and other complaining workers in the early NLRC Case No. M-001457-93 (RAB 09-11-00297-90) were paid of their separation pay at one (1) month pay per year of service by virtue of a compromise settlement.

If-at-all, respondent SDPI, through Mr. Ortalla and other representatives in the CBA negotiations, have intended to uniformly grant separation pay at one (1) month pay per year of service to all workers who were terminated from employment due to authorized cause as what complainants would want to make it appear, the parties to the CBA could have expressly made a provision to that effect to erase any doubt to the contrary.^[21]

We agree with the NLRC and the CA.

Article 283 of the Labor Code provides that employees who are dismissed due to closures that are not due to business insolvency should be paid separation pay equivalent to one-month pay or to at least one-half month pay for every year of service, whichever is higher. A fraction of at least six months shall be considered one whole year, thus:

ART. 283. Closure of establishment and reduction of personnel. – The employer may also terminate the

employment of any employee due to installation of labor saving devices, redundancy, retrenchment to prevent losses or the closing or cessation of operation of the establishment or undertaking unless the closing is for the purpose of circumventing the provisions of this Title, by serving a written notice on the workers and the Ministry of Labor and Employment at least one (1) month before the intended date thereof. In case of termination due to installation of labor saving devices or redundancy, the worker affected thereby shall be entitled to at least his one (1) month pay or to at least (1) month pay for every year of service, whichever is higher. In case of retrenchment to prevent losses and in cases of closure or cessation of operations of establishment or undertaking not due to serious business losses or financial reverses, the separation pay shall be equivalent to one (1) month pay or to at least one-half (1/2) month pay for every year of service, whichever is higher. A fraction of at least six (6) months shall be considered one (1) whole year.

Patently, in cases of closures or cessation of operations of establishment or undertaking not due to serious business losses or financial reverses, the separation pay of employees shall be equivalent to one-month pay or to at least one-half month pay for every year of service, whichever is higher.[22] In no case will an employee get less than one-month separation pay if the separation from the service is due to the above stated causes, provided that he has already served for at least six months. Thus, if an employee had been in the service for at least six months, he is entitled to a full month's pay as his termination pay if his separation from the job is due to any of the causes enumerated above. However, if he has to his credit ten years of service, he is entitled to five months pay, this being higher than one-month pay. Stated differently, the computation of termination pay should be based on either one-month or one-half month pay, whichever will yield to the employees' higher separation pay, taking into consideration his length of service.[23]

In this case, the petitioners had served the respondent SDPI for a period longer than six months. Hence, their separation pay computed at one-half pay per year of service is more than the minimum one-month pay.

Pursuant to the 1995 CBA between the SDPI and its Latuan daily-paid rank-and-file employees, permanent or temporary lay-off workers affected would be entitled to termination pay as by the Labor Code.[24] The parties did not incorporate in the CBA a specific provision providing that employees terminated from employment due to the closure of business operations would be entitled to separation pay equivalent to one-month pay for every year of service. The parties opted to be bound by the provisions of the Labor Code and not by company policy. The employees of the private respondent who were members of the NFL ratified the CBA which had been in force and effect for three years before the closure of the plantation, without the NFL initiating the revision thereof.

It bears stressing that a collective bargaining agreement refers to the negotiated contract between the legitimate labor organization and the employer concerning wages, hours of work and all other terms and conditions of employment in the bargaining unit.[25] During the negotiations, the parties, management and union meet and convene promptly and expeditiously in good faith for the purpose of negotiating an agreement.[26] Had the daily-paid rank-and-file employees deemed the same to be a diminution of their benefits, they should have rejected the CBA. The petitioners never assailed the CBA as prejudicial to them or for having been in violation of Article 100 of the Labor Code. Unless annulled, the CBA, as a contract governing the employer and the employees respecting the terms of employment, should prevail.

The records reveal that there is no substantial evidence to support the claim that a similar practice had been made in the case of monthly-paid employees. Neither is there any evidence that a CBA exist between monthly-paid rank-and-file employees and the SDPI. Consequently, Article 283 of the Labor Code, which grants separation pay equivalent to one-month pay or one-half month pay for every year of service, whichever is higher, to the employees retrenched due to business closures, should apply.

We find that the petitioners' contention, that they were impelled to execute the deed of quitclaim and receive their

separation pay and monetary benefits because, otherwise, they and their families would have starved, is implausible. We agree with the following ratiocination of the ELA:

Beforehand, however, it must be stressed that when the complainants were paid separation benefits and executed their quitclaims and releases before the undersigned on 15 and 16 January 1998, the undersigned verified and confirmed that they did so voluntarily and willingly, after having been made to understand the consequences thereof. And they received their separation benefits and executed their quitclaims and releases despite the fact that they had asked for but were not granted a higher rate of separation pay; that their union officers were present at that time; that they were made to understand the consequences of their receiving the separation benefits proffered to them and their execution of quitclaims and releases.

Their voluntary acceptance of separation benefits and execution of quitclaims and releases, to the mind of the undersigned, now bars the complainants from asking for more. If they were not amenable to the computation or amount thereof, they should have accepted the same. But by so accepting the separation benefits, they thereby entered into a compromise thereon with SDPI. This is so, even if the existence of company policy or practice on the basis of which the complainants ask for separation pay differentials, is assumed to be true.

While it is true that quitclaims are frowned upon in labor claims, this holds true only when the consideration therefor is unconscionably low. Where, however, the consideration is substantial, the efficacy and validity thereof has been upheld, more so, where the quitclaim was voluntarily and willingly executed, as in the instant case.

The amount of separation pay paid to and received by the complainants, was one-half of what they wanted. To the mind of the undersigned, that constituted substantial consideration for the quitclaims the complainants voluntarily executed. This is particularly so, considering that the separation pay the complainants received (one-half month pay for every year of service) was the minimum prescribed by law, as embodied in Article 283 of the Labor Code, as amended.

As held in *Periquet vs. National Labor Relations Commission*, 186 SCRA 724 (1990):

Not all waivers and quitclaims are invalid as against public policy. If the agreement was voluntarily entered into and represents a reasonable settlement, it is binding on the parties and may not be disowned simply because of a changed of mind. It is only where there is a clear proof that the waiver was wangled from an unsuspecting or gullible person, or the terms of the settlement are unconscionable on its face, that the law will step in to annul the questionable transaction. But where it is shown that the person making the waiver did so voluntarily, with full understanding of what he was doing, and the consideration for the quitclaim is credible and reasonable, the transaction must be recognized as a valid and binding undertaking.

This ruling was subsequently reiterated and applied in *Samaniego vs. National Labor Relations Commission*, 198 SCRA (1991) and *Veloso vs. Department of Labor and Employment*, 200 SCRA 201 (1991).

Accordingly, the complainants are not entitled to, and cannot anymore be granted separation pay differentials.

It bears stressing anew that the complainants were paid substantial amounts of separation pay in the presence of the undersigned, before whom they executed and corresponding quitclaims and releases and to whom they affirmed the voluntariness and their willingness as to the execution thereof and receipt of separation benefits proffered to them by SDPI at that time, with understanding as to the contents of the quitclaims and releases and the consequences of their said acts.

In the light of the foregoing discussion, the other money claims of the complainants must also be set aside.[27]

We do not agree with the claim of the petitioners that the payment of separation pay and other benefits in check is in violation of Article 102 of the Labor Code, which provides:

Art. 102.- Forms of Payment. – No employers shall pay the wages of an employee by means of promissory notes, vouchers, coupons, tokens, tickets, chits or any object other than legal tender, even when expressly requested by the employee.

Payment of wages by check or money order shall be allowed when such payment is customary on the date of effectivity of this Code, or is necessary because of special circumstances as specified in appropriate regulations to be issued by the Secretary of Labor or a stipulation in a collective bargaining agreement.

...

Payment by check- payment of wages by bank checks, postal checks or money orders is allowed where such manner of wage payment is customary on the date of the effectivity of the Code, where it is stipulated in a collective bargaining agreement, or where all of the following conditions are met:

- There is a bank or other facility for encashment within a radius of one (1) kilometer from the workplace;
- The employer, or any of his agents or representatives, does not receive any pecuniary benefit directly or indirectly from the arrangement;
- The employee are given reasonable time during banking hours to withdraw their wages from the bank which time shall be considered as compensable hours worked if done during the working hours; and
- The payment by check is with the written consent of the employees concerned if there is no collective agreement authorizing the payment of wages by bank checks.[28]

The term “wage” was defined in Article 97(f) of the Labor Code as “the remuneration or earnings, however, designated, capable of being expressed in terms of money, whether fixed or ascertained on a time, task, piece, or commission basis, or other method of calculating the unwritten contract of employment for work done or to be done, or for services rendered or to be rendered and includes the fair and reasonable value, as determined by the Secretary of Labor, of board, lodging, or other facilities customarily furnished by the employer to the employee.[29] Wages shall be paid only by means of legal tender. The only instance when an employer is permitted to pay wages in forms other than legal tender, that is by checks or money order, is when the circumstances prescribed in the second paragraph of Article 102 are present.

In the present case, the petitioners’ separation pay, other benefits, and the wages from January 1 to 17 were paid in check. Strictly speaking, SDPI violated the Labor Code when it included wages from January 1 to 17, 1998 in the check. Considering, however, the amount of other monetary benefits to be paid, payment in check was the most convenient form for both the petitioners and the respondent. Further, as pointed out by the respondents, the petitioners are deemed estopped from questioning the legality of payment of wages from January 1 to 17, 1998 in check because the same was raised for the first time only in their appeal before the NLRC.

IN LIGHT OF ALL THE FOREGOING, the petition is DENIED. The decision and resolution of the Court of Appeals in CA-G.R. SP No. 56230 are AFFIRMED.

SO ORDERED.

Puno, (Chairman), Austria-Martinez, and Tinga, JJ., concur.
Chico-Nazario, J., on leave.

[1] Penned by Associate Justice Eliezer R. delos Santos, with Associate Justices Godardo A. Jacinto and Bernardo P. Abesamis (retired), concurring.

[2] Rollo, pp.54-55.

[3] Supra.

[4] Comprehensive Agrarian Reform Law of 1988 Annotated, Venancio Agustin, 1990 ed., p. 145.

[5] Rollo, p. 169.

[6] Id. at 92.

[7] Id. at 91.

[8] Id. at 94.

[9] Id. at 170.

[10] Id. at 268 and 278.

[11] CA Rollo, p.41.

[12] Id. at 271-272.

[13] Id. at 42.

[14] Rollo, p. 65.

[15] Id. at 75.

[16] Id. at 104.

[17] CA Rollo p. 10.

[18] 104 Phil. 688 (1958).

[19] 300 SCRA 37 (1998).

[20] 269 SCRA 564 (1997).

[21] Rollo, p. 73.

[22] Mac Adams Metal Engineering Workers Union-Independent v. Mac Adams Metal Engineering, 414 SCRA 411 (2003); Tanjuan v. Philippine Postal Savings Bank, Inc. 411 SCRA 168 (2003).

[23] Handbook on Workers' Statutory Monetary Benefits.

[24] CA Rollo, p. 43.

[25] Section 1(pp), Rule I, Book V of the Omnibus Rules Implementing the Labor Code.

[26] Article 252 of the Labor Code.

[27] Rollo, pp. 63-64.

[28] Section 2, Rule VIII, Book III, Omnibus Rules Implementing the Labor Code.

[29] Philippine Airlines, Inc. v. NLRC, 263 SCRA 638 (1996).

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