PHESCHEM INDUSTRIAL CORPORATION, REPRESENTED BY ITS MANAGER, WILFREDO M. SARMIENTO, PETITIONER, VS. PABLITO V. MOLDEZ, RESPONDENT.

G.R. NO. 161158. May 09, 2005

Ponente: PUNO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-161158/

PUNO, J.:

In this petition for review on certiorari, petitioner seeks to set aside the Decision and Resolution of the Court of Appeals, dated March 21, 2003 and December 12, 2003, respectively, in CA-G.R. SP No. 61564, which affirmed the ruling of the labor arbiter and the National Labor Relations Commission (NLRC) ordering the reinstatement of respondent who was illegally dismissed from service.

The facts show that on June 13, 1983, petitioner PHESCHEM INDUSTRIAL CORPORATION employed respondent PABLITO V. MOLDEZ as operator of its payloader and bulldozer at its quarrying site in Palompon, Leyte.

Respondent alleged that on November 13, 1997, he was notified by Engr. Isidro Viacrusis, petitioner's personnel officer, that he was suspended from work without pay for a period of seven (7) days, without being informed of its reason. After seven (7) days or on November 19, 1997, he reported back to work only to be told that the President of the corporation, Tomas Y. Tan, was ill and his suspension had been extended for another 7 days without pay. Again, no reason was offered for said decision. After the lapse of the extension, respondent was not allowed to return to work. When he inquired about the status of his employment, Viacrusis assured him that he will be rehired in due time. Eight (8) months passed but respondent received no word from petitioner.

On July 6, 1998, respondent filed a complaint against petitioner for illegal suspension and dismissal. He prayed for reinstatement, or if reinstatement is not possible, an award of separation pay, including a claim for moral damages and attorney's fees.[1]

In its Comment, petitioner alleged that respondent was dismissed for just cause. Petitioner claimed that on October 28, 1997, complainant and his assistant observed that the bulldozer produced an unusual sound during operation. The motorpool personnel inspected the bulldozer and discovered that its component parts were damaged due to the low lubrication level in its gear box.

Assistant Chief Mechanic Leoncio V. Aunzo, head of petitioner's motorpool department, reported to its President, Mr. Tan, that the root cause of the damage was respondent's gross negligence when he failed to inspect the bulldozer before he operated it. The cost of repairing the damaged parts was estimated at P112,932.00. As the bulldozer was not in service for 3-5 months, petitioner alleged that it incurred delay in its production, with the loss valued at about P500,000.00.[2]

Petitioner averred that it required respondent to explain why he should not be found guilty of grave and habitual negligence in the performance of his duties. As respondent failed to comply, petitioner alleged that it was

constrained to terminate respondent's services on November 13, 1997. The order of dismissal from service was allegedly served on respondent on the same day within petitioner's premises, but respondent refused to receive the same.

On November 25, 1998, the labor arbiter ruled that petitioner failed to prove by substantial evidence that there was just cause for dismissing respondent from service. It held petitioner guilty of illegal dismissal and ordered the reinstatement of respondent and payment of his backwages. The decretal portion reads:[3]

> WHEREFORE, judgment is hereby rendered finding the dismissal to be illegal.
>
> Respondent, PHESCHEM INDUSTRIAL CORPORATION and/or MR. TOMAS Y. TAN, President, is hereby ordered to pay complainant PABLITO B. MOLDES (sic) the amount of SIXTY ONE THOUSAND TWO HUNDRED THIRTY SIX PESOS (P61,236.00) representing his backwages from November 13, 1997 to November 25, 1998 the date of this decision, subject to recomputation until his actual reinstatement, and further, to be reinstated to his former position as heavy equipment operator, without loss of seniority rights and other benefits.
>
> Other claims are dismissed for lack of merit.
>
> SO ORDERED.[4]

On appeal to the NLRC, petitioner alleged that: (1) the labor arbiter erred in ordering reinstatement, as respondent, in his complaint, prayed only for separation pay; (2) respondent's dismissal from service was for a just cause, i.e., for gross and habitual neglect of his duty to inspect the bulldozer before operating it; (3) it served a termination notice on respondent on November 13, 1997 but he refused to receive it; and, (4) respondent is not entitled to backwages as he was gainfully employed with another firm after his dismissal.[5]

The NLRC dismissed petitioner's appeal for lack of merit and affirmed in toto the decision of the labor arbiter.[6] On appeal, the Court of Appeals upheld the congruent findings of the labor arbiter and the NLRC.

Hence, this appeal where petitioner raises the following assigned errors:

> I
>
> WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN DISMISSING CA-G.R. SP NO. 61564 AND THEREBY AFFIRMING THE DECISION OF THE NATIONAL LABOR RELATIONS COMMISSION IN NLRC CASE NO. V-000205-99 (RAB 08-0718-98) WHICH MAINTAINED THE ORDER OF THE EXECUTIVE LABOR ARBITER REINSTATING THE RESPONDENT TO HIS FORMER POSITION WITHOUT LOSS OF SENIORITY RIGHTS AND OTHER BENEFITS.
>
> II
>
> WHETHER OR NOT REINSTATEMENT CAN STILL BE ADJUDGED TO THE RESPONDENT UNDER THE FOREGOING CIRCUMSTANCES, AND NOTWITHSTANDING THE FACT THAT, IN THE FIRST PLACE, RESPONDENT'S CAUSE OF ACTION AND PRAYER, AS CONTAINED IN HIS COMPLAINT AGAINST THE PETITIONER, WAS ONLY FOR PAYMENT OF SEPARATION PAY.
>
> III
>
> IF RESPONDENT IS ENTITLED TO SEPARATION PAY IN LIEU OF REINSTATEMENT, WHETHER OR NOT THE COMPUTATION OF HIS BACKWAGES SHOULD STOP UPON THE FINALITY OF THE NLRC DECISION IN NLRC CASE NO. V-000205-99 (RAB 08-0718-98).

At the outset, we stress that in the case at bar, petitioner did not raise the issue regarding the illegality of respondent's dismissal from service. Instead, in its first two (2) assigned errors, petitioner assails the order of the

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

Court of Appeals affirming the reinstatement of respondent to his previous position on the ground that in his complaint before the labor arbiter, respondent did not pray for reinstatement, but for payment of separation pay and backwages. Petitioner adds that reinstatement is no longer feasible due to the strained relationship engendered by its filing of a complaint for damages against the respondent.[7]

We find no merit in petitioner's contentions.

A review of the records of the case reveals no compelling reason to disturb the identical rulings of the labor arbiter, the NLRC and the Court of Appeals. The legal consequences of an illegal dismissal are reinstatement of the employee without loss of seniority rights and other privileges, and payment of his full backwages, inclusive of allowances, and other benefits or their monetary equivalent.[8] Clearly, the law intended reinstatement to be the general rule. It is only when reinstatement is no longer feasible that payment of separation pay is awarded to an illegally dismissed employee. [9]

Reinstatement is the restoration to a state or condition from which one had been removed or separated.[10] In providing foremost for the reinstatement of an illegally dismissed employee, the Labor Code not only recognizes the security of tenure granted by law to regular employees, but also gives substance and meaning to the protection accorded by the Constitution to labor. Employment is significant to every working man. It is the means by which he sustains himself and his family, hence, the law mandates the reinstatement of an illegally dismissed employee to his former position. Payment of separation pay as a substitute for reinstatement is allowed only under exceptional circumstances, viz: (1) when reasons exist which are not attributable to the fault or beyond the control of the employer, such as, when the employer, who is in severe financial strait and has suffered serious business losses, has ceased operations, implemented retrenchment, or abolished the position due to the installation of labor-saving devices; (2) when the illegally dismissed employee has contracted a disease and his reinstatement will endanger the safety of his co-employees; or, (3) where strained relationship exists between the employer and the dismissed employee.[11]

The circumstances in the case at bar do not warrant the award of separation pay to respondent in lieu of reinstatement to his former position.

First. The records disclose that respondent has been in petitioner's employ for fourteen (14) years and has no previous record of inefficiency or infraction of company rules prior to his illegal dismissal from service.

Second. The complaint for damages filed by petitioner against respondent, which was decided in favor of the petitioner, does not by itself justify the non-reinstatement of respondent due to the alleged antagonism engendered by the suit. The evidence reveals that the civil case did not entail prolonged litigation between the parties as respondent was declared in default. For failure of respondent's counsel to appear on the date of hearing, the case was decided solely on the basis of the evidence of the petitioner.[12] Hence, the existence of strained relations between the parties is not clearly established. We have ruled that the doctrine of "strained relations" cannot be used recklessly or applied loosely to deprive an illegally dismissed employee of his means of livelihood and deny him reinstatement. While the Court acknowledges that, in the natural course of events, a certain degree of hostility is engendered by litigation, it will not by itself constitute sufficient proof of the existence of strained relations to rule out the possibility of reinstatement.[13]

Third. Respondent's omission to pray for reinstatement in his position paper before the labor arbiter cannot be considered as an implied waiver to be reinstated. It was a mere procedural lapse which should not affect his substantive right to reinstatement.[14] It is a settled principle that technicalities have no place in labor cases as rules of procedure are designed primarily to give substance and meaning to the objectives of the Labor Code to accord protection to labor.[15]

The foregoing circumstances show beyond doubt that respondent had no intent to relinquish his desire to be restored to his former position.

On the issue of backwages, we reject the position of petitioner that its computation should be made only after the finality of the NLRC decision. Article 279 of the Labor Code provides that an illegally dismissed employee shall be entitled, inter alia, to the payment of his full backwages, inclusive of allowances and to his other benefits or their monetary equivalent computed from the time his compensation was withheld from him, i.e., from the time of his illegal dismissal, up to the time of his actual reinstatement. Thus, where reinstatement is adjudged, the award of backwages and other benefits continues beyond the date of the labor arbiter's decision ordering reinstatement and extends up to the time said order of reinstatement is actually carried out.[16]

IN VIEW WHEREOF, the petition is DISMISSED. The Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 61514, dated March 21, 2003 and December 12, 2003, respectively, are affirmed in toto. No pronouncement as to costs.

SO ORDERED.

Austria-Martinez, Callejo, Sr., Tinga, and Chico-Nazario, JJ., concur.

---

[1] CA Rollo at 20.

[2] In the complaint for damages filed by petitioner against respondent, the lower court awarded petitioner only the amount of P100,000.00 as actual damages and compensation for its alleged business losses. See Rollo at 84-85.

[3] See Decision, CA Rollo at 39-44.

[4] Id., at 44.

[5] See Appeal, CA Rollo at 45-54.

[6] CA Rollo at 56-60.

[7] Decision of RTC Judge Eric F. Menchavez in Civil Case No. PN-0241, Rollo at 82-85.

[8] Mitsubishi Motors Philippines Corporation v. Chrysler Philippines Labor Union, et al., G.R. No. 148738, June 29, 2004.

[9] Article 279, Labor Code, as amended.

[10] Gold City Integrated Port Service, Inc. v. NLRC, et al, 245 SCRA 627 (1995).

[11] Pantranco North Express, Inc. v. NLRC, 252 SCRA 237 (1996); Article 283 of the Labor Code; Section 4 (b), Rule 1, Book VI of the Implementing Rules and Regulations of the Labor Code; Oro Enterprises, Inc. v. NLRC, 238 SCRA 105 (1994).

[12] See January 24, 2002 RTC decision in the civil case for damages, Rollo at 82-83.

[13] Procter and Gamble Philippines v. Bondesto, G.R. No. 139847, March 5, 2004.

[14] Comment, Rollo at 89-93.

[15] General Baptist Bible College v. National Labor Relations Commission, 219 SCRA 549 (1993).

[16] Rasonable v. NLRC, 253 SCRA 815 (1996).

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.