

DANNIE M. PANTOJA, PETITIONER, VS. SCA HYGIENE PRODUCTS CORPORATION, RESPONDENT.

G.R. No. 163554. April 23, 2010

Ponente: DEL CASTILLO, J.

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DEL CASTILLO, J.:

Once again, we uphold the employer's exercise of its management prerogative because it was done for the advancement of its interest and not for the purpose of defeating the lawful rights of an employee.

This petition for review on certiorari[1] assails the Decision[2] dated January 30, 2004 and Resolution[3] dated May 13, 2004 of the Court of Appeals (CA) in CA-G.R. SP No. 73076, which affirmed the May 30, 2002 Decision[4] of the National Labor Relations Commission (NLRC) and reinstated the Labor Arbiter's dismissal of the illegal dismissal complaint filed by petitioner Dannie M. Pantoja against respondent SCA Hygiene Products Corporation.

Factual Antecedents

Respondent, a corporation engaged in the manufacture, sale and distribution of industrial paper and tissue products, employed petitioner as a utility man on March 15, 1987. Petitioner was eventually assigned at respondent's Paper Mill No. 4, the section which manufactures the company's industrial paper products, as a back tender in charge of the proper operation of the section's machineries.

In a Notice of Transfer dated March 27, 1999,[5] respondent informed petitioner of its reorganization plan and offered him a position at Paper Mill No. 5 under the same terms and conditions of employment in anticipation of the eventual closure and permanent shutdown of Paper Mill No. 4 effective May 5, 1999. The closure and concomitant reorganization is in line with respondent's decision to streamline and phase out the company's industrial paper manufacturing operations due to financial difficulties brought about by the low volume of sales and orders for industrial paper products.

However, petitioner rejected respondent's offer for his transfer. Thus, a notice of termination[6] of employment effective May 5, 1999 was sent to petitioner as his position was declared redundant by the closure of Paper Mill No. 4. He then received his separation pay equivalent to two months pay for every year of service in the amount of P356,335.20 and thereafter executed a release and quitclaim[7] in favor of respondent. On April 5, 1999, respondent informed the Department of Labor and Employment (DOLE) of its reorganization and partial closure by submitting with the said office an Establishment Termination Report[8] together with the list[9] of 31 terminated employees.

On June 20, 2000, petitioner filed a complaint for illegal dismissal against respondent assailing his termination as without any valid cause. He averred that the alleged redundancy never occurred as there was no permanent shutdown of Paper Mill No. 4 due to its continuous operation since his termination. A co-employee, Nestor Agtang, confirmed this fact and further attested that several contractual workers were employed to operate Paper

Mill No. 4.[10] Petitioner also presented in evidence documents pertaining to the actual and continuous operation of Paper Mill No. 4 such as the Paper Mill Personnel Schedule for July 2-8, 2000[11] and 23-29, 2000[12] and Paper Machine No. 4 Production Report and Operating Data dated April 28, 2000[13] and May 18, 2000.[14]

In its defense, respondent refuted petitioner's claim of illegal dismissal. It argued that petitioner has voluntarily separated himself from service by opting to avail of the separation benefits of the company instead of accepting reassignment/transfer to another position of equal rank and pay. According to respondent, petitioner's discussion on the alleged resumption of operation of Paper Mill No. 4 is rendered moot by the fact of petitioner's voluntary separation.

Ruling of the Labor Arbiter

On March 23, 2001, the Labor Arbiter rendered a Decision[15]

dismissing petitioner's complaint for lack of merit. The Labor Arbiter ruled that inasmuch as petitioner rejected the position offered to him, opted to receive separation pay and executed a release and quitclaim releasing the company from any claim or demand in connection with his employment, petitioner's claim that he was illegally dismissed must perforce fail.

Ruling of the National Labor Relations Commission

Upon appeal by petitioner, the NLRC reversed the Labor Arbiter's Decision by finding petitioner's separation from employment illegal. The NLRC gave credence to petitioner's evidence of Paper Mill No. 4's continuous operation and consequently opined that the feigned shutdown of operations renders respondent's redundancy program legally infirm. According to the NLRC, petitioner's refusal to be transferred to an equal post in Paper Mill No. 5 is of no consequence since he would not have had the need to make a choice where the situation, in the first place, never called for it. The NLRC further disregarded the validity of the quitclaim because its execution cannot be considered as having been done voluntarily by petitioner there being fraud and misrepresentation on the part of respondent. The dispositive portion of the NLRC Decision reads:

WHEREFORE, premises considered, the decision under review is hereby REVERSED and SET ASIDE, and another entered, declaring complainant's dismissal from employment as ILLEGAL.

Accordingly, respondent is ordered to REINSTATE the complainant to his former position without loss of seniority rights and pay him FULL BACKWAGES in the amount corresponding to the period when he was actually dismissed until actual reinstatement, less the sum of THREE HUNDRED FIFTY SIX THOUSAND THREE HUNDRED THIRTY FIVE & 20/100 Pesos (P356,335.20) representing his separation pay.

Respondent is further ordered to pay the complainant, by way of attorney's fees, ten percent (10%) of the total net amount due as backwages.

SO ORDERED.[16]

Respondent sought reconsideration of the NLRC's ruling. It denied the fact that Paper Mill No. 4 continued to be fully operational in 1999. Respondent asseverated that when Paper Mill No. 4 was shut down in 1999 due to its low production output as certified in an affidavit[17] executed by SCA's VP-Tissue Manufacturing Director, there was a necessity to occasionally run from time to time the machines in Paper Mill No. 4 only for the purpose of maintaining and preserving the same and does not mean that Paper Mill No. 4 continued to be operational. It was only in 2000 that Paper Mill No. 4 was subsequently reopened due to a more favorable business climate, which decision is recognized as a rightful exercise of management prerogative. Moreover, respondent maintained that this is a case of voluntary separation and not illegal dismissal.

In a Resolution[18] dated August 22, 2002, respondent's motion was denied.

Ruling of the Court of Appeals

Aggrieved, respondent filed a petition for certiorari with the CA. On January 30, 2004, the CA reversed the NLRC's Decision and reinstated the Labor Arbiter's Decision dismissing the compliant. It ruled that there was no illegal dismissal as the act of petitioner in rejecting the transfer and accepting the separation pay constitutes a valid basis for the separation from employment. Respondent's Motion to Annul the NLRC's Entry of Judgment was granted by the CA.

Petitioner filed a motion for reconsideration but it was denied.

Issue

The lone issue in this petition for review on certiorari is whether or not respondent is guilty of illegal dismissal.

Petitioner contends that respondent's streamlining of operations which resulted in the reduction of personnel was a mere scheme to get rid of regular employees whose security of tenure is protected by law. As there was evident bad faith in the implementation of a flawed retrenchment program, petitioner argued that his separation from employment due to his decision to accept separation pay is illegal since respondent has no valid basis to give him an option either to be transferred or be separated. Further, neither can the quitclaim he executed stamp legality to his precipitate separation.

Our Ruling

The petition lacks merit.

Respondent's right of management prerogative was exercised in good faith.

Respondent presented evidence of the low volume of sales and orders for the production of industrial paper in 1999 which inevitably resulted to the company's decision to streamline its operations. This fact was corroborated by respondent's VP-Tissue Manufacturing Director and was not disputed by petitioner. Exercising its management prerogative and sound business judgment, respondent decided to cut down on operational costs by shutting down one of its paper mill. As held in *International Harvester Macleod, Inc. v. Intermediate Appellate Court*, [19] the determination of the need to phase out a particular department and consequent reduction of personnel and reorganization as a labor and cost saving device is a recognized management prerogative which the courts will not generally interfere with.

In this case, the abolishment of Paper Mill No. 4 was undoubtedly a business judgment arrived at in the face of the low demand for the production of industrial paper at the time. Despite an apparent reason to implement a retrenchment program as a cost-cutting measure, respondent, however, did not outrightly dismiss the workers affected by the closure of Paper Mill No. 4 but gave them an option to be transferred to posts of equal rank and pay. As can be seen, retrenchment was utilized by respondent only as an available option in case the affected employee would not want to be transferred. Respondent did not proceed directly to retrench. This, to our mind, is an indication of good faith on respondent's part as it exhausted other possible measures other than retrenchment. Besides, the employer's prerogative to bring down labor costs by retrenching must be exercised essentially as a measure of last resort, after less drastic means have been tried and found wanting. Giving the workers an option to be transferred without any diminution in rank and pay specifically belie petitioner's allegation that the alleged streamlining scheme was implemented as a ploy to ease out employees, thus, the absence of bad faith. Apparently, respondent implemented its streamlining or reorganization plan with good faith, not in an arbitrary manner and without prejudicing the tenurial rights of its employees.

Petitioner harps on the fact that there was no actual shutdown of Paper Mill No. 4 but that it continued to be operational. No evidence, however, was presented to prove that there was continuous operation after the shutdown in the year 1999. What the records reveal is that Paper Mill No. 4 resumed its operation in 2000 due to a more favorable business climate. The resumption of its industrial paper manufacturing operations does not, however, make respondent's streamlining/reorganization plan illegal because, again, the abolishment of Paper Mill No. 4 in 1999 was a business judgment arrived at to prevent a possible financial drain at that time. As long as no arbitrary or malicious action on the part of an employer is shown, the wisdom of a business judgment to implement a cost saving device is beyond this court's determination. After all, the free will of management to conduct its own business affairs to achieve its purpose cannot be denied.[20]

Petitioner's voluntary separation from employment renders his claim of illegal dismissal unfounded and baseless.

Petitioner claims that he had no choice but to resign on the belief that Paper Mill No. 4 will be permanently closed as misrepresented by respondent and thus can invalidate the release and quitclaim executed by him.

We find this contention untenable.

We held that work reassignment of an employee as a genuine business necessity is a valid management prerogative.[21] After being given an option to be transferred, petitioner rejected the offer for reassignment to Paper Mill No. 5 even though such transfer would not involve any diminution of rank and pay. Instead, he opted and preferred to be separated by executing a release and quitclaim in consideration of which he received separation pay in the amount of P356,335.20 equal to two months pay for every year of service plus other accrued benefits. Clearly, petitioner freely and voluntarily consented to the execution of the release and quitclaim. Having done so apart from the fact that the consideration for the quitclaim is credible and reasonable, the waiver represents a valid and binding undertaking.[22] As aptly concluded by the CA, the quitclaim was not executed under force or duress and that petitioner was given a separation pay more than what the law requires from respondent.

WHEREFORE, the petition is DENIED. The assailed January 30, 2004 Decision of the Court of Appeals in CA-G.R. SP No. 73076 dismissing petitioner Dannie M. Pantoja's complaint for illegal dismissal and the May 13, 2004 Resolution denying the Motion for Reconsideration are AFFIRMED.

SO ORDERED.

Carpio, (Chairperson), Abad, Perez, and Mendoza[*], JJ., concur.

[*] In lieu of Justice Arturo D. Brion, per raffle dated April 19, 2010.

[1] Rollo, pp.10-23.

[2] Id. at 73-79; penned by Associate Justice Eloy R. Bello, Jr. and concurred in by Associate Justices Amelita G. Tolentino and Arturo D. Brion.

[3] Id. at 91.

[4] Id. at 63-69; penned by Presiding Commissioner Raul T. Aquino and concurred in by Commissioners Victoriano R. Calaycay and Angelita A. Gacutan.

[5] Annex "1", CA rollo, p. 72.

- [6] Annex "2", id. at 73; Annex "A" of petitioner's position paper, id. at 88.
- [7] Annex "6", id. at 77.
- [8] Annex "4", id. at 75.
- [9] Annex "5", id. at 76.
- [10] Agtang's Affidavit, Annex "B", id. at 89-90.
- [11] Annex "C", id. at 91.
- [12] Annex "D", id. at 92.
- [13] Annex "E", id. at 93.
- [14] Annex "F", id. at 94.
- [15] Rollo, pp. 46-51.
- [16] Id. at 68-69.
- [17] Annex "1" of respondent's motion for reconsideration to the NLRC Decision dated May 30, 2002, CA rollo, pp. 163-165.
- [18] Rollo, pp. 70-71.
- [19] 233 Phil. 655, 665-666 (1987).
- [20] *Maya Farms Employees Organization v. National Labor Relations Commission*, G.R. No. 106256, December 28, 1994, 239 SCRA 508, 514.
- [21] *Merck Sharp and Dohme (PHIL.) v. Robles*, G.R. No. 176506, November 25, 2009.
- [22] *San Miguel Corp. v. Teodosio*, G.R. No. 163033, October 2, 2009.

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