

ARSENIO F. QUEVEDO, LAWRENCE CAMARILLO, ABELARDO MARQUEZ, JOSEPHINE CALINAO, CLEMENCIA COSALAN, CORAZON T. DULFO, NORMA BUDOD, ELIZABETH ANIS, MILAGROS RAMOS, JOVITA RILLERA, ER...

G.R. No. 168927. September 11, 2009

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

For review[1] is the Decision[2] of the Court of Appeals, dated 29 April 2005, dismissing petitioners' complaint for illegal termination of employment and its Resolution, dated 13 July 2005, denying reconsideration.

The Facts

Petitioners are former employees of respondent Benguet Electric Cooperative, Incorporated (BENECO). Before 1999, BENECO started automating its operations, rendering superfluous functions performed by some employees, including petitioners. Instead of terminating petitioners' employment outright for redundancy and paying them the statutory benefits,[3] BENECO offered petitioners the option to retire under a newly created optional retirement program (Early Voluntary Retirement [EVR]) guaranteeing petitioners bigger benefits.[4] After unsuccessfully requesting BENECO to retain their services, petitioners accepted BENECO's offer, received payments, and released BENECO from further liability in individually executed contracts.

In September 2000, nearly four months after leaving BENECO, petitioners sued BENECO at the National Labor Relations Commission (NLRC) Arbitration Branch, Cordillera Administrative Region, Baguio City for illegal dismissal.[5] Petitioners claimed that they had no intention of retiring from service but their hands were forced because BENECO would have terminated their services. Petitioners questioned the validity of BENECO's downsizing in light of BENECO's hiring of new employees shortly after petitioners left the corporation.

The Ruling of the Labor Arbiter

In a Decision dated 13 February 2001, the Labor Arbiter[6] dismissed petitioners' complaint for lack of merit. The Labor Arbiter rejected petitioners' claim of dismissal without cause, holding instead that petitioners retired from service voluntarily. The Labor Arbiter gave no credence to petitioners' claim of vitiated consent after noting petitioners' educational backgrounds[7] and the extent of benefits they received.[8] Contrary to petitioners' allegation, the Labor Arbiter found that the new employees BENECO hired were project employees who performed tasks unrelated to petitioners' work.

Petitioners appealed to the NLRC.

The Ruling of the NLRC

In its Decision dated 28 November 2003, the NLRC granted petitioners' appeal, set aside the ruling of the Labor Arbiter and ordered BENECO to reinstate petitioners with full backwages less benefits received.[9] The NLRC gave credence to petitioners' claim of involuntary retirement. Further, the NLRC held BENECO liable for dismissing petitioners without cause, as it failed to prove redundancy, and without due process, as BENECO failed to notify the Department of Labor of petitioners' termination.

BENECO sought reconsideration but the NLRC denied its motion.

BENECO appealed to the Court of Appeals in a petition for certiorari contending that the NLRC committed grave abuse of discretion in reversing the Labor Arbiter's finding that petitioners retired from service voluntarily. Further, BENECO invoked the terms of the waivers petitioners signed releasing BENECO from further liability.

The Ruling of the Court of Appeals

In its Decision dated 29 April 2005, the Court of Appeals granted BENECO's appeal, set aside the NLRC's ruling and reinstated the decision of the Labor Arbiter. The Court of Appeals found more in accord with the records the Labor Arbiter's finding that petitioners retired from service of their own volition, thus precluding any finding of illegal dismissal. Further, the Court of Appeals found merit in BENECO's contention that petitioners were barred under the terms of their waiver contracts from seeking further benefits from BENECO.

Petitioners sought reconsideration but the Court of Appeals denied their motion in the Resolution of 13 July 2005.

Hence, this petition. Petitioners pray for the reinstatement of the NLRC's ruling.

The Issue

The issue is whether BENECO is liable for illegal dismissal.

The Ruling of the Court

We rule in the negative. We affirm the Court of Appeals' ruling that petitioners retired from service voluntarily.

Petitioners Retired from Service and Were Not Dismissed

Petitioners do not contest their retirement from service. What they assail is the Court of Appeals' finding of its voluntariness. Thus, as the Court of Appeals found, it is inappropriate to engage in any discussion, as the NLRC did, on whether BENECO complied with the requirements for termination of employment for redundancy.[10] While termination of employment and retirement from service are common modes of ending employment, they are mutually exclusive, with varying juridical bases and resulting benefits. Retirement from service is contractual (i.e. based on the bilateral agreement of the employer and employee),[11] while termination of employment is statutory (i.e. governed by the Labor Code and other related laws as to its grounds, benefits and procedure). The benefits resulting from

termination vary, depending on the cause.[12] For retirement, Article 287 of the Labor Code gives leeway to the parties to stipulate above a floor of benefits.[13]

Petitioners' Retirement from Service was Voluntary

The line between voluntary and involuntary retirement is thin but it is one which this Court has drawn. Voluntary retirement cuts employment ties leaving no residual employer liability; involuntary retirement amounts to a discharge, rendering the employer liable for termination without cause.[14] The employee's intent is the focal

point of analysis. In determining such intent, the fairness of the process governing the retirement decision,[15] the payment of stipulated benefits, and the absence of badges of intimidation or coercion[16] are relevant parameters.[17]

Nothing in the records offends any of these criteria.

The manner by which BENECO arrived at its decision to downsize and at the same time spare petitioners the lesser benefits under Article 283 of the Labor Code by creating a more generous retirement package was regular, transparent and fully documented. As the Court of Appeals noted:

The absence of arbitrariness and bad faith on the part of [BENECO] in its adoption and implementation of the EVRP may be gleaned from the series of discussion of x x x BENECO's Board of Directors on the Proposed Table of Organization contained in the Minutes of its Meetings x x x

The proposal to implement a voluntary retirement plan to the employees who were identified as holding redundant positions was formally made into a corporate act by the passage of Resolution No. 44-2000 which was amended by Resolution No. 44-2000-A. The affected employees were formally notified of the said resolutions in a letter dated 20 March 2000 and letter dated 07 April 2000.[18]

Further, petitioners were afforded opportunity to seek reconsideration of BENECO's decision to downsize, albeit without success as BENECO stood pat on its management decision.

To appreciate the regularity of what transpired here, one need only compare it with the unceremonious treatment of the employee in *De Leon v. National Labor Relations Commission*[19] who, despite not having applied for retirement, received notice from his employer that his "application for retirement has been accepted." [20] Worse, the employee in *De Leon*, unlike petitioners, was not afforded the chance to question his supposed retirement.

Nor were petitioners here denied the stipulated benefits. It is telling, but not surprising, that petitioners kept clear of this subject. The records show that on average, the benefits each of the petitioners received under the EVR program were more than twice their statutory counterpart under Article 183.[21] We note with approval the Labor Arbiter's observation that the marked difference between these two bundles of benefits not only factored in petitioners' decision to retire under the EVR program but also explained the lapse of nearly four months before petitioners sued BENECO.[22]

Finally, petitioners accepted BENECO's offer without reservation[23] and received payments without protest. True, petitioners requested BENECO to reconsider its decision to abolish their positions but this is a natural inclination to keep one's livelihood. It does not rise to that level of intimidation or coercion sufficient to vitiate consent as shown in the factual milieu we detailed in *San Miguel Corporation v. National Labor Relations Commission*:

[W]hen [complainants'] application papers for retirement were supposedly approved, the same four (4) high-ranking officials of petitioner [corporation], who met the complainants at the office of Mr. Edmundo Torres, Jr., decided to talk to the complainants individually and requested all of them, except Mr. George D. Teddy, Jr., to go out while they (petitioner's officials) would discuss important matters with them, one by one, starting with Mr. Teddy. And when the complainants signed retirement papers, petitioner corporation admitted in its petition that they (complainants) were reluctant to sign the same.[24]

Petitioners nevertheless argue that their inevitable termination forced their hands, leaving them no choice but to retire from service. Although superficially appealing, this argument rests on an unfair, but predictably biased, assumption: that petitioners' dismissal would have been, as a matter of certainty, illegal. For if one assumes the contrary, then economics, not psychology, explains petitioners' conduct - petitioners were not compelled to retire,

they simply chose, between two equally valid options, the exit route offering bigger benefits.

At any rate, assuming illegality, as a general proposition, ignores the settled presumption that "the law has been obeyed." [25] Assuming causeless dismissal is graver still for it denies the employer the fair chance to prove the contrary. [26] Indeed, our observation in *Benguet Electric Cooperative v. Fianza* [27] that BENECO downsized "to address the requirements of an automated system and to streamline [its] operations" further robs petitioners' contention of any merit. We held in *Fianza*:

[T]he abolition of a position deemed no longer necessary is a management prerogative, and this Court, absent any findings of malice and arbitrariness on the part of management, will not efface such privilege if only to protect the person holding that office.

As found by the Labor Arbiter and affirmed by the NLRC, there had been a proposed restructuring of the organization of respondent BENECO, which process began before 1999. The Labor Arbiter and the NLRC affirmed that the restructured Table of Organization of BENECO was prepared after a thorough review by management of the indispensable and unessential positions in the old plantilla. It was undertaken to address the requirements of an automated system and to streamline BENECO's operations. Under the revamped organization, the position of Property Custodian under the Office of the General Manager had already been abolished. [28] (Emphasis supplied)

The respondent in *Fianza* was among the twenty BENECO employees whose positions, including petitioners,' were rendered superfluous by the reorganization.

Petitioners' Waivers Bar this Suit

Petitioners bound themselves, in individually signed contracts, to "forever release, waive and quitclaim all causes of action or claims arising from or as a consequence" of their early retirement. [29] Petitioners concede that this blanket stipulation bars this suit. However, they seek to avoid compliance by again pleading vitiated consent. Although contracts executed in the context of employment are imbued with public interest, triggering closer scrutiny, they remain contracts binding the parties to their terms. [30]

To excuse petitioners from complying with the terms of their waivers, they must locate their case within any of three narrow grounds: (1) the employer used fraud or deceit in obtaining the waivers; (2) the consideration the employer paid is incredible and unreasonable; or (3) the terms of the waiver are contrary to law, public order, public policy, morals or good customs or prejudicial to a third person with a right recognized by law. [31] The preceding discussion on the voluntariness of petitioners' retirement from service effectively removes these grounds beyond petitioners' argumentative reach. Accordingly, petitioners, by the terms of their waivers, are barred from filing this suit.

WHEREFORE, we DENY the petition. We AFFIRM the Decision of the Court of Appeals dated 29 April 2005 and its Resolution dated 13 July 2005.

SO ORDERED.

Puno, C.J., Corona, Leonardo-De Castro, and Brion[*], JJ., concur.

[*] Designated additional member per Raffle dated 8 September 2009.

[1] Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Penned by Associate Justice Celia C. Librea-Leagogo with Associate Justices Andres B. Reyes, Jr. and Lucas

P. Bersamin, concurring.

[3] Under Article 283 of the Labor Code, petitioners were entitled to receive separation benefits equivalent to at least one month pay or at least one month salary for every year of service, whichever is higher.

[4] Consisting of (1) separation pay ranging from 1.5 to 2.25 monthly salary rate for every year of service; (2) premium pay equivalent to 12 months gross salary; (3) 14th month pay; (4) grocery allowance; and (5) accumulated leave pay. (CA rollo, p. 5)

[5] Petitioners also sought to hold BENECO liable for unfair labor practice but this cause of action is no longer pursued here. The NLRC, at the arbiter and commission level, found no merit in this claim.

[6] Jesselito B. Latoja.

[7] Except for petitioners Calinao and Anis who took secretarial courses, the rest of the petitioners hold degrees in accounting or economics.

[8] Petitioners received the following amounts (Rollo, pp. 40-41):

Arsenio Quevedo -----	P367,854.86
Lawrence Camarillo -----	687,885.03
Erlinda T. Pablo -----	618,968.42
Norma U. Budod -----	367,854.86
Corazon T. Dulfo -----	497,501.04
Clemencia L. Cosalan -----	289,517.24
Josephine Calinao -----	231,854.35
Abelardo D. Marquez -----	662,115.31
Elizabeth B. Anis -----	335,812.38
Jovita G. Rillera -----	231,854.35
Wilfreda Ruiz -----	342,511.22
Juliet P. Subido -----	596,880.39
Milagros D. Ramos -----	768,402.78

[9] Alternatively, the NLRC ordered BENECO to give separation pay to petitioners should reinstatement prove not feasible.

[10] Under Article 283 of the Labor Code.

[11] *Soberano v. Secretary of Labor*, 187 Phil. 873 (1980).

[12] For dismissals due to authorized causes under Article 283, the benefits are computed as follows: "In case of termination due to the installation of labor-saving devices or redundancy, the worker affected thereby shall be entitled to a separation pay equivalent to at least his one (1) month pay or to at least one (1) month pay for every year of service, whichever is higher. In case of retrenchment to prevent losses and in cases of closures 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 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." For dismissal based on employee illness under Article 284, the separation pay is equivalent to "at least one (1) month salary or to one-half (1/2) month salary for every year of service, whichever is greater, a fraction of at least six (6) months being considered as one (1) whole year." For dismissals without cause, the employer is liable to pay backwages, other applicable benefits, and damages, when appropriate.

[13] Which is "at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year" with the term "one-half (1/2) month salary" defined as "fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leaves."

[14] *San Miguel Corporation v. National Labor Relations Commission* , 354 Phil. 815 (1998); *De Leon v. National Labor Relations Commission*, 188 Phil. 666 (1980).

[15] *De Leon v. National Labor Relations Commission*, *supra*.

[16] *San Miguel Corporation v. National Labor Relations Commission*, *supra*.

[17] The concept of "forced retirement" has been enlarged to cover "moral and psychological" compulsion (*Id.* at 825).

[18] *Rollo*, pp. 54, 56.

[19] *Supra* note 14.

[20] *Id.* at 669.

[21] Below are the comparative benefits (*Rollo*, p. 87):

Under Article 283

Under the EVR Program

Arsenio Quevedo

P137,325.00

P 367,854.86

Lawrence Camarillo

241,680.00

687,885.03

Erlinda T. Pablo

224,316.00

618,958.42

Norma U. Budod

137,325.00

367,854.86

Corazon T. Dulfo

178,126.00

497,501.04

Clemencia Cosalan

99,156.00

289,517.24

Josephine Calinao

75,834.00

231,854.35

Abelardo D. Marquez

232,185.00

662,115.31

Elizabeth B. Anis

119,015.00

335,812.36

Jovita G. Rillera

75,834.00

231,854.35

Juliet P. Subido

207,108.00

596,880.39

Milagros D. Ramos

269,115.00

780,402.76

For petitioner Wilfreda Ruiz, it cannot be ascertained from the records how much she was entitled to receive under Article 283 although she received P342,511.22 under the EVR program.

[22] The Labor Arbiter observed (Id.):

Considering the amounts involved, it is incredible that herein complainants involuntarily retired. They are not uneducated. Their service records and biodata show that most of them, if not all, are Commerce graduates (Annexes "6" to "6-L", Respondents' Position Paper). Respondents are correct in their assertion that complainants must have considerably deliberated on the computed amounts before accepting them. They must have known the consequences of their acceptance of the EVR benefit package. In fact, they have enjoyed their retirement pays almost [four (4)] months before they filed their complainants for illegal dismissal. (Emphasis in the original)

[23] In individually signed acceptance forms (CA rollo, pp. 75-81).

[24] 354 Phil. 815, 826 (1998). The Labor Arbiter's factual narration in San Miguel also detailed complainants' other allegations supporting their claim of involuntary resignation: "Complainants x x x allege that the respondent corporation had involuntarily secured their signature in conformity with their retirement from the service; that this involuntariness could be gleaned from the fact that when complainant George D. Teddy, Jr. was about to go out of the door of his office when he refused to affix his conformity with the option of the respondent to retire him from the service, one Mr. Antonio Labirua, Personnel Director of the Beer and Packaging Division of the respondent

corporation blocked the door of the office; that complainant (sic) were threatened by this Mr. Labirua that whether they like it or not, the respondent company had decided to retire them from work; that in fact complainant Manuel G. Chu who did not sign any documents tendered to him by Mr. Labirua was likewise retired by the respondent corporation." (Id. at 819-820)

[25] Section 3(m), Rule 131, Revised Rules of Evidence.

[26] Under Article 277 of the Labor Code, the burden of proving that the termination was for a valid or authorized cause rests on the employer.

[27] 468 Phil. 980 (2004).

[28] Id. at 994-995.

[29] Rollo, pp. 358-369.

[30] Under Article 1315 of the Civil Code, parties to contracts "are bound to the fulfillment not only of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law."

[31] See *More Maritime Agencies, Inc. v. NLRC*, 366 Phil. 646 (1999).

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