COATS MANILA BAY, INC., PETITIONER, VS. PURITA M. ORTEGA (REPRESENTED BY ALEJANDRO SAN PEDRO, JR.) AND MARINA A. MONTERO, RESPONDENTS.

G.R. No. 172628. February 13, 2009

Ponente: TINGA, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-172628/

TINGA, J.:

In this Petition for Review, [1] Coats Manila Bay, Inc. (petitioner) assails the decision[2] of the Court of Appeals dated 25 January 2002 which ruled that respondents were illegally dismissed by petitioner as the latter failed to substantiate its claim that it observed fair and reasonable criteria in selecting employees for dismissal as part of its redundancy program. The appellate court set aside the decision and resolution of the National Labor Relations Commission (NLRC) reversing the labor arbiter's decision granting respondents' complaints for illegal dismissal.

The facts are as follows:

Petitioner, a corporation registered under Philippine laws, is primarily engaged in the business of thread production. Purita M. Ortega and Marina A. Montero (respondents) were both employed by petitioner as Clerk Analysts in the Industrial Engineering Department. Both were members of Anglo-KMU Monthly Union (Union).[3]

On 27 April 2000, petitioner issued a memorandum announcing that a redundancy plan would be implemented.[4] It was stated that the redundancy program was necessary to prevent further losses. Petitioner assured its employees that implementing a redundancy program rather than a retrenchment program would result in better benefits to those dismissed.

As a result of this redundancy program, 135 employees were terminated, including respondents. They were advised on 9 May 2000 that they would be dismissed effective 15 June 2000.[5] On 10 May 2000, petitioner filed with the Department of Labor and Employment its Establishment Termination Report,[6] indicating that it was terminating 135 of its employees, including respondents, on the ground of redundancy. On 31 May 2000, petitioner and the Union held a labor-management meeting to discuss the fate of the employees affected by the redundancy program.[7] On 1 June 2000, respondents received their respective separation payments and thereafter executed release waivers and quitclaims in favor of petitioner.[8] In the meantime, 11 of the terminated employees were rehired by petitioner to different positions but with lower salaries.

On 8 June 2000, respondents filed a complaint for illegal dismissal, backwages, reinstatement, vacation/sick leave, 13[th] month pay, moral and exemplary damages, attorney's fees, litigation expenses and CBA benefits with the NLRC against petitioner and/or its Chief Executive Officer Arsenio N. Tanco (Tanco).[9]

Respondents asserted in their position paper that despite their dismissal due to redundancy, their functions were assigned to other workers.[10] They also claimed that they were constrained to sign the quitclaims and release waivers due to their pressing need for the separation pay. They further alleged that as a result of their termination

they had suffered humiliation, wounded feelings, mental anguish and thus prayed for exemplary and morals damages well as attorney's fees.

Petitioner and Tanco claimed that they had the management prerogative to implement a redundancy program as per Article 283 of the Labor Code.[11] They aver that both respondents were notified that they would be subject to redundancy and that they never objected thereto as shown by the execution of their respective waivers/quitclaims.

On 21 October 2002, the Labor Arbiter rendered a decision[12] declaring illegal respondents' dismissal and directing petitioner to reinstate respondents to their former positions. The dispositive portion of the decision reads:

> WHEREFORE, premises considered, the complainants are hereby declared illegally dismissed, and respondent Coats Manila Bay, Inc. is thereby directed to reinstate them to their former positions without loss of seniority rights and other benefits, to pay their full backwages, including their 13[th] month pay, from the time of their termination up to the time of their actual reinstatement, and to pay each complainant 10% of the total award as attorney's fees.
>
> Nevertheless, the sums of money already paid by and received from the respondents by the complainants when they were terminated from the service shall be deducted from the total amount of their respective awards in this case, in the amount as computed by the NLRC NCR Computation Unit.
>
> All other claims are dismissed for lack of merit.
>
> SO ORDERED.[13]

On 18 November 2002, petitioner appealed the decision of the Labor Arbiter to the NLRC. On 21 January 2004, the NLRC reversed the decision of the Labor Arbiter and held that the dismissal was valid due to redundancy. Respondents moved for reconsideration but this was denied by the NLRC in a resolution dated 30 March 2005.

Undaunted, respondents filed a petition for certiorari with the Court of Appeals. The Court of Appeals granted their petition, reversed the decision of the NLRC and reinstated the decision of the Labor Arbiter. The dispositive portion of the decision states:

> WHEREFORE, the petition, being meritorious is GRANTED. The decision of the NLRC dated January 21, 2004 and its Resolution dated March 30, 2005 in NLRC NCR CA No. 033967-03 (NLRC NCR Case No. 06-03132-2000) are hereby REVERSED and SET ASIDE. The decision of the Labor Arbiter dated October 21, 2002 (NLRC NCR Case No. 06-03132-2000) is REINSTATED and AFFIRMED.
>
> SO ORDERED.

The Court of Appeals ratiocinated that the record is bare of any evidence that fair and reasonable criteria in selecting the respondents were used. Moreover, the waivers and quitclaims executed by respondents did not negate their right to pursue their claims, the appellate court stated.

In the instant petition, petitioner asserts that the implementation of its redundancy program was not discriminatory, and that it implemented reasonable criteria in selecting employees to be retrenched. Moreover, the decision to dismiss respondents was reached after consultations with the Union. Petitioner also maintains that the quitclaims executed by respondents, in which the latter acknowledged receipt of their salaries, 13[th] month pay, vacation leave conversion, retrenchment pay and refund of withholding taxes, were not procured through fraud or deceit on its part, and that respondents had better educational attainment than the other workers; hence, the two understood what they were signing.

Respondents filed their comment,[14] asserting that petitioner raised no substantial argument to warrant

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

reconsideration.[15] They contend that petitioner cannot invoke redundancy since there was no showing that the functions of respondents are duplicitous or superfluous. They also assert that petitioner failed to show that it was suffering from a serious downturn in business that would warrant redundancy given that such serious business downturn was the cause given by petitioner in the termination letters sent to respondents. They also assert that their educational attainment is irrelevant since the compelling factor in their acceptance of separation pay was the dire economic necessity to be caused by their impending loss of jobs.

The issues posed before the Court may thus be simplified into two: (i) the propriety of the redundancy program implemented by petitioner; and (ii) the validity of the waivers and quitclaims executed by respondents.

The petition is meritorious.

Propriety of redundancy program

For purposes of the Labor Code, redundancy 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 over hiring of workers, decreased volume of business, or dropping of a particular product line or service activity previously manufactured or undertaken by the enterprise.[16] That no other person was holding the same position prior to the termination of one's 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.[17] Just like installation of labor-saving devices, the ground of redundancy does not require the exhibition of proof of losses or imminent losses. In fact, of all the statutory grounds provided in Article 283 of the Labor Code, it is only retrenchment which requires proof of losses or possible losses as justification for termination of employment.[18]

The Court recognizes that a host of relevant factors comes into play in determining cost-efficient saving measures and in choosing who among the employees should be retained or separated. It is well settled 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. However, 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.[19] In several instances, the Court has held that it is important for a company to have fair and reasonable criteria in implementing its redundancy program, such as but not limited to, (a) preferred status, (b) efficiency and (c) seniority.[20]

We are satisfied that petitioner employed reasonable criteria in choosing which positions to declare redundant.

The Court notes that considerable deliberations were made before the redundancy program was implemented. As early as 22 April 2000, management had been upfront regarding its plans to implement a redundancy program, issuing a memorandum informing its employees that imminent "serious business downturn" had forced it to take "urgent steps to reduce (its) workforce." The memorandum also mentioned the criteria for selection of employees to be made redundant. Thus: "x x x primarily performance, viz absenteeism, record of disciplinary action, efficiency and work attitude. All other things being equal, the basis will be seniority."[21]

Records also show that petitioner held a labor-management meeting on 31 May 2000, wherein it discussed with the Union the redundant positions as well as the possible placement of the would-be displaced employees, the wage rate and work hours. Obviously, the redundancy program was carried out with the full consent and participation of the duly recognized labor union, which represents the employees-members. The minutes of the meeting which were duly signed by both the management and the union panels read in part:

> Marina Montero and Purita Ortega's positions are redundant. The same is true with Robert Higado's position. As earlier mentioned, Management told the Union there are no more available monthly positions but should they wish to take up daily jobs Management is willing to accommodate them.
>
> x x x
>
> On the case of Marina Montero, Mr. Dequito suggested that Management accommodate M. Montero for one or two more years since she is already retirable. Engr. Valle told the Union that they have checked the records and found out that M. Montero's service is not even close to 28 years.[22]

Moreover, a review of the records shows that respondents' positions were abolished because there was duplicity of functions of clerk analysts in the Industrial Engineering Section and finishing production clerks in the Operations Department. Even the union representatives agreed that respondents' positions were redundant. Petitioner found that it was more cost-efficient to maintain only one employee to handle the computation of incentives of the production employees with the use of computers. [23]

Respondents, as well as the Court of Appeals, insist that petitioner did not present a clear criteria in implementing its redundancy program. We do not agree. Petitioner's failure to exactly state in the memorandum or in the termination notices that respondents do not enjoy a "preferred status," or are not "efficient" or do not possess "seniority," cannot be equated with failure to apply reasonable criteria. A simple reading of the memorandum and the deliberations during the labor-management meeting shows that the fate of the affected employees was deliberated upon and decided with circumspection. The totality of the actions of petitioner shows that the redundancy program was fair, well-thought of, and made in good faith.

Neither is the claim of discrimination well-founded. Respondents compare themselves to the other employees who were included in the redundancy program and allegedly "reinstated" by petitioner. Upon closer scrutiny, however, we find that said employees were indeed part of the redundancy program but were taken back, upon the agreement between the Union and petitioner. Of the 135 terminated employees, only 11 were taken back. It must be stressed, however, that true, the 11 employees were re-employed but they were not reinstated in their former positions. Aside from agreeing to a reduced workweek, these employees conceded to pay cuts, and accepted positions which were different from the ones they originally held prior to the implementation to the redundancy program.[24]

Moreover, of the remaining terminated employees who were not re-employed, only respondents complained of illegal dismissal and discrimination. It would probably be a different matter had petitioner re-employed each and every terminated employee, save for respondents. Had such been the case, it would have been easy to infer that respondents were singled out and discriminated against, and more important, it would prove that there was no valid reason to implement a redundancy program. But, precisely, that is not the case here. Besides, petitioner and the Union had exercised business judgment in choosing who should be re-employed. Absent any showing of arbitrariness or bad faith, the Court will not interfere with their decision.

Validity of Release Waiver and Quitclaim

The Court of Appeals ruled that the release waivers and quitclaims had not negated respondents' right to pursue their claims, ratiocinating that:

> What appears is that petitioners by reason of dire economic necessity were constrained to accept their separation pay and signed the quitclaims. When petitioners signed the quitclaims, they faced the impending threat of losing their jobs after June 15, 2000. This dilemma placed petitioners in no position to resist their employer's offer of separation pay. The fact, however, is that petitioners continue to press their claims against private respondent company, which negates the idea that they waived their rights or claims. `The reason for

> this is that the employee does not really stand on an equal footing with his employer. In some cases, he may be so penurious that he is willing to bargain even rights secured to him by law.[25] (emphasis supplied)

The Court disagrees. Not all quitclaims are per se invalid or against policy, except: (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; in these cases, the law will step in to annul the questionable transaction.[26] Indeed, there are legitimate waivers that represent a voluntary and reasonable settlement of laborers' claims which should be respected by the Court as the law between the parties. Where the person making the waiver has done so voluntarily, with a full understanding thereof, and the consideration for the quitclaim is credible and reasonable, the transaction must be recognized as being a valid and binding undertaking,[27] and may not later be disowned simply because of a change of mind.[28]

In the case at bar, the release waivers and quitclaims were executed by respondents without any force or duress exerted on them. Respondents merely alleged that they voluntarily executed the documents by reason of dire economic necessity. "Dire necessity" may be an acceptable ground to annul quitclaims if the consideration is unconscionably low and the employee was tricked into accepting it,[29] but is not an acceptable ground for annulling the release when it is not shown that the employee has been forced to execute it.[30]

The release documents embodied reasonable settlement of the parties' claims. Respondents received hefty sums--Ortega received P363,594.28 while Montero got P348,975.97--the said amounts being what they are by law entitled to receive,[31] much higher than the separation pay they would have received had petitioner's hand been forced and a retrenchment program initiated. Respondents were made fully aware of the implications of release documents. They are not unlearned nor gullible. They even wrote down in Filipino that they understood the terms of the release document and attested that they have received all the benefits due them.[32] There would have been no question on their right to file their complaint had they not signed and executed the Release Waiver and Quitclaim. In the absence of any showing that they were forced or tricked into signing the release documents, the Court cannot set aside the same merely because respondents had subsequently changed their minds.

WHEREFORE, the petition is GRANTED. The Decision of the Court of Appeals dated January 25, 2002 in C.A. G.R. SP No. 89754 is REVERSED and SET ASIDE and the Decision of the NLRC dated 21 January 2004 is REINSTATED. No costs.

SO ORDERED.

Quisumbing, (Chairperson), Carpio Morales, Velasco, Jr., and Brion, JJ., concur.

---

[1] Rollo, pp. 24-48 with annexes.

[2]Justice Hakim S. Abdulwahid ponente, Justices Remedios A. Salazar-Fernando and Estele M. Perlas-Bernabe members, id. at 49-58.

[3] Id. at 50.

[4] Id. at 61.

[5]Id. at 72-73.

[6]Id. at 66-71.

[7] Minutes of the Meeting , id. at 62-65.

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

[8] Purita Ortega received P360,844.28 while Marina Montero received P348,975.97. The amounts consisted of their retirement pay, AVLB, 13[th] month pay and tax refund. Id. at 74-79.

[9] Id. at 80-81.

[10]Id. at 82-99.

[11] Id. at 110-114.

[12]Id. at 158-163.

[13]Id. at 162-163.

[14]Id. at 382-399.

[15]Id.

[16]Wiltshire File Co., Inc., v. NLRC, G.R. No. 82249, 7 February 1991, 193 SCRA 665.

[17] Escareal v. National Labor Relations Commission, et al., G.R. No. 99359, September 2, l992, 213 SCRA 472, 485.

[18] Chan, Law on Labor Relations and Termination of Employment, Second Revised Edition, 2000, pp. 803, 804.

[19] DOLE Phils. Inc. v. NLRC, 417 Phil. 428, 440 (2001).

[20]Panlilio v. NLRC, 346 Phil. 30, 35 (1997).

[21] Rollo, p. 61.

[22] Id. at 63.

[23]Id. at 297.

[24]Id. at 146-156.

[25] Id. at 57.

[26] Bogo-Medellin Sugarcane Planters Association, Inc. v. NLRC, 357 Phil. 110, 126 (1998).

[27] Magsalin v. National Organization of Working Men, 451 Phil. 254, 263-264 (2003).

[28] Periquet v. NLRC, G.R. No. 91298, 22 June 1990, 186 SCRA 724, 730-731; Accord, Loadstar Shipping Inc. v. Gallo, G.R. No. 102845, 4 February 1994, 229 SCRA 654; Sicangco v. NLRC, G.R. No. 110261, 4 August 1994, 235 SCRA 96 .

[29] Veloso v. Department of Labor and Employment, G.R. No. 87297, 5 August 1991, 200 SCRA 201, 205.

[30] Magsalin v. National Organization of Working Men, 451 Phil. 255 (2003).

[31]Under Art. 283 of the Labor Code, a worker terminated due to redundancy is entitled to a separation pay equivalent to at least one month pay or at least one month pay for every year of service, whichever is higher.

[32] "Nauunawaan ko pong lahat ang nakasulat dito at pinatutunayan ko na natanggap kong lahat ang biyaya na nauukol sa akin."

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.