

**ROSALINA PEREZ ABELLA/HDA. DANAORAMONA, PETITIONERS, VS.
THE HONORABLE NATIONAL LABOR RELATIONS COMMISSION,
ROMEO QUITCO AND RICARDO DIONELE, SR., RESPONDENTS.**

G.R. No. 71813. July 20, 1987

Ponente: PARAS, J.

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PARAS, J.:

This is a petition for review on certiorari of the April 8, 1985 Resolution of the Ministry of Labor and Employment affirming the July 16, 1982 Decision of the Labor Arbiter, which ruled in favor of granting separation pay to private respondents.

On June 27, 1960, herein petitioner Rosalina Perez Abella leased a farm land in Ponte Verde, Negros Occidental, known as Hacienda Danao-Ramona, for a period of ten (10) years, renewable, at her option, for another ten (10) years (Rollo, pp. 16-20).

On August 13, 1970, she opted to extend the lease contract for another ten (10) years (Ibid., pp. 26-27).

During the existence of the lease, she employed the herein private respondents. Private respondent Ricardo Dionele, Sr. has been a regular farm worker since 1949 and he was promoted to Cabo in 1963. On the other hand, private respondent Romeo Quitco started as a regular employee in 1968 and was promoted to Cabo in November of the same year.

Upon the expiration of her leasehold rights, petitioner dismissed private respondents and turned over the hacienda to the owners thereof on October 5, 1981, who continued the management, cultivation and operation of the farm (Rollo, pp. 33; 89).

On November 20, 1981, private respondents filed a complaint against the petitioner at the Ministry of Labor and Employment, Bacolod City District Office, for overtime pay, illegal dismissal and reinstatement with backwages. After the parties had presented their respective evidence, Labor Arbiter Manuel M. Lucas, Jr., in a Decision dated July 16, 1982 (Ibid., pp. 29-31), ruled that the dismissal is warranted by the cessation of business, but granted the private respondents separation pay. Pertinent portion of the dispositive portion of the Decision reads:

"In the instant case, the respondent closed its business operation not by reason of business reverses or losses. Accordingly, the award of termination pay in complainants' favor is warranted.

"WHEREFORE, the respondent is hereby ordered to pay the complainants separation pay at the rate of half-month salary for every year of service, a fraction of six (6) months being considered one (1) year." (Rollo, pp. 29-30)

On appeal on August 11, 1982, the National Labor Relations Commission, in a Resolution dated April 8, 1985 (Ibid., pp. 39-40), affirmed the decision and dismissed the appeal for lack of merit.

On May 22, 1985, petitioner filed a Motion for Reconsideration (Ibid., pp. 41-45), but the same was denied in a Resolution dated June 10, 1985 (Ibid., p. 46). Hence, the present petition (Ibid., pp. 3-8)

The First Division of this Court, in a Resolution dated September 16, 1985, resolved to require the respondents to comment (Ibid., p. 58). In compliance therewith, private respondents filed their Comment on October 23, 1985 (Ibid., pp. 53-55); and the Solicitor General on December 17, 1985 (Ibid., pp. 71-73-B).

On February 19, 1986, petitioner filed her Consolidated Reply to the Comments of private and public respondents (Ibid., pp. 80-81).

The First Division of this Court, in a Resolution dated March 31, 1986, resolved to give due course to the petition; and to require the parties to submit simultaneous memoranda (Ibid., p. 83). In compliance therewith, the Solicitor General filed his Memorandum on June 18, 1986 (Ibid., pp. 89-94); and petitioner on July 23, 1986 (Ibid., pp. 96-194).

The petition is devoid of merit.

The sole issue in this case is —

WHETHER OR NOT PRIVATE RESPONDENTS ARE ENTITLED TO SEPARATION PAY.

Petitioner claims that since her lease agreement had already expired, she is not liable for payment of separation pay. Neither could she reinstate the complainants in the farm as this is a complete cessation or closure of a business operation, a just cause for employment termination under Article 272 of the Labor Code.

On the other hand, the legal basis of the Labor Arbiter in granting separation pay to the private respondents is Batas Pambansa Blg. 130, amending the Labor Code, Section 15 of which, specifically provides:

"Sec. 15. Articles 285 and 284 of the Labor Code are hereby amended to read as follows:

"x x x x x x x x.

"Art. 284. Closure of establishment and reduction of personnel. — The employer may also terminate the employment of any employee due to the 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 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 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 at least one-half (½) 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."

There is no question that Article 284 of the Labor Code as amended by BP 130 is the law applicable in this case.

Article 272 of the same Code invoked by the petitioner pertains to the just causes of termination. The Labor Arbiter does not argue the justification of the termination of employment but applied Article 284 as amended, which provides for the rights of the employees under the circumstances of termination.

Petitioner then contends that the aforequoted provision violates the constitutional guarantee against impairment of obligations and contracts, because when she leased Hacienda Danao-Ramona on June 27, 1960, neither she nor the lessor contemplated the creation of the obligation to pay separation pay to workers at the end of the lease.

Such contention is untenable.

This issue has been laid to rest in the case of *Anuncension v. National Labor Union* (80 SCRA 368-369 [1977]) where the Supreme Court ruled:

"It should not be overlooked however, that the prohibition to impair the obligation of contracts is not absolute and unqualified. The prohibition is general, affording a broad outline and requiring construction to fill in the details. The prohibition is not to read with literal exactness like a mathematical formula for it prohibits unreasonable impairment only. In spite of the constitutional prohibition the State continues to possess authority to safeguard the vital interests of its people. Legislation appropriate to safeguard said interest may modify or abrogate contracts already in effect. For not only are existing laws read into contracts in order to fix the obligations as between the parties but the reservation of essential attributes of sovereign power is also read into contracts as a postulate of the legal order. All contracts made with reference to any matter that is subject to regulation under the police power must be understood as made in reference to the possible exercise of that power. Otherwise, important and valuable reforms may be precluded by the simple device of entering into contracts for the purpose of doing that which otherwise may be prohibited. x x x.

"In order to determine whether legislation unconstitutionally impairs contract of obligations, no unchanging yardstick, applicable at all times and under all circumstances, by which the validity of each statute may be measured or determined, has been fashioned, but every case must be determined upon its own circumstances. Legislation impairing the obligation of contracts can be sustained when it is enacted for the promotion of the general good of the people, and when the means adopted must be legitimate, i.e., within the scope of the reserved power of the state construed in harmony with the constitutional limitation of that power." (Citing *Basa vs. Federacion Obrera de la Industria Tabaquera y Otros Trabajadores de Filipinas [FOITAF]* [L-27113], November 19, 1974, 61 SCRA 93, 102-113]).

The purpose of Article 284 as amended is obvious — the protection of the workers whose employment is terminated because of the closure of establishment and reduction of personnel. Without said law, employees like private respondents in the case at bar will lose the benefits to which they are entitled — for the thirty-three years of service in the case of *Dionele* and fourteen years in the case of *Quitco*. Although they were absorbed by the new management of the hacienda, in the absence of any showing that the latter has assumed the responsibilities of the former employer, they will be considered as new employees and the years of service behind them would amount to nothing.

Moreover, to come under the constitutional prohibition, the law must effect a change in the rights of the parties with reference to each other and not with reference to non-parties.

As correctly observed by the Solicitor General, Article 284 as amended refers to employment benefits to farm hands who were not parties to petitioner's lease contract with the owner of Hacienda Danao-Ramona. That contract cannot have the effect of annulling subsequent legislation designed to protect the interest of the working class.

In any event, it is well-settled that in the implementation and interpretation of the provisions of the Labor Code and its implementing regulations, the workingman's welfare should be the primordial and paramount consideration. (*Volshel Labor Union v. Bureau of Labor Relations*, 137 SCRA 43 [1985]). It is the kind of interpretation which gives meaning and substance to the liberal and compassionate spirit of the law as provided for in Article 4 of the New Labor Code which states that 'all doubts in the implementation and interpretation of the provisions of this Code including its implementing rules and regulations shall be resolved in favor of labor.' The policy is to extend the applicability of the decree to a greater number of employees who can avail of the benefits under the law, which is in consonance with the avowed policy of the State to give maximum aid and

protection to labor. (Sarmiento v. Employees Compensation Commission, 144 SCRA 422 [1986] citing Cristobal v. Employees Compensation Commission, 103 SCRA 329; Acosta v. Employees Compensation Commission, 109 SCRA 209).

PREMISES CONSIDERED, the instant petition is hereby DISMISSED and the July 16, 1982 Decision of the Labor Arbiter and the April 8, 1985 Resolution of the Ministry of Labor and Employment are hereby AFFIRMED.

SO ORDERED.

Teehankee, C.J., Yap, Fernan, Narvasa, Melencio--Herrera, Gutierrez, Jr., Cruz, Feliciano, Gancayco, Padilla, Bidin, Sarmiento, and Cortes, JJ., concur.

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