Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

AM-PHIL FOOD CONCEPTS, INC., Petitioner,	G.R. No. 188753
	Present:
-versus-	CARPIO, *Chairperson,* BRION, DEL CASTILLO, MENDOZA, and LEONEN, *JJ.*
PAOLO JESUS T. PADILLA, Respondent.	**Promulgated:** OCT 0 1 2014

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DECISION

LEONEN, *J.*:

This is a petition for review on certiorari[1] under Rule 45 of the Rules of Court, praying that the February 25, 2009 decision[2] of the Court of Appeals sustaining the February 28, 2007 resolution[3] of the National Labor Relations Commission, and the July 3, 2009 resolution[4] of the Court of Appeals denying petitioner Am-Phil Food Concept, Inc.'s (Am-Phil) motion for reconsideration, be annulled. The February 28, 2007 decision of the National Labor Relations Commission affirmed the May 9, 2005 decision[5]

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1 *Rollo*, pp. 10–28.
2 Id. at 32–45.
3 Id. at 138–144.
4 Id. at 46–47.
5 Id. at 206–212.

of Labor Arbiter Eric V. Chuanico that held that respondent Paolo Jesus T. Padilla (Padilla) was illegally dismissed.

Padilla's position paper[6] states that he was hired on April 1, 2002 as a Marketing Associate by Am-Phil, a corporation engaged in the restaurant business.[7] On September 29, 2002, Am-Phil sent Padilla a letter confirming his regular employment.[8] Sometime in the first week of March 2004, three (3) of Am-Phil's officers (Marketing Supervisor Elaine de Jesus, Area Director Art Latinazo, and Human Resources Officer Eunice Tugab) informed Padilla that Am-Phil would be implementing a retrenchment program that would be affecting three (3) of its employees, Padilla being one of them. The retrenchment program was allegedly on account of serious and adverse business conditions, i.e., lack of demand in the market, stiffer competition, devaluation of the Philippine peso, and escalating operation costs.[9]

Padilla questioned Am-Phil's choice to retrench him. He noted that Am-Phil had six (6) contractual employees, while he was a regular employee who had a good evaluation record. He pointed out that Am-Phil was actually then still hiring new employees. He also noted that Am-Phil's sales have not been lower relative to the previous year.[10]

In response, Am-Phil's three (3) officers gave him two options: (1) be retrenched with severance pay or (2) be transferred as a waiter in Am-Phil's restaurant, a move that entailed his demotion.[11]

On March 17, 2004, Am-Phil sent Padilla a memorandum notifying him of his retrenchment.[12] Padilla was paid separation pay in the amount of 26,245.38. On April 20, 2004, Padilla executed a quitclaim and release in favor of Am-Phil.[13]

On July 28, 2004, Padilla filed the complaint[14] for illegal dismissal (with claims for backwages, damages, and attorney's fees), which is now subject of this petition. Apart from Am-Phil, Padilla impleaded Am-Phil's officers: Luis L. Vera, Jr., Winston L. Chan, Robert B. Epes, Richmond S. Yang, John Arthur Latinazo, and Eunice D. Tugab.

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6 Id. at 259–265. Position paper of Padilla.
7 Id. at 260.
8 Id. at 261.
9 Id. at 262.
10 Id.
11 Id.
12 Id.
13 Id. at 263.
14 Id. at 282.

For its defense, Am-Phil claimed that Padilla was not illegally terminated and that it validly exercised a management prerogative. It asserted that Padilla was hired merely as part of an experimental marketing program. It added that in 2003, it did suffer serious and adverse business losses and that, in the first quarter of 2004, it was compelled to retrench employees so as to avoid further losses. Am-Phil also underscored that Padilla executed a quitclaim and release in its favor. With respect to its impleaded officers, Am-Phil claimed that the complaint should be dismissed as they have a personality distinct and separate from Am-Phil.[15]

On May 9, 2005, Labor Arbiter Eric V. Chuanico (Labor Arbiter Chuanico) rendered the decision finding that Padilla was illegally dismissed.[16] He noted that Am-Phil failed to substantiate its claim of serious business losses and that it failed to comply with the procedural requirement for a proper retrenchment (i.e., notifying the Department of Labor and Employment).[17] He also held that the quitclaim and release executed by Padilla is contrary to law.[18] Finding, however, that Padilla failed to show bad faith on the part of Am-Phil's officers, Labor Arbiter Chuanico dismissed the complaint with respect to the latter and held that only Am-Phil was liable to Padilla.[19]

The dispositive portion of Labor Arbiter Chuanico's decision reads:

> Prescinding from the forgoing, this office orders the respondent to pay the complainant limited backwages from the time of his dismissal up to the time of rendition of this judgment. The computation of backwages as prepared by the NLRC Computation Unit is herewith attached and made an integral part of this decision. Given that the position had already been abolished and since separation pay had already been received by the complainant, reinstatement is no longer viable [sic] remedy under the present situation.
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> As the complainant was constrained to hire the services of a lawyer, attorneys [sic] fees are ordered paid equivalent to ten percent of the total award thereof [sic]. Complainants [sic] claim for damages are [sic] denied for lack of merit.
>
> For failure of the complainant to properly substantiate that individual respondents are guilty of bad faith or conduct towards him (in Sunio et. al. vs. NLRC GRN L 57767 [sic] January 31, 1984) only respondent Am-Phil Food Concepts, Inc. is held solidarily liable towards [sic] the complainant.
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> SO ORDERED.[20]

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15 Id. at 267–277.
16 Id. at 209.
17 Id. at 210–211.
18 Id. at 211.
19 Id. at 211–212.
20 Id.

On August 15, 2005, Am-Phil filed an appeal[21] with the National Labor Relations Commission. Apart from asserting its position that Padilla was validly retrenched, Am-Phil claimed that Labor Arbiter Chuanico was in error in deciding the case despite the pendency of its motion for leave to file supplemental rejoinder.[22] Through this supplemental rejoinder, Am-Phil supposedly intended to submit its audited financial statements for the years 2001 to 2004 and, thereby, prove that it had suffered business losses. Am-Phil claimed that its right to due process was violated by Labor Arbiter Chuanico's refusal to consider its 2001 to 2004 audited financial statements.[23]

On February 28, 2007, the National Labor Relations Commission issued the resolution affirming Labor Arbiter Chuanico's ruling, albeit clarifying that Labor Arbiter Chuanico wrongly used the word "solidarily" in describing Am-Phil's liability to Padilla.[24]

With respect to Am-Phil's claim that Labor Arbiter Chuanico erroneously ignored its 2001 to 2004 audited financial statements, the National Labor Relations Commission noted that a supplemental rejoinder was not a necessary pleading in proceedings before labor arbiters. It added that, with the exception of the 2004 audited financial statements, all of Am-Phil's relevant audited financial statements were already available at the time it submitted its position paper, reply, and rejoinder, but that Am-Phil failed to annex them to these pleadings. The National Labor Relations Commission added that, granting that this failure was due to mere oversight, Am-Phil was well in a position to attach them in its memorandum of appeal but still failed to do so.[25] Holding that Labor Arbiter Chuanico could not be faulted for violating Am-Phil's right to due process, the National Labor Relations Commission emphasized that:

> [O]mission by a party to rebut that which would have naturally invited an immediate pervasive and stiff competition creates an adverse inference that either the controverting evidence to be presented will only prejudice its case or that the uncontroverted evidence speaks the truth.[26] (Citation omitted)

The dispositive portion of this National Labor Relations Commission resolution reads:

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[21] Id. at 175–199.
[22] Id. at 183.
[23] Id. at 183–184.
[24] Id. at 144.
[25] Id. at 141–142.
[26] Id. at 142.

> WHEREFORE, the foregoing premises considered, the instant appeal is DIMISSED for lack of merit. Accordingly, the decision appealed from is AFFIRMED.
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> However, the word "solidarily" in the last sentence of the decision should be deleted to conform with the Labor Arbiter's finding that the complainant-appellee failed to properly substantiate that individual respondents-appellants were guilty of bad faith or conduct towards him.
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> SO ORDERED.[27]

In the resolution[28] dated April 27, 2007, the National Labor Relations Commission denied Am-Phil's motion for reconsideration.

Am-Phil then filed with the Court of Appeals a petition for certiorari[29] under Rule 65 of the 1997 Rules of Civil Procedure.

On February 25, 2009, the Court of Appeals rendered the assailed decision[30] dismissing Am-Phil's petition for certiorari and affirming the National Labor Relations Commission's February 28, 2007 and April 27, 2007 resolutions. The Court of Appeals denied Am-Phil's motion for reconsideration in its July 3, 2009 resolution.

Hence, this petition.

Am-Phil insists on its position that it was denied due process and posits that the National Labor Relations Commission's contrary findings are founded on "illogical ratiocinations."[31] It asserts that the evidence support the conclusion that Padilla was validly dismissed, that it was an error to ignore the quitclaim and release which Padilla had executed, and that Padilla's retrenchment was a valid exercise of management prerogative.[32]

For resolution is the issue of whether respondent Paolo Jesus T. Padila was dismissed through a valid retrenchment implemented by petitioner Am-Phil Food Concepts, Inc. Related to this, we must likewise resolve the underlying issue of whether it was proper for Labor Arbiter Eric V. Chuanico to have ruled that Padilla was illegally dismissed despite Am-Phil's pending motion for leave to file supplemental rejoinder.

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[27] Id. at 144.
[28] Id. at 145–146.
[29] Id. at 119–135.
[30] This decision was penned by Associate Justice Rosalinda Asuncion-Vicente and concurred in by Chairman of the Third Division Associate Justice Martin S. Villarama, Jr. and Associate Justice Myrna Dimaranan-Vidal of the Third Division of the Court of Appeals.
[31] *Rollo*, p. 19.
[32] Id. at 23–24.

Am-Phil's right to due process was not violated

Am-Phil faults Labor Arbiter Chuanico for not having allowed its motion for leave to file supplemental rejoinder that included its 2001 to 2004 audited financial statements as annexes. These statements supposedly show that Am-Phil suffered serious business losses. Thus, it claims that its right to due process was violated.

Am-Phil's motion for leave to file supplemental rejoinder,[33] dated May 20, 2005,[34] was filed on May 31, 2005,[35] well after Labor Arbiter Chuanico promulgated his May 9, 2005 decision. Common sense dictates that as the motion for leave to file supplemental rejoinder was filed after the rendition of the decision, the decision could not have possibly taken into consideration the motion. Giving consideration to a motion filed after the promulgation of the decision is not only unreasonable, it is impossible. It follows that it is completely absurd to fault Labor Arbiter Chuanico for not considering a May 31 motion in his May 9 decision

Even if we were to ignore the curious fact that the motion was filed *after* the rendition of the decision, Labor Arbiter Chuanico was under no obligation to admit the supplemental rejoinder.

Rule V of the 2002 National Labor Relations Commission Rules of Procedure (2002 Rules), which were in effect when Labor Arbiter Chuanico promulgated his decision on May 9, 2005,[36] provides:

> SECTION 4. SUBMISSION OF POSITION PAPERS / MEMORANDA. Without prejudice to the provisions of the last paragraph, SECTION 2 of this Rule, the Labor Arbiter shall direct both parties to submit simultaneously their position papers with supporting documents and affidavits within an inextendible period of ten (10) days from notice of termination of the mandatory conference.
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> **These verified position papers** to be submitted shall cover only those claims and causes of action raised in the complaint excluding those that may have been amicably settled, and **shall be accompanied by all supporting documents** including the affidavits of their respective witnesses which shall take the place of the latter's direct testimony. **The parties shall thereafter not be allowed to allege facts, or present evidence to prove facts, not referred to and any cause or causes of action not included in**

33 Id. at 213–214.
34 Id. at 214.
35 Id. at 213.
36 The 2005 NLRC Rules of Procedure took effect on January 7, 2006. *See Garcia v. Philippine Airlines*, 596 Phil. 510, 542 (2009) [Per J. Carpio Morales, En Banc].

> **the complaint or position papers, affidavits and other documents**.[37] (Emphasis supplied)
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> . . . .
>
> SECTION 11. ISSUANCE OF AN ORDER SUBMITTING THE CASE FOR DECISION. After the parties have submitted their position papers and supporting documents, and upon evaluation of the case the Labor Arbiter finds no necessity of further hearing, he shall issue an order expressly declaring the submission of the case for decision.[38]

From the provisions of the 2002 Rules, it is clear that a supplemental rejoinder, as correctly ruled by the National Labor Relations Commission,[39] is not a pleading which a labor arbiter is duty-bound to accept.[40] Even following changes to the National Labor Relations Commission Rules of Procedure in 2005 and 2011, a rejoinder has not been recognized as a pleading that labor arbiters must necessarily admit. The 2005 and 2011 National Labor Relations Commission Rules of Procedure only go so far as to recognize that a reply "may" be filed by the parties.[41]

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[37] *See Tegimenta Chemical Phils. v. Buensalida*, 577 Phil. 534, 541–542 (2008) [Per J. Ynares-Santiago, Third Division].

[38] *See Mariveles Shipyard Corp. v. Court of Appeals,* 461 Phil. 249, 264–265 (2003) [Per J. Quisumbing, Second Division].

[39] *Rollo,* p. 142.

[40] cf. 2005 and 2011 NLRC Rules of Procedure.

[41] Per Rule V, sec. 7 of the 2005 NLRC Rules of Procedure:
SECTION 7. SUBMISSION OF POSITION PAPER AND REPLY. –
a) Subject to Sections 4 and 5 of this Rule, the Labor Arbiter shall direct the parties to submit simultaneously their verified position papers with supporting documents and affidavits, if any, within an inextendible period of ten (10) calendar days from the date of termination of the mandatory conciliation and mediation conference.
b) The position papers of the parties shall cover only those claims and causes of action raised in the complaint or amended complaint, excluding those that may have been amicably settled, and accompanied by all supporting documents, including the affidavits of witnesses, which shall take the place of their direct testimony.
c) A reply may be filed by any party within ten (10) calendar days from receipt of the position paper of the adverse party.
d) In their position papers and replies, the parties shall not be allowed to allege facts, or present evidence to prove facts and any cause or causes of action not referred to or included in the original or amended complaint or petition.

Per Rule V, Section 11 of the 2011 NLRC Rules of Procedure:
SECTION 11. SUBMISSION OF POSITION PAPER AND REPLY. –
a) Subject to Sections 9 and 10 of this Rule, the Labor Arbiter shall direct the parties to submit simultaneously their verified position papers with supporting documents and affidavits, if any, on a date set by him/her within ten (10) calendar days from the date of termination of the mandatory conciliation and mediation conference.
b) No amendment of the complaint or petition shall be allowed after the filing of position papers, unless with leave of the Labor Arbiter.
c) The position papers of the parties shall cover only those claims and causes of action stated in the complaint or amended complaint, accompanied by all supporting documents, including the affidavits of witnesses, which shall take the place of their direct testimony, excluding those that may have been amicably settled.
d) Within ten (10) days from receipt of the position paper of the adverse party, a reply may be filed on a date agreed upon and during a schedule set before the Labor Arbiter. The reply shall not allege and/or prove facts and any cause or causes of action not referred to or included in the original or amended complaint or petition or raised in the position paper. (Underscoring supplied)

Thus, Labor Arbiter Chuanico was under no obligation to grant Am-Phil's motion for leave to admit supplemental rejoinder and, thereby, consider the supplemental rejoinder's averments and annexes. That Am-Phil had to file a motion seeking permission to file its supplemental rejoinder (i.e., motion for leave to file) is proof of its own recognition that the labor arbiter is under no compulsion to accept any such pleading and that the supplemental rejoinder's admission rests on the labor arbiter's discretion.

The standard of due process in labor cases was explained by this court in *Sy v. ALC Industries, Inc.*:[42]

> Due process is satisfied when the parties are afforded fair and reasonable opportunity to explain their respective sides of the controversy. In *Mariveles Shipyard Corp. v. CA,* we held:
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> > **The requirements of due process in labor cases before a Labor Arbiter is satisfied when the parties are given the opportunity to submit their position papers** to which they are supposed to attach all the supporting documents or documentary evidence that would prove their respective claims, in the event that the Labor Arbiter determines that no formal hearing would be conducted or that such hearing was not necessary.[43] (Emphasis in the original)

Am-Phil filed three (3) pleadings with Labor Arbiter Chuanico: first, its position paper[44] on September 9, 2004; second, its reply[45] on September 30, 2004; and third, its rejoinder[46] on October 11, 2004. It was more than six (6) months after it had filed its rejoinder that it filed its motion for leave to admit supplemental rejoinder on May 31, 2005.

Its three (3) pleadings having been allowed, Am-Phil had no shortage of opportunities to plead its claims and to adduce its evidence. It has no basis for claiming that it was not "afforded [a] fair and reasonable opportunity to explain [its side] of the controversy."[47] The filing of its motion for leave to admit supplemental rejoinder represents nothing more than a belated and procedurally inutile attempt at resuscitating its case.

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[42] 589 Phil. 354 (2008) [Per J. Corona, First Division].

[43] Id. at 361, *citing Gutierrez v. Singer Sewing Machine Co.*, 458 Phil. 401, 409–410 (2003) [Per J. Quisumbing, Second Division] and *Mariveles Shipyard Corp. v. Court of Appeals,* 461 Phil. 249, 265 (2003) [Per J. Quisumbing, Second Division].

[44] *Rollo*, pp. 267–277.

[45] Id. at 255–258.

[46] Id. at 242–246.

[47] *Sy v. ALC Industries, Inc.*, 589 Phil. 354, 361 (2008) [Per J. Corona, First Division].

Retrenchment and its requirements

Article 283 of the Labor Code recognizes retrenchment as an authorized cause for terminating employment. It states:

> **Art. 283. 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 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.

In *Sebuguero v. National Labor Relations Commission*,[48] this court explained the concept of retrenchment as follows:

> Retrenchment . . . is used interchangeably with the term "lay-off." It is the termination of employment initiated by the employer through no fault of the employee's and without prejudice to the latter, resorted to by management during periods of business recession, industrial depression, or seasonal fluctuations, or during lulls occasioned by lack of orders, shortage of materials, conversion of the plant for a new production program or the introduction of new methods or more efficient machinery, or of automation. Simply put, it is an act of the employer of dismissing employees because of losses in the operation of a business, lack of work, and considerable reduction on the volume of his business, a right consistently recognized and affirmed by this Court.[49]

As correctly pointed out by Am-Phil, retrenchment entails an exercise of management prerogative. In *Andrada v. National Labor Relations Commission*,[50] this court stated:

> Retrenchment is an exercise of management's prerogative to terminate the employment of its employees *en masse*, to either minimize

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[48] 318 Phil. 635 (1995) [Per J. Davide, Jr., First Division]. *See also Andrada v. NLRC*, 565 Phil. 821, 843 (2007) [Per J. Velasco, Jr., Second Division].

[49] Id. at 646, *citing* J. A. SIBAL, *Philippine Legal Encyclopedia* 502 (1986); *LVN Pictures Employees and Workers Association v. LVN Pictures, Inc.*, 146 Phil. 153, 164 (1970) [Per J. Ruiz Castro, En Banc]; and *Columbia Development Corp. v. Minister of Labor and Employment*, 230 Phil. 520, 527 (1986) [Per J. Fernan, Second Division].

[50] 565 Phil. 821 (2007) [Per J. Velasco, Jr., Second Division].

> or prevent losses, or when the company is about to close or cease operations for causes not due to business losses.[51]

Nevertheless, as has also been emphasized in *Andrada*, the exercise of management prerogative is not absolute:

> A company's exercise of its management prerogatives is not absolute. It cannot exercise its prerogative in a cruel, repressive, or despotic manner. We held in *F.F. Marine Corp. v. NLRC*:
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>> This Court is not oblivious of the significant role played by the corporate sector in the country's economic and social progress. Implicit in turn in the success of the corporate form in doing business is the ethos of business autonomy which allows freedom of business determination with minimal governmental intrusion to ensure economic independence and development in terms defined by businessmen. Yet, this vast expanse of management choices cannot be an unbridled prerogative that can rise above the constitutional protection to labor. Employment is not merely a lifestyle choice to stave off boredom. Employment to the common man is his very life and blood, which must be protected against concocted causes to legitimize an otherwise irregular termination of employment. Imagined or undocumented business losses present the least propitious scenario to justify retrenchment.[52] (Underscoring supplied, citation omitted)

Thus, retrenchment has been described as "a measure of last resort when other less drastic means have been tried and found to be inadequate."[53]

Retrenchment is, therefore, not a tool to be wielded and used nonchalantly. To justify retrenchment, it "must be due to business losses or reverses which are serious, actual and real."[54]

There are substantive requirements relating to the losses or reverses that must underlie a retrenchment. That these losses are serious relates to their gravity and that they are actual and real relates to their veracity and verifiability. Likewise, that a retrenchment is anchored on serious, actual, and real losses or reverses is to say that the retrenchment is done in good faith and not merely as a veneer to disguise the illicit termination of employees. Equally significant is an employer's basis for determining who among its employees shall be retrenched. Apart from these substantive

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[51] Id. at 840.
[52] Id. at 839.
[53] *Edge Apparel, Inc. v. NLRC,* 349 Phil. 972, 983 (1998) [Per J. Vitug, First Division], *citing Guerrero v. NLRC,* 329 Phil. 1069, 1076 (1996) [Per J. Puno, Second Division].
[54] *Edge Apparel, Inc. v. NLRC,* 349 Phil. 972, 982 (1998) [Per J. Vitug, First Division], *citing Guerrero v. NLRC,* 329 Phil. 1069, 1074 (1996) [Per J. Puno, Second Division].

requirements are the procedural requirements imposed by Article 283 of the Labor Code.

Thus, this court has outlined the requirements for a valid retrenchment, each of which must be shown by clear and convincing evidence, as follows:

> (1) that the retrenchment is reasonably necessary and likely to prevent business losses which, if already incurred, are not merely *de minimis*, but substantial, serious, actual and real, or if only expected, are reasonably imminent as perceived objectively and in good faith by the employer;
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> (2) that the employer served written notice both to the employees and to the Department of Labor and Employment at least one month prior to the intended date of retrenchment;
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> (3) that the employer pays the retrenched employees separation pay equivalent to one month pay or at least ½ month pay for every year of service, whichever is higher;
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> (4) that the employer exercises its prerogative to retrench employees in good faith for the advancement of its interest and not to defeat or circumvent the employees' right to security of tenure; and
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> (5) that the employer used fair and reasonable criteria in ascertaining who would be dismissed and who would be retained among the employees, such as status (*i.e.*, whether they are temporary, casual, regular or managerial employees), efficiency, seniority, physical fitness, age, and financial hardship for certain workers.[55] (Citations omitted)

Am-Phil failed to establish compliance with the requisites for a valid retrenchment

Am-Phil's 2001 to 2004 audited financial statements, the sole proof upon which Am-Phil relies on to establish its claim that it suffered business losses, have been deemed unworthy of consideration. These audited financial statements were mere annexes to the motion for leave to admit supplemental rejoinder which Labor Arbiter Chuanico validly disregarded. No credible explanation was offered as to why these statements were not presented when the evidence-in-chief was being considered by the labor arbiter. It follows that there is no clear and convincing evidence to sustain the substantive ground on which the supposed validity of Padilla's retrenchment rests.

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[55] *Asian Alcohol Corporation v. NLRC*, 364 Phil. 912, 926–927 (1999) [Per J. Puno, Second Division].

Moreover, it is admitted that Am-Phil did not serve a written notice to the Department of Labor and Employment one (1) month before the intended date of Padilla's retrenchment, as required by Article 283 of the Labor Code.[56]

While it is true that Am-Phil gave Padilla separation pay, compliance with none but one (1) of the many requisites for a valid retrenchment does not absolve Am-Phil of liability.

Padilla's quitclaim and release does not negate his having been illegally dismissed

It is of no consequence that Padilla ostensibly executed a quitclaim and release in favor of Am-Phil. This court's pronouncements in *F.F. Marine Corporation v. National Labor Relations Commission*,[57] which similarly involved an invalid retrenchment, are of note:

> Considering that the ground for retrenchment availed of by petitioners was not sufficiently and convincingly established, the retrenchment is hereby declared illegal and of no effect. The quitclaims executed by retrenched employees in favor of petitioners were therefore not voluntarily entered into by them. Their consent was similarly vitiated by mistake or fraud. The law looks with disfavor upon quitclaims and releases by employees pressured into signing by unscrupulous employers minded to evade legal responsibilities. As a rule, deeds of release or quitclaim cannot bar employees from demanding benefits to which they are legally entitled or from contesting the legality of their dismissal. The acceptance of those benefits would not amount to estoppel. The amounts already received by the retrenched employees as consideration for signing the quitclaims should, however, be deducted from their respective monetary awards.[58] (Citations omitted)

In sum, the Court of Appeals committed no error in holding that there was no grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the National Labor Relations Commission in affirming the May 9, 2005 decision of Labor Arbiter Eric V. Chuanico holding that respondent Paolo Jesus T. Padilla was illegally dismissed.

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[56] *Rollo*, p. 42.

[57] 495 Phil. 140 (2005) [Per J. Tinga, Second Division].

[58] Id. at 158–159.

WHEREFORE, the petition for review on certiorari is **DENIED**. The February 25, 2009 decision and the July 3, 2009 resolution of the Court of Appeals are **AFFIRMED**.

SO ORDERED.

MARVIC M.V.F. LEONEN
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

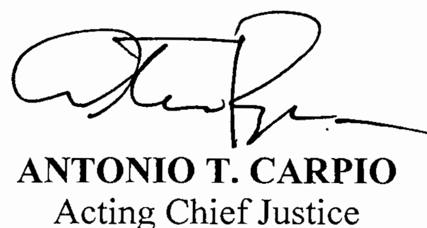
ARTURO D. BRION
Associate Justice

MARIANO C. DEL CASTILLO
Associate Justice

JOSE C. MENDOZA
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Acting Chief Justice