SUPREME COURT
THIRD DIVISION

ROLANDO MALINAO and EDUARDO MALINAO,
***Petitioners*,**

-versus-

G.R. No. 119492
November 24, 1999

NATIONAL LABOR RELATIONS COMMISSION, GLOBE PAPER MILL, GIBSON CONSTRUCTION SERVICES and GIBSON CAHILIG, Manager,
***Respondents*.**
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D E C I S I O N

PURISIMA, *J.*:

At bar is a Petition for Certiorari under Rule 65 of the Revised Rules of Court seeking the annulment of that NLRC Resolution issued on December 20, 1994 in NLRC NCR CA No. 002699-92.

The facts that matter are as follows:

On October 12, 1990, Rolando and Eduardo Malinao, father and son, respectively, executed a joint affidavit before the Arbitration Branch of Manila stating:

"1. That we were both recruited by Gibson Cahilig who placed us to work at the Globe Paper Mills, Rolando's position being that of a Welder/Steelman while (sic) that of an ordinary laborer, with the daily salary of P55.00 each. This is short of that allowed under the law;

2. That he worked daily from Monday to Sunday, but that we were never paid premium pay during our rest days. There were very few instances where we worked for only 6 days;

3. That Rolando's schedule of work was from 7:00 a.m. to 12:00 midnight, with 15 minutes break each in the morning and afternoon and 15 minutes lunch break but that I was not paid any overtime pay for the extra 9 hours work that I rendered. I was not also paid night differential/premium pay for work at night;

4. That in my case (Eduardo), I usually worked from 6:00 a.m. to 6:00 p.m. with the same break period but that I was not also paid an overtime pay for the extra 3 hours of work that I rendered. There are also instances that I worked from 6:00 a. m. up to 12:00 p.m. like my father and just like him I was not paid night differential pay and overtime pay.

5. That our daily salary was increased to P64.00 only each in July 1989, and this continued until our dismissal from employment. Therefore, our salary is still underpaid;

6. That we both worked during legal holidays but we were not paid any legal holiday pay (sic) except our regular daily wage which is also underpaid;

7. That during our entire employment with the respondents, we both were not paid any 5 days service incentive leave pay and 13th month pay or christmas bonus;

8. That on April 19, 1990, I, Eduardo, met an accident where one of my left fingers (hintuturo) was almost severed while working. This injury rendered me unable to work so I took

a leave for 2 months and after my said leave of absence, I reported for work but I was not accepted any more. Contrary to what Gibson Cahilig said in his position paper. This is illegal dismissal because there is no just cause for my dismissal nor was I extended due process of law;

9. That I Rolando as father of Eduardo and concerned of his well being have to help and assist him claim from the respondents whatever benefits due him under the SSS, ECC, and others, but the respondents resented these acts of mine and on July 10, 1990, they dismissed me from employment without any just cause nor due process of law. Hence, my dismissal is also illegal;

10. That during our employment with the respondents we both punched our respective time cards at the company's bundy clock similar to other co-employees, we punched in said time card whenever we report for work, punched it out at 12:00 noon, punched it in again at 12:15 p.m. and punched it out again after work. These time cards should be brought to this office by the respondents and if they refused, this Honorable Labor Arbiter should order the respondents to bring them to this Office for evidentiary purposes;

11. That during also our employment, whenever we were paid our salaries, we were required to sign two (2) copies of payrolls, one (1) is supposed to be the original while the second page is suposed (sic) to be duplicate. From the time we both started receiving our salaries, we both insisted that we be shown also the contents of the second page of the alleged duplicate like the first page or the original which was shown to us because there was a time that we accidentally saw that the second page or the duplicate was blank but the officer of the company who required us to sign it did not like to show it to us;

x x x

15. We therefore, ask and pray of this Honorable Labor Arbiter to declare all respondents to have illegally dismissed us

from employment and order them to reinstate us to our former positions and employment without loss of seniority rights and other benefits, and to pay our full backwages and other benefits counted from the dates we were illegally dismissed until reinstated, and also to further pay both of us the following claims as proven above:

a) overtime pay;

b) premium pay for rest day and holiday;

c) legal holiday pay;

d) 13th month pay;

e) service incentive leave pay;

f) underpaid/differential pay;

g) night differential pay;

h) P100,000.00 each as moral damages;

i) P50,000.00 each as exemplary damages;

j) attorney's fees allowable under the law.[1]

In its position paper dated September 3, 1990, respondent Globe Paper Mills denied any liability, asserting thus:

> "Respondent Globe Paper Mills is a division of Keng Hua Paper Products Co. which is engaged in the manufacture of paper products. On September 19, 1988, the company entered into a Contract of Labor Services with Gibson Cahilig of the Gibson Contractor Services, an independent contractor, which was followed later by several others, for the construction and repair of its buildings and other facilities.
>
> Against the above backdrop, it is crystal clear that employer-employee relations did not exist between respondent Globe

Paper Mills and the complainants. This is very evident from the mere fact that complainants were engaged by an independent contractor to perform purely construction chores pursuant to a Contract of Labor Services which had nothing to do whatsoever with the respondent company's business of manufacturing paper."[2]

Globe Paper Mills submitted its Reply to Complainants' Joint Position Paper/Affidavit and Rejoinder to Complainants' Reply on October 29, 1990 and April 12, 1991, respectively. Gibson Cahilig sent in his Reply on February 10, 1993. On March 20, 1991, the complainants submitted their Reply to Respondent's Position paper alleging as follows:

x x x

"4. Granting, but not admitting that respondent Gibson Company is an independent contractor, still, under Article 107 of the Labor Code of the Philippines, 'the provisions of the immediately preceding Article shall likewise apply to any person, partnership, association or corporation, which, not being an employer, contracts with an independent contractor for the performance of any work, task, job or project.' (Emphasis ours). Under Article 106 of the same Code, the employer shall be 'jointly and severally' or solidarily liable with his contractor or sub-contractor for payment of the employees' salaries and other benefits. Under this legislation, respondent Globe, as indirect employer, is solidarily liable to complainants for respondent Gibson Company's (the direct employer's) failure to pay said complainants the relief prayed for;

5. The same Code, in Article 280, second paragraph, says: 'Provided, that any employee who has rendered at least one year of service, whether such service is continuous (sic) or broken, shall be considered a regular employee with respect to the activity in which he is employed and his employment shall continue while such actually exists' (Emphasis supplied). In other words, one who has rendered at least one year of service shall be considered a regular employee

and as such enjoy security of tenure. He can be removed only for just or authorized cause. Complainants' period of employment, as narrated in their complaint, was from October 7, 1988 up to July 10, 1990 or for more than one year. Thus, they are considered as regular employees whose illegal dismissal deserve the appropriate benefits and/or reliefs prayed for their complaint;

x x x"[3]

On November 28, 1991, Labor Arbiter Potenciano S. Canizares, Jr. ruled in favor of the complainants and ordered the respondents, jointly and severally, to reinstate the complainants with one year backwage. The respondents were further ordered to pay the complainants their differential pay, thirteenth (13th) month pay, five (5) days incentive leave pay, overtime pay, legal holiday pay and ten (10%) percent of the monetary award, as attorney's fees.

On November 10, 1992, respondent Globe Paper Mills interposed appeal from the November 28, 1991 Decision to the respondent Commission. Pending resolution of NLRC NCR CA 002699-92 or on May 6, 1992, to be precise, the respondents filed the purported Compromise Agreement and Motion to Dismiss Complaint together with the Receipt of Payment and Release[4] entered into by the parties, averring:

"1. That after a series of extra judicial conferences between the complainants, Rolando and Eduardo Malinao and respondent Gibson Cahilig, owner-manager of Gibson Construction Services, the parties have finally reached our definite amicable settlement of the instant case.

2. That for and in consideration of the total or aggregate sum of TWENTY THOUSAND (P20,000.00) PESOS Philippine currency and in cash which is now voluntarily acknowledge receipt by complainants Rolando and Eduardo Malinao from respondent Gibson Cahilig, representing full and complete settlement and payment with their claims against respondent Gibson Cahilig and Globe Paper Mills, complainants do hereby release and remiss herein

respondents from any and all claims whatsoever arising out of their employment and separation thereat;

3. That for and in consideration of said payment complainants hereby waived their rights to reinstatement and are no longer interested in the further prosecution of this case;

4. That this amicable settlement was knowingly and voluntarily executed by complainants."

On July 28, 1992, Atty. Julio P. Andres, the counsel for the Malinaos sent a letter 5 to the complainants in order to clarify the Compromise Agreement entered into by the parties on April 13, 1992, in his absence. On August 26, 1992, the said lawyer filed a Comment/Opposition to the Motion to Dismiss and Compromise Agreement with Prayer for the Implementation of the Judgment, with the respondent Commission, claiming:

a) The signatures of both complainants appearing in the aforestated receipt of payment and compromise agreement appear to be not the genuine signatures of the complainants;

b) The settlement of the claims which is in the alleged amount of only P20,000.00 as against the judgment of P158,562.84 is clearly and manifestly and uncontionably (sic) very law (sic).

c) In entering into the alleged compromise settlement and inexecuting (sic) the same and the receipts of payment, the complainants did not appear to be represented by any one, much less a counsel as what happened in the proceedings of this case where they had always been represented by this representation, a fact which will confirm the threat and intimidation being earlier employed by the representatives of the respondents.

d) The alleged settlement but sans the presence of counsel or this representation is null and void. It confirms the threat and intimidation earlier employed by the respondents

against the complainants. It smacks of unethical and unprofessional conduct on the part of the adverse party which should not be tolerated by this Commission to give force and effect to its adjudicatory functions;

e) Granting arguendo but without admitting that in deed the complainants received P20,000.00 from the respondents, the latter are still liable to pay the unsatisfied portion of the judgment including the attorney's fees. For this reason and because respondents have started satisfying the judgment by making partial payment said respondents are in effect have impliedly abandoned their appeal and allowed the judgment to become final and executory by partially satisfying the same, and it is now the duty of this Honorable Commission to implement the same under the law.

f) The complainants who are in Cawit, Looc, Romblon, could not have came to Manila, just to subscribe to the said receipt of payment and release before the notary public in Manila.

x x x[6]

On December 20, 1994, the respondent Commission issued a Resolution approving the Motion to Dismiss presented by respondents, ratiocinating and ruling thus:

> "That by reason of the complainants' opposition thru (sic) counsel, the Commission thru (sic) Deputy Executive Clerk scheduled the case for conference-hearing on August 25 and 27, 1992 before Labor Arbiter Antonio T. Tirona. Unfortunately, despite to appear as show (sic) in the record of proceedings.
>
> Again the Commission extended the hearing of the case on September 29, 1992, October 16, 1992, December 3, 1992, January 28, 1993, February 11, 1993, and despite notice as evidenced by a Registered Receipt which is attached to the record and several telegrams, complainants failed and/or refused to appear on the above-scheduled hearing for reason or reasons only known to them. However, upon the request of the complainants counsel the case was again scheduled for the last

time on March 22, 1994, May 26, 1994 and on June 14, 1994, but despite several notices which were duly acknowledged, complainants failed to appear as show (sic) in the record of the case. The non-appearance therefore operate as a Waiver of its right to challenge the veracity of the questioned documents.

Finding the respondent Motion to Dismiss not contrary to law, the same in (sic) hereby approved. Consequently, the above entitled case is hereby Dismissed."[7]

On February 24, 1995, Rolando Malinao executed an Affidavit, declaring as follows:

x x x

"3. I sent my answer to the said letter sometime in December 1992 and told Atty. Julio F. Andres, Jr. that we have not settled our case yet in any amount altho (sic) I reiterated the information I told him earlier in that year about February that a representatives (sic) of Gibson Cahilig came to see us in our barrio giving me and my son P10,000.00, and requiring as to sign several documents. I told the representatives of Gibson Cahilig whose names I can no longer remember that I could not settle with them or receive any amount without assistance of our lawyer because we could not understand the contents of the document required of us to sign;

4. That when we refused to accept the offer (sic) and sign the documents, the persons (sic) insisted because if we do not like, something may happen to us but we refused as our discussions got more heated, the attention of some neighbors were attracted and came and as they arrived, the 4 representatives repeated demand for us to accept the amounts and sign the documents or something will happen to us and as one or two neighbors arrived they left."[8]

The petitioners found their way to this Court through the Petition for Certiorari, dated February 23, 1995, posing the lone question:

CAN PUBLIC RESPONDENT GRANT PRIVATE RESPONDENTS GIBSON CONSTRUCTION SERVICES AND/OR GIBSON CAHILIG'S MOTION TO DISMISS COMPLAINT BASED ON A COMPROMISE AGREEMENT AND RECEIPT OF PAYMENT AND RELEASE AFTER THE PETITIONERS HAVE DENIED HAVING ENTERED INTO SUCH AGREEMENT, DENIED HAVING SIGNED THE SAME AS THEIR SIGNATURES WERE FORGED OR FALSIFIED, AND ALSO DENIED HAVING RECEIVED ANY AMOUNT IN CONSIDERATION THEREOF SIMPLY BECAUSE THEY HAVE NOT ATTENDED SOME OF THE CONFERENCES HELD DUE TO THE DISTANCE BETWEEN KAWIT, LOOK, ROMBLON TO MANILA AND THE EXPENSES INVOLVED?

On June 14, 1995, respondent Globe Paper Mills filed a Comment invoking as grounds for the dismissal of the petition, that:

a) The instant petition was filed without first filing a Motion for Reconsideration of the Decision of the respondent Commission, as a result violated the Rules laid down in the Revised Rules of Court;

b) The non-appearance of the petitioners therefore operates as a waiver of the complainants' right to challenge the veracity of the questioned documents. The respondent Commission did not commit any grave abuse of discretion amounting to lack or excess of jurisdiction;

c) The motion to dismiss and the Receipts of Payment and Release duly executed by the petitioners are valid and binding between the parties.

On August 2, 1995, the Office of the Solicitor General filed a Manifestation and Motion in lieu of Comment. It relied on the arguments that: a) the authenticity of the documents were put in issue but instead of making determination of the genuineness of petitioners' signatures on the documents, the respondent Commission simply approved the Motion to Dismiss; b) from the outset, the complainants were represented by a lawyer, how come

that during the compromise they were not assisted with their lawyer and c) assuming that the compromise agreement or quitclaim is genuine, the same can be voided on the ground of public policy. The amount of P20,000.00 is unconscionable and very low compared to the award of the Labor Arbiter of P174,379.52.

On June 4, 1996, respondent Globe Paper Mills Inc./Keng Hua Paper Products filed a Manifestation[9] that respondent Gibson Contractor is a single proprietorship and had long ceased its business operations. Its owner had gone to the province and has not come back up to the present.

The petition is impressed with merit.

The compromise agreement/quitclaim purportedly entered into by the parties is unconscionable and contrary to public policy.[10] The settlement of P20,000.00 instead of the Labor Arbiter award of P174,379.52 is shocking to the mind.

In the case of Peftok Integrated Services, Inc. vs. National Labor Relations Commission and Eduardo Abugho, et. al.,[11] this Court made this pronouncement:

> "Pacta privata juri publico derogare non possunct. Private agreements (between parties) cannot derogate from public right."

In a number of cases, this Court ruled in favor of employees when they inked waivers or quitclaims which were unconscionable and against public policy.

> "This Court takes cognizance of the low regard for quitclaims executed by laborers, which are often frowned upon as being contrary to public policy. In some cases, we have ruled that quitclaims are ineffective in barring recovery for the full measure of the worker's rights and that acceptance of benefit therefrom does not amount to estoppel. In Lopez Sugar Corporation vs. Federation of Free Workers, the Court explained:

> "Acceptance of those benefits would not amount to estoppel. The reason is plain. Employer and employee, obviously do not stand on the same footing. The employer drove the employee to the wall. The latter must have to get hold of money. Because, out of job, he had to face the harsh necessities of life. He thus found himself in no position to resist money proffered. His, then, is a case of adherence, not of choice. One thing, sure however, is that petitioners did not relent their claim. They pressed it. They are deemed not to have waived any of their rights." (Galicia vs. National Labor Relations Commission, 276 SCRA 381, 387)

"Setting aside for a while the effects of the non-perfection of respondent company's appeal, the Court (unlike respondent Commission) is convinced that the quitclaim and release is contrary to law, morals, public policy and public order, and that it is therefore NOT valid and binding.

x x x

Respondent Commission seems to have ignored the fact that complainants had been awarded by the labor arbiter more than P2 million. It should have been aware that had petitioners pursued their case, they would have been assured of getting said amount, since, absent a perfected appeal, complainants were already entitled to said amount by virtue of a final judgment. Compared to the over P2 million award granted by the arbiter, the compromise settlement of only P100,000.00 is unconscionable, to say the least." (Unicane Workers Union-CLUP vs. National Labor Relations Commission, 261 SCRA 573, 585-586).

"It is decisively clear that they (guards) affixed their signatures to subject waivers and/or quitclaims for fear that they would not be paid their salaries on pay day or worse, still, their services would be terminated if they did not sign those papers. In short, there was no voluntariness in the execution of the quitclaims or waivers in question. It should be borne in mind that in this jurisdiction, quitclaims, waivers or releases are

> looked upon with disfavor. 'Necessitous men are not free men.' 'They are commonly frowned upon as contrary to public policy and ineffective to bar claims for the full measure of the workers' legal rights.'" (Peftok Integrated Services, Inc. vs. NLRC supra, citing Agoy vs. NLRC, 252 SCRA 588; JGV and Associates, Inc. vs. NLRC, 254 SCRA 457 and American Home Assurance Company vs. NLRC, 259 SCRA 280.)

With the foregoing disquisition resolution of other issues is deemed unnecessary.

WHEREFORE, the Petition is **GRANTED**; the Resolution of the National Labor Relations Commission, dated December 20, 1994, in NLRC NCR Case CA 002699-92, dismissing the appeal from the Decision of the Labor Arbiter in NLRC NCR 07-03768-90 is **SET ASIDE**; and the National Labor Relations Commission is directed to pass upon the merits of subject appeal with dispatch. No pronouncement as to costs.

SO ORDERED.

Melo, Vitug, Panganiban and Gonzaga-Reyes, *JJ.*, concur.

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[1] Annex "B", Petition, Rollo, pp. 19-23.
[2] Annex "D", Petition, Rollo, pp. 28-30.
[3] Annex "C", Petition, Rollo, pp. 24-26.
[4] Annex "J-2", Petition, Rollo, pp. 61-62.
[5] Annex "K", Petition, Rollo, pp. 63-64.
[6] Rollo, pp. 69-70.
[7] Rollo, p. 81-82.
[8] Rollo, pp. 84-85.
[9] Rollo, p. 205.
[10] Article 1306, New Civil Code. The contracting parties may establish such stipulations, clauses, terms, conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.
[11] 293 SCRA 507, 509.