SUPREME COURT
SECOND DIVISION

LOURDES G. MARCOS, ALEJANDRO T. ANDRADA, BALTAZARA J. LOPEZ and VILMA L. CRUZ,
***Petitioners*,**

-versus-

G.R. No. 111744
September 8, 1995

NATIONAL LABOR RELATIONS COMMISSIONS and INSULAR LIFE ASSURANCE CO., LTD.,
***Respondents*.**
x----------x

D E C I S I O N

REGALADO, *J.*:

This Petition for Certiorari seeks the nullification of the Decision[1] of the National Labor Relations Commission (NLRC) promulgated on May 31, 1992 in NLRC NCR CA No. 004120-92, and its resolution

dated August 27, 1993 denying petitioner's motion for reconsideration thereof. The said decision set aside on appeal, the decision of Labor Arbiter Alex Arcadio Lopez ordering private respondent to pay petitioners their service awards, anniversary bonus and prorated performance bonus in the amount of P144,579.00 and 10% attorney's fees in the amount of P14,457.90.[2]

First, the undisputed facts.

Petitioners were regular employees of private respondent Insular Life Assurance Co., Ltd., but they were dismissed on November 1, 1990 when their positions were declared redundant. A special redundancy benefit was paid to them, which included payment of accrued vacation leave and fifty percent (50%) of unused current sick leave; special redundancy benefit, equivalent to three (3) months salary for every year of service; and additional cash benefits, in lieu of other benefits provided by the company or required by law.[3]

Before the termination of their services, petitioner Marcos had been in the employ of private respondent for more than twenty (20) years, from August 26, 1970; petitioner Andrada, more than twenty-five (25) years, from July 26, 1965; petitioner Lopez, exactly thirty (30) years, from October 31, 1960; and petitioner Cruz, more than twenty (20) years, from March 1, 1970.[4]

Petitioners, particularly Baltazara J. Lopez, sent a letter dated October 23, 1990 to respondent company questioning the redundancy package. She claimed that they should receive their respective service awards and other prorated bonuses which they had earned at the time they were dismissed. In addition, Lopez argued that "the cash service awards have already been budgeted in a fund distinct and apart from redundancy fund."[5]

Thereafter, private respondent required petitioners to execute a "Release and Quitclaim,[6] and petitioners complied but with a written protest reiterating their previous demand that they were nonetheless entitled to receive their service awards.

On March 21, 1991, petitioners inquired from the Legal Service of the Department of Labor and Employment[7] whether respondent

corporation could legally refuse the payment of their service awards as mandated in their Employee's Manual.

About three months later the labor department issued its opinion, with pertinent authorities, responding to petitioners' query as follows:

x x x

> This Department believes that your query presents several issues. These shall be addressed point by point, thus:
>
> > First, the Department deems the service award to be part of the benefits of the employees of Insular Life. Company policies and practices are fertile sources of employee's rights. These must be applied uniformly as interpretation cannot vary from one employee to another.
> >
> > x x x
> >
> > While it may be argued that the above-cited case applies only to retirement benefits, we find solace in the cases of Liberation Steamship Co., Inc. vs. CIR and National Development Company vs. Unlicensed Crew members of Three Dons vessels (23 SCRA 1105) where the Supreme Court held that a gratuity or bonus, by. reason of its long and regular concession indicating company practice, may become regarded as part of regular compensation and thus demandable.
> >
> > x x x
> >
> > Second, the award is earned at the pertinent anniversary date. At this time, entitlement to the award becomes vested. The anniversary date is the only crucial determining factor. Since the award accrues on that date, it is of no moment that the entitled employee is separated from service (for whatever cause) before the awards are physically handed out.

x x x

Third, even if the award has not accrued — as when an employee is separated from service because of redundancy before the applicable 5th year anniversary, the material benefits of the award must be given, prorated, by Insular Life. This is especially true (in) redundancy, wherein he/she had no control.

x x x

Fourth, the fact that you were required to sign "Release and Quitclaim" does not affect your right to the material benefits of the service award.[8]

Meanwhile, in the same year, private respondent celebrated its 80th anniversary wherein the management approved the grant of an anniversary bonus equivalent to one (1) month salary only to permanent and probationary employees as of November 15, 1990.[9]

On March 26, 1991, respondent company announced the grant of performance bonus to both rank and file employees and supervisory specialists grade and managerial staff equivalent to two (2) months salary and 2.75 basic salary, respectively, as of December 30, 1990. The performance bonus, however, would be given only to permanent employees as of March 30, 1991.[10]

Despite the aforequoted opinion of the Department of Labor and Employment, private respondent refused to pay petitioners' service awards. This prompted the latter to file a consolidated complaint, which was assigned to NLRC Labor Arbiter Lopez, for payment of their service awards, including performance and anniversary bonuses.

In their complaint, petitioners contended that they are likewise entitled to the performance and anniversary bonuses because, at the time the performance bonus was announced to be given, they were only short of two (2)

months service to be entitled to the full amount thereof as they had already served the company for ten (10) months prior to the declaration of the grant of said benefit. Also, they lacked only fifteen (15) days to be entitled to the full amount of the anniversary bonus when it was announced to be given to employees as of November 15, 1990.

In a decision dated October 8, 1992, the labor arbiter ordered respondent company to pay petitioners their service awards, anniversary bonuses and prorated performance bonuses, including ten percent (10%) thereof as attorney's fees.

Respondent company appealed to public respondent NLRC claiming grave abuse of discretion committed by the labor arbiter in holding it liable to pay said service award, performance and anniversary bonuses, and in not finding that petitioners were estopped from claiming the same as said benefits had already been given to them.

In setting aside the decision of the labor arbiter, respondent NLRC upheld the validity of the quitclaim document executed by petitioners. For this conclusion, it rationalized that "(c)ertainly, before complainants signed the quitclaim and release, they are aware of the nature of such document. In fact, they never assailed the genuineness and due execution of the same. Hence, we can safely say that they were not placed under duress or were compelled by means of force to sign the document."[11]

Furthermore, the NLRC held that "(n)either was there any unwritten agreement between complainants and respondent upon separation, which entitled the former to other remuneration or benefits. On the contrary, they voluntarily accepted the redundancy benefit package, otherwise, they would not have been separated from employment."[12]

> Hence, this petition wherein it is postulated that the basic issue is whether or not respondent NLRC committed reversible error or grave abuse of discretion in affirming the validity of the "Release and Quitclaim" and, consequently, that petitioners are not entitled to payment of service awards and other bonuses.[13] The Solicitor General, public respondent NLRC and private respondent company duly filed their respective comments.[14]
>
> In their petition, petitioners stress that they have actually devoted much, if not all, of their employable life with private respondent; that given their length of service, their loyalty to the latter is easily demonstrable; and that the same length of service had rendered slim, if not eliminated, their chances of getting employed somewhere else."[15]
>
> On the other hand, respondent company reiterates its basic contention that the consideration for the settlement of petitioners' claim is credible and reasonable, more than satisfies the legal requirement therefor, and that petitioners, in executing the release and quitclaim, did so voluntarily and with full knowledge of the consequences thereof.[16]

The petition being meritorious, we find for petitioners.

Under prevailing jurisprudence, the fact that an employee has signed a satisfaction receipt for his claims does not necessarily result in the waiver thereof. The law does not consider as valid any agreement whereby a worker agrees to receive less compensation than what he is entitled to recover. A deed of release or quitclaim cannot bar an employee from demanding benefits to which he is legally entitled.[17]

We have heretofore explained that the reason why quitclaims are commonly frowned upon as contrary to public policy, and why they are held to be ineffective to bar claims for the full measure of the workers' legal rights, is the fact that the employer and the 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 a 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 on their claim. They pressed it. They are deemed not have waived any of their rights. Renuntiatio non praesumitur.[18]

Along this line, we have more trenchantly declared that quitclaims and/or complete releases executed by the employees do not estop them from pursuing their claims arising from unfair labor practices of the employer. The basic reason for this is that such quitclaims and/or complete releases are against public policy and, therefore, null and void. The acceptance of termination does not divest a laborer of the right to prosecute his employer for unfair labor practice acts.[19] While there may be possible exceptions to this holding, we do not perceive any in the case at bar.

Furthermore, in the instant case, it is an undisputed fact that when petitioners signed the instrument of release and quitclaim, they made a written manifestation reserving their right to demand the payment of their service awards.[20] The element of total voluntariness in executing that instrument is negated by the fact that they expressly stated therein their claim for the service awards, a manifestation equivalent to a protest and a disavowal of any waiver thereof.

As earlier stated, petitioners even sought the opinion of the Department of Labor and Employment to determine where and how they stood in the controversy. This act only shows their adamant desire to obtain their service awards and to underscore their disagreement with the “Release and Quitclaim” they were virtually forced to sign in order to receive their separation pay.

We have pointed out in Veloso, et al. vs. Department of Labor and Employment, et al.,[21] that:

> While rights may be waived, the same must not be contrary to law, public order, public policy, morals or good customs or prejudicial to a third person with a right recognized by law.

> Article 6 of the Civil Code renders a quitclaim agreement *void ab initio* where the quitclaim obligates the workers concerned to forego their benefits while at the same time exempting the employer from any liability that it may choose to reject. This runs counter to Art. 22 of the Civil Code which provides that no one shall be unjustly enriched at the expense of another.

We agree with the further observations of the Solicitor General who, in recommending the setting aside of the decision of respondent NLRC, called attention to the fact that "contrary to private respondent's contention, the 'additional' redundancy package does not and could not have covered the payment of the service awards, performance and anniversary bonuses since the private respondent company has initially maintained the position that petitioners are not legally entitled to the same. Surprisingly, in a sudden turnabout, private respondent now claims that the subject awards and bonuses are integrated in the redundancy package. It is evident, therefore, that private respondent has not truly consolidated the payment of the subject awards and bonuses in the redundancy package paid to the petitioners."[22]

We are likewise in accord with the findings of the labor arbiter that petitioners are indeed entitled to receive service awards and other benefits, thus:

> Since each of the complainants have rendered services to respondent in multiple(s) of five years prior to their separation from employment, respondent should be paid their service awards for 1990.
>
> We are not impressed with the contention of the respondent that service award is a bonus and therefore is an act of gratuity which the complainants have no right to demand. Service awards are governed by respondent's employee's manual and (are) therefore contractual in nature.
>
> On the matter of anniversary and performance bonuses, it is not disputed that it is respondent's practice to give an anniversary bonus every five years from its incorporation; that pursuant to this practice, respondent declared an anniversary bonus for its

> 80th Anniversary in 1990; that per terms of this declaration, only the employees of respondent as of 15 November 1990 will be given the bonus; and that complainants were separated from respondent only 25 days before the respondent's anniversary. On the other hand, it is also (not) disputed that respondent regularly gives performance bonuses; that for its commendable performance in 1990, respondent declared a performance bonus; that per terms of this declaration, only permanent employees of respondent as of March 30, 1991 will be given this bonus; and that complainants were employees of respondents for the first 10 months of 1990.
>
> We cannot see any cogent reason why an anniversary bonus which respondent gives only once in every five years were given to all employees of respondent as of 15 November 1990 (pro rata even to probationary employees; Annex 9) and not to complainants who have rendered service to respondent for most of the five year cycle. This is also true in the case of performance bonus which were given to permanent employees of respondent as of 30 March 1991 and not to employees who have been connected with respondent for most of 1990 but were separated prior to 30 March 1991.
>
> We believe that the prerogative of the employer to determine who among its employees shall be entitled to receive bonuses which are, as a matter of practice, given periodically cannot be exercised arbitrarily.[23] *(Emphases and corrections in parentheses supplied)*

The grant of service awards in favor of petitioners is more importantly underscored in the precedent case of Insular Life Assurance Co., Ltd., et al. vs. NLRC, et al.[24] where this Court ruled that "as to the Service award differentials claimed by some respondent union members, the company policy shall likewise prevail, the same being based on the employment contracts or collective bargaining agreements between the parties. As the petitioners had explained, pursuant to their policies on the matter, the service award differential is given at the end of the year to an employee who has completed years of service divisible by 5."

A bonus is not a gift or gratuity, but is paid for some services or consideration and is in addition to what would ordinarily be given.[25] The term "bonus" as used in employment contracts, also conveys an idea of something which is gratuitous, or which may be claimed to be gratuitous, over and above the prescribed wage which the employer agrees to pay.

While there is a conflict of opinion as to the validity of an agreement to pay additional sums for the performance of that which the promisee is already under obligation to perform, so as to give the latter the right to enforce such promise after performance, the authorities hold that if one enters into a contract of employment under an agreement that he shall be paid a certain salary by the week or some other stated period and, in addition, a bonus, in case he serves for a specified length of time, there is no reason for refusing to enforce the promise to pay the bonus, if the employee has served during the stipulated time, on the ground that it was a promise of a mere gratuity.

This is true if the contract contemplates a continuance of the employment for a definite term, and the promise of the bonus is made at the time the contract is entered into. If no time is fixed for the duration of the contract of employment, but the employee enters upon or continues in service under an offer of a bonus if he remains therein for a certain time, his service, in case he remains for the required time, constitutes an acceptance of the offer of the employer to pay the bonus and, after that acceptance, the offer cannot be withdrawn, but can be enforced by the employee.[26]

The weight of authority in American jurisprudence, with which we are persuaded to agree, is that after the acceptance of a promise by an employer to pay the bonus, the same cannot be, withdrawn, but may be enforced by the employee.[27] However, in the case at bar, equity demands that the performance and anniversary bonuses should be prorated to the number of months that petitioners actually served respondent company in the year 1990. This observation should be taken into account in the computation of the amounts to be awarded to petitioners.

WHEREFORE, the assailed decision and resolution of respondent National Labor Relations Commissions are hereby **SET ASIDE** and the decision of Labor Arbiter Alex Arcadio Lopez is **REINSTATED**.

SO ORDERED.

Narvasa, *C.J.*, Puno, Mendoza and Francisco, *JJ.*, concur.

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[1] Rollo, 42; per Commissioner Rogelio I. Rayala, with Commissioners Edna Bonto-Perez and Domingo H. Zapanta, concurring.
[2] Ibid., 53; Id.
[3] Ibid., 43, 237-239.
[4] Petition, 3; Rollo, 4.
[5] Ibid., 4 Id 5.
[6] Rollo, 5.
[7] Ibid., 6.
[8] Ibid., 7-8.
[9] Ibid., 93.
[10] Ibid., 43-44.
[11] Ibid., 50-51.
[12] Ibid., 51.
[13] Ibid., 18.
[14] Ibid., 88, 145, and 65.
[15] Ibid., 32.
[16] Memorandum of Private Respondent, 13-14; Rollo, 226-227.
[17] Fuentes vs. NLRC, et al., G.R. No. 76835, November 24, 1988, 167 SCRA 767; see also Garcia vs. NLRC, et al., G.R. No. 67825, September 4, 1987, 153 SCRA 639.
[18] Lopez Sugar Corporation vs. Federation of Free Workers, Philippine Labor Union Association (PLUA-NACUSIP), et al., G.R. Nos. 75700-01, August 30, 1990, 189 SCRA 179, quoting from Cariño, et al., vs. Agricultural Credit and Cooperative Financing Administration, et al., L-19808, September 29, 1966, 18 SCRA 183.
[19] Armed Forces of the Philippine Mutual Benefit Association, Inc. vs. Armed Forces of the Philippine Mutual Benefit Association, Inc. Employees' Union (AFP-MBAI-EU), et al., L-39140 and L-39145, May 17, 1980, 97 SCRA 715.
[20] Rollo, 5.
[21] G.R. No. 87297, August 5, 1991, 200 SCRA 201.
[22] Rollo, 123.
[23] Ibid., 46-48.
[24] G.R. No. 74191, December 21, 1987, 156 SCRA 740.
[25] Kenicott vs. Wayne Country, 16 Wall. (U.S.) 452, 21 L. Ed. 319.
[26] 35 Am Jur. Master and Servant, Section 71; 501-502.

[27] Roberts vs. Mays Mills, 184 NC 406, 114 SE 530, 28 ALR 338; Scott vs. J.F. Duthie & Co. 125 Wash 470, 216 P 853, 28 ALR 328; Zwolanek vs. Baker Mfg. Co. 150 Wis 517, 137 NW 769, 44 LRA.(NS) 1214, Ann Cas 1914A, 793.