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SUPREME COURT
FIRST DIVISION

MAYA FARMS EMPLOYEES ORGANIZATION, MAYA REALTY AND LIVESTOCK SUPERVISORY UNION, MAYA FARMS EMPLOYEES ASSOCIATION, and MAYA FARMS, INC. SUPERVISORY UNION,
***Petitioners*,**

-versus-

G.R. No. 106256
December 28, 1994

NATIONAL LABOR RELATIONS COMMISSION, MAYA REALTY & LIVESTOCK, INC., MAYA FARMS, INC., and LIBERTY FLOUR MILLS, INC.,
***Respondents*.**
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D E C I S I O N

KAPUNAN, *J.*:

This Petition for Review on *Certiorari* seeks to set aside the Decision of public respondent National Labor Relations Commission (NLRC) which upheld the legality of the separation of sixty-six (66) employees who are members of petitioner unions, thereby dismissing petitioners' complaint against private respondents for violation of collective bargaining agreement (CBA) and unfair labor practice.

Private respondents Maya Farms, Inc. and Maya Realty and Livestock Corporation belong to the Liberty Mills group of companies whose undertakings include the operation of a meat processing plant which produces ham, bacon, cold cuts, sausages and other meat and poultry products.

Petitioners, on the other hand, are the exclusive bargaining agents of the employees of Maya Farms, Inc. and the Maya Realty and Livestock Corporation.

On April 12, 1991, private respondents announced the adoption of an early retirement program as a cost-cutting measure considering that their business operations suffered major setbacks over the years. The program was voluntary and could be availed of only by employees with at least eight (8) years of service.[1] Dialogues were thereafter conducted to give the parties an opportunity to discuss the details of the program. Accordingly, the program was amended to reduce the minimum requirement of eight (8) years of service to only five (5) years.

However, the response to the program was nil. There were only a few takers. To avert further losses, private respondents were constrained to look into the companies' organizational set-up in order to streamline operations. Consequently, the early retirement program was converted into a special redundancy program intended to reduce the work force to an optimum number so as to make operations more viable.

In December 1991, a total of sixty-nine (69) employees from the two companies availed of the special redundancy program.

On January 17, 1992, the two companies sent letters to sixty-six (66) employees informing them that their respective positions had been

declared redundant. The notices likewise stated that their services would be terminated effective thirty (30) days from receipt thereof. Separation benefits, including the conversion of all earned leave credits and other benefits due under existing CBAs were thereafter paid to those affected.

On January 24, 1992, a notice of strike was filed by the petitioners which accused private respondents, among others, of unfair labor practice, violation of CBA and discrimination. Conciliation proceedings were held by the National Conciliation and Mediation Board (NCMB) but the parties failed to arrive at a settlement.

On February 6, 1992, the two companies filed a petition with the Secretary of Labor and Employment asking the latter to assume jurisdiction over the case and/or certify the same for compulsory arbitration. Thus, on February 12, 1992, the then Acting Labor Secretary (now Secretary) Nieves Confesor certified the case to herein public respondent for compulsory arbitration.

On March 4, 1992, the parties were called to a hearing to identify the issues involved in the case. Thereafter, they were ordered to submit their respective position papers.

In their position paper, petitioners averred that in the dismissal of sixty-six (66) union officers and members on the ground of redundancy, private respondents circumvented the provisions in their CBA, more particularly, Section 2, Article III thereof. Said provision reads:

> Sec. 2. LIFO RULE. In all cases of lay-off or retrenchment resulting in termination of employment in the line of work, the Last-In-First-Out (LIFO) Rule must always be strictly observed.

Petitioners also alleged that the companies' claim that they were in economic crisis was fabricated because in 1990, a net income of over 83 million pesos was realized by Liberty Flour Mills Group of Companies.[2] Furthermore, with the termination of the sixty-six (66) employees pursuant to the special redundancy program, the remaining work force, especially the drivers, became overworked and overburdened so much so that they found themselves doing overtime

work and reporting for duty even during rest days.

Invoking the workers' constitutional right to security of tenure, petitioners prayed for the reinstatement of the sixty-six (66) employees and the payment of attorney's fees as they were constrained to hire the services of counsel in order to protect the workers' rights.

On their part, private respondents contend that their decision to implement a special redundancy program was an exercise of management prerogative which could not be interfered with unless it is shown to be tainted with bad faith and ill motive. Private respondents explained that they had no choice but to reduce their work force, otherwise, they would suffer more losses. Furthermore, they denied that the program violated CBA provisions.

On June 29, 1992, public respondent rendered a Decision,[3] the dispositive portion of which reads:

> WHEREFORE, in view of the foregoing, judgment is hereby rendered confirming the legality of the separation of the 66 employees of management thereby dismissing the charges of violation of CBA and unfair labor practice on the part of management. Accordingly, Maya Farms Incorporated and Maya Realty and Livestocks Inc. are hereby ordered to comply with its (sic) undertaking per the notice of termination dated January 17, 1992 issued to the remaining fifty three (53) employees paying them their respective separation benefits as listed in the attached sheet considered part of this Decision. Said awards (sic) is in addition to other benefits as extended by the companies in the letter of termination.
>
> SO ORDERED.[4]

Not satisfied with the above-quoted decision, petitioners interposed the instant petition.

Petitioners maintain that public respondent grossly erred and gravely abused its discretion when it ruled that: (a) the termination of the sixty-six (66) employees was in accordance with the LIFO rule in the

CBA; (b) the termination of the sixty-six (66) employees was in accordance with Article 283 of the Labor Code; and (c) the payment or offer of payment can substitute for the 30-day required notice prior to termination.[5]

A close scrutiny of these assigned errors however, shows that the same primarily deal with the factual findings of public respondent which we are not at liberty to set aside in the absence of grave abuse of discretion amounting to lack or in excess of jurisdiction.

This Court has consistently ruled that findings of fact of administrative agencies and quasi-judicial bodies which have acquired expertise because their jurisdiction is confined to specific matters are generally accorded not only respect but even finality[6] and are binding upon this Court unless there is a showing of grave abuse of discretion,[7] or where it is clearly shown that they were arrived at arbitrarily or in disregard of the evidence on record.[8]

Nevertheless, we will look into the factual findings of public respondent if only to determine whether there was grave abuse of discretion amounting to lack or in excess of jurisdiction.

The termination of the sixty-six employees was done in accordance with Article 283 of the Labor Code. The basis for this was the companies' study to streamline operations so as to make them more viable. Positions which overlapped each other, or which are in excess of the requirements of the service, were declared redundant.

> Article 283 provides:
>
> 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 devises, 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 in the provisions of this title, by serving a written notice on the workers and the Department of Labor and Employment at least one (1) month before the intended date thereof. In case of retrenchment to prevent losses of operations

> of establishment or undertaking not due to serious business losses or financial reverses, the one (1) month pay or at least one-half (½) pay for every year of service, whichever is higher. A fraction of at least six (6) months shall be considered one (1) whole year.

We fully agree with the findings and conclusions of the public respondent on the issue of termination, to wit:

We sustain the companies' prerogative to adopt the alleged redundancy/retrenchment program to minimize if not, to avert losses in the conduct of its operations. This has been recognized in a line of cases. (Wiltshire File Co. vs. NLRC, G.R. No. L-82249, February 7, 1991). However, the companies' decision on this matter is not absolute. The basis for such an action must be far from being whimsical and the same must be proved by substantial evidence. In addition, the implementation of such a decision or policy must be in accordance with existing laws, rules and procedure and provisions of the CBA between the parties, if there be any. Short of any of these conditions, management policy to pursue and terminate its employees allegedly to avert losses, must fail.

In subject case, the 66 complaining employees were separated from services as a result of the decision of management to limit its operations and streamline positions and personnel requirements.

In the case of Maya Farms, Inc. its meat processing department, prior to the adoption of special redundancy program had four (4) sections each of which is headed by an assistant superintendent. These 3 sections are: (a) meat processing; (b) slaughterhouse; (c) packing. With the implementation of the decision of management to limit meat processing with sausages as the only output, only one position for assistant superintendent was retained that of Asst. Superintendent for meat processing held by Lydia Bandong. (Plantilla attached to the letter of May 24, 1992; also Exh. 'E'. Likewise, positions of slicer/seater operator, debonner/skinner, ham and bacon operative, were scrapped. Similarly, positions for packers were decreased retaining only five positions out of 21 packers. Also affected were the positions of egg sorters/stockers as only 4 positions were retained out of ten (10) positions.

A close examination of the positions retained by management show that said positions such as egg sorter, debonner were but the minimal positions required to sustain the limited functions/operations of the meat processing department. In the absence of any evidence to prove bad faith on the part of management in arriving at such decision, which records on hand failed to show in instant case, the rationality of the act of management in this regard must be sustained. While it may be true that the Liberty Flour Mills Group of Companies as a whole posted a net income of P83.3 Million, it is admitted that with respect to operations of the meat processing and livestock which were undertaken by herein companies sustained losses in the sum of P2,257,649.88 (Exh. '3'). This is the reason, as advanced by management, for its decision to streamline positions resulting in the reduction of manpower compliment (sic).[9]

In Abbott Laboratories (Phils.) Inc. vs. NLRC,[10] we had occasion to uphold the employer in its exercise of what are clearly management prerogatives, thus:

> The hiring, firing, transfer, demotion, and promotion of employees has been traditionally, identified as a management prerogative subject to limitations found in law, a collective bargaining agreement or general principles of fair play and justice. This is a function associated with the employer's inherent right to control and manage effectively its enterprise. Even as the law is solicitous of the welfare of the employees, it must also protect the right of an employer to exercise what are clearly management prerogatives. The free will of management to conduct its own business affairs to achieve its purpose cannot be denied (see Dangan vs. National Labor Relations Commission, 127 SCRA 706).

The rule is well-settled that labor laws discourage interference with an employer's judgment in the conduct of his business. Even as the law is solicitous of the welfare of employees, it must also protect the right of an employer to exercise what are clearly management prerogatives. As long as the company's exercise of the same is in good faith to advance its interest and not for the purpose of defeating or

circumventing the rights of employees under the laws or valid agreements, such exercise will be upheld.[11]

The NLRC correctly held that private respondents did not violate the LIFO rule under Section 2, Article III of the CBA which provides:

> Sec. 2. LIFO RULE. In all cases of lay-off or retrenchment resulting in termination of employment in the line of work, the Last-in-First-Out (LIFO) Rule must always be strictly observed.

It is not disputed that the LIFO rule applies to termination of employment in the line of work.[12] Verily, what is contemplated in the LIFO rule is that when there are two or more employees occupying the same position in the company affected by the retrenchment program, the last one employed will necessarily be the first to go.

Moreover, the reason why there was no violation of the LIFO rule was amply explained by public respondent in this wise:

> The LIFO rule under the CBA is explicit. It is ordained that in cases of retrenchment resulting in termination of employment in line of work, the employee who was employed on the latest date must be the first one to go. The provision speaks of termination in the line of work. This contemplates a situation where employees occupying the same position in the company are to be affected by the retrenchment program. Since there ought to be a reduction in the number of personnel in such positions, the length of service of each employees is the determining factor, such that the employee who has a longer period of employment will be retained.

In the case under consideration, specifically with respect to Maya Farms, several positions were affected by the special involuntary redundancy program. These are packers, egg sorters/stockers, drivers. In the case of packers, prior to the involuntary redundancy program, twenty-one employees occupied the position of packers. Out of this number, only 5 were retained. In this group of employees, the earliest date of employment was October 27, 1969, and the latest packer was employed in 1989. The most senior employees occupying the position of packers who were retained are as follows:

Santos, Laura C. Oct. 27, 1969
Estrada, Mercedes Aug. 20, 1970
Hortaleza, Lita June 11, 1971
Jimenez, Lolita April 25, 1972
Aquino, Teresita June 25, 1975

All the other packers employed after June 2, 1975 (sic) were separated from the service.

The same is true with respect to egg sorters. The egg sorters employed on or before April 26, 1972 were retained. All those employed after said date were separated.

With respect to the position of drivers, there were eight drivers prior to the involuntary redundancy program. Thereafter only 3 positions were retained. Accordingly, the three drivers who were most senior in terms of period of employment, were retained.

They are: Ceferino D. Narag, Efren Macaraig and Pablito Macaraig.

> The case of Roberta Cabrera and Lydia C. Bandong, Asst. Superintendent for packing and Asst. Superintendent for meat processing respectively was presented by the union as an instance where the LIFO rule was not observed by management. The union pointed out that Lydia Bandong who was retained by management was employed on a much later date than Roberta Cabrera, and both are Assistant Superintendent. We cannot sustain the union's argument. It is indeed true that Roberta Cabrera was employed earlier (January 28, 1961) and (sic) Lydia Bandong (July 9, 1966). However, it is maintained that in meat processing department there were 3 Asst. Superintendents assigned as head of the 3 sections thereat. The reason advanced by the company in retaining Bandong was that as Asst. Superintendent for meat processing she could 'already take care of the operations of the other sections.' The nature of work of each assistant superintendent as well as experience were taken into account by management. Such criteria was not shown to be whimsical nor carpricious (sic)[13] (Emphasis supplied).

Finally, contrary to petitioners' contention, there is nothing on record to show that the 30-day notice of termination to the workers was disregarded and that the same substituted with separation pay by private respondents. As found by public respondent, written notices of separation were sent to the employees on January 17, 1992. The notices expressly stated that the termination of employment was to take effect one month from receipt thereof. Therefore, the allegation that separation pay was given in lieu of the 30-day notice required by law is baseless.

WHEREFORE, finding no grave abuse of discretion amounting to lack or in excess of jurisdiction on the part of public respondent, the instant petition is hereby **DISMISSED**.

SO ORDERED.

Padilla, Davide, Jr., Bellosillo and Quiason, *JJ*., concur.

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[1] Exhibit 162.
[2] Rollo, p. 48.
[3] Decision penned by NLRC Presiding Commissioner Lourdes C. Javier.
[4] Id., at pp. 23-24.
[5] Petition, p. 3; Rollo, p. 4.
[6] Five J. Taxi vs. NLRC, 212 SCRA 225; San Miguel Corporation vs. Javate, Jr., 205 SCRA 469; Reyes and Lim Co. vs. NLRC, 201 SCRA 772; Filipinas Port Services, Inc. vs. NLRC, 200 SCRA 773; Rabago vs. NLRC, 200 SCRA 158; Aboitiz Shipping Corporation vs. Dela Serna, 199 SCRA 568; Pan Pacific Industrial Sales Co., Inc. vs. NLRC, 194 SCRA 633.
[7] Evangelista vs. NLRC, 195 SCRA 603.
[8] Icasiano vs. Office of the President, 209 SCRA 25; De Vera vs. NLRC, 191 SCRA 632; Eternit Employees and Workers Union vs. Jesus de Veyra, 189 SCRA 752; Philippine Airlines Employees' Association (PALEA) vs. Ferrer Calleja, 162 SCRA 426; Mantrade/FMMC Division Employees and Workers Union vs. Bacungan, 144 SCRA 510; Zamboanga City Water District vs. Bartolome, 140 SCRA 432.
[9] NLRC Decision, pp. 17-19; Rollo, pp. 30-32.
[10] 154 SCRA 713 [1987].
[11] Union Carbide Labor Union vs. Union Carbide Philippines, 215 SCRA 554; National Federation of Labor Unions (NAFLU) vs. NLRC, 202 SCRA 346; Philippine Telegraph and Telephone Corporation vs. Laplana, 199 SCRA 485; Cruz vs. Medina, 177 SCRA 565; San Miguel Brewery Sales Force Union (PT6WO) vs. Ople, 170 SCRA 25.

[12] Rollo, p. 33.
[13] Rollo, pp. 33-36.

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