SUPREME COURT
THIRD DIVISION

JAIME SALONGA, ET AL.,
***Petitioners*,**

-versus-

G.R. No. 118120
February 23, 1996

NATIONAL LABOR RELATIONS COMMISSION, NEWFOUNDLAND PAPER PRODUCTS, INC. (now LUMINAIRE PRINTING & PUBLISHING CORP.), ET AL.,
***Respondents*.**
x----------x

D E C I S I O N

PANGANIBAN, *J.*:

On January 20, 1993, petitioners filed with the labor arbiter their Complaint for illegal dismissal and non-payment of service incentive leave pay. For their part, private respondents countered merely with a Motion to Dismiss alleging that petitioners "have voluntarily executed quitclaims and were already paid their separation pay and all claims due them from the company." On February 16, 1993, petitioners filed

an Amended Complaint/Position Paper with Joint Affidavit basically saying that they were inveigled by management to receive their separation pay and to sign quitclaims because the company was "losing heavily," only to reopen "in the same location this time using entirely new employees" To this, private respondents filed their opposition alleging that the amendment was "procedurally improper" because of the pendency of the unresolved motion to dismiss.

Although private respondents called for a trial on the merits, the labor arbiter dispensed with the necessity of a hearing but nevertheless ordered that the motion to dismiss would be treated as their position paper unless within ten (10) days from notice, said private respondents submitted one. Not having received any more pleadings from the parties, the labor arbiter decided the case on the basis of the aforementioned submissions.

In her decision dated January 7, 1994, Labor Arbiter Nieves V. de Castro found a case of illegal dismissal and awarded reinstatement, full backwages (minus separation pay already paid), service incentive leave benefits and 10.% attorney's fees in favor of petitioners. On appeal, the NLRC Second Division — on a vote of 2-to 1 (Comm. Rogelio I. Rayala, ponente; concurred in by Comm. Domingo H. Zapanta; Presiding Comm. Edna Bonto-Perez, dissenting) reversed the labor arbiter and "remand(ed) (the) case to the Arbitration Branch of origin for further proceedings." The NLRC held that the labor arbiter erred in deciding the case on the basis of the pleadings and position papers only.

In their Comment filed on February 28, 1995, private respondents alleged that petitioners manifested willingness to accept separation pay after management informed them on January 4, 1993 that the company had decided to close down its operations. The company also advised the Social Security System and the Department of Labor and Employment of such decision. The private respondents further averred that thereafter, the company retained only four (4) employees "for purposes of winding-up", but that "sometime in May 1993, several investors decided to infuse capital to revive private respondent company." Finally, it supported public respondent NLRC's Resolution that the case should be remanded for a "full-blown trial."

In his "Manifestation and Motion In Lieu of Comment" filed on May 4, 1995, the Solicitor General sided with petitioners, arguing that a remand "would serve no useful purpose but would cause undue delay in the resolution of the case."

Private respondents submitted their reply to the manifestation of the Solicitor General, while Public Respondent NLRC filed its comment thru its de parte counsel.

Acting on the above submissions of the parties, the Court Resolved to give due course to the petition and to deliberate upon and decide the case without requiring the parties to submit memoranda, as it noted that the issues are relatively simple.

We agree with the Solicitor General. While Art. 283 of the Labor Code allows termination of employment due to heavy business losses, such business reverses must be adequately proven by the employer. Art. 277 of the same code states that "(t)he burden of proving that the termination was for a valid or authorized cause shall rest on the employer." This Court reiterated the same principle in a recent case:

> "The employer carries the burden of proof in showing just cause for terminating the services of an employee."[1]

Contrary to private respondents' contention, the quitclaims executed by the petitioners are not sufficient to show valid terminations. It is the employer's duty to prove that such quitclaims were voluntary. The respondent NLRC's ruling that it is the employees who must show evidence of fraud or trickery is misplaced. Indeed, quitclaims will not bar or estop laborers from pursuing claims for illegal dismissal. As held in Loadstar Shipping Co., Inc. vs. Gallo:[2]

> "Under prevailing jurisprudence, a deed of release or quitclaim cannot bar an employee from demanding benefits to which he is legally entitled (citing Fuentes vs. NLRC, 167 SCRA 767 [November 24, 1988] Similarly, employees who received their separation pay are not barred from contesting the legality of their dismissal and the acceptance of such benefits would not amount to estoppel (citing Mercury Drug Co., .Inc. vs. Court of

> Industrial Relations, 56 SCRA 694 [April 30, 1974]; De Leon vs. NLRC, 100 SCRA 691 [October 30, 1980]).”

The labor arbiter did not err in deciding the case on the basis of pleadings and position papers. The holding of a trial is discretionary on the labor arbiter and cannot be demanded as a matter of right by the parties.

> “Due process requirements are satisfied where the parties are given the opportunity to submit position papers (see Odin Security Agency vs. De la Serna, et al., G.R. No. 87439, February 21, 1990, 182 SCRA 472, 479). Besides, the National Labor Relations Commission and the Labor Arbiter have authority under the Labor Code to decide a case based on the position papers and documents submitted without resorting to the technical rules of evidence (Cagampan. et al. vs. NLRC, et al., G.R. Nos. 85122-24, March 22, 1991, 195 SCRA 533, 539).”[3]

And unless such discretion is imprudently exercised (which is not case here), this Court will not interfere with the arbiter’s decision to dispense with a hearing.

WHEREFORE, the assailed Resolution of the respondent NLRC is hereby **SET ASIDE**. The decision of the labor arbiter dated January 7, 1994 is **REINSTATED** and **AFFIRMED**.

SO ORDERED.

Narvasa, *C.J.*, Davide, Jr., Melo and Francisco, *JJ.*, concur.

---

[1] Golden Donuts, Incorporated vs. NLRC, 230 SCRA 153, 162 (February 21, 1994) citing Samahang Manggagawa ng Rizal Park vs. NLRC, 198 SCRA 480 (June 21, 1991); Offshore Industries, Inc. vs. NLRC, 177 SCRA 50 (August 29, 1989); Hernandez vs. NLRC, 176 SCRA 267 (August 10, 1989); Philippine Associated Smelting and Refining Corp. vs. NLRC, 174 SCRA 550 (June 29, 1989).

[2] 229 SCRA 654, 662 (February 4, 1994).

[3] Lawrence vs. National Labor Relations Commission, 205 SCRA 737, 750 (February 4, 1992). See also Pacific Timber Export Corp. vs. NLRC, 224 SCRA 860, 862 (July 30, 1993); Commando Security Agency vs. NLRC, 211 SCRA

645, 649 (July 20, 1992); Robusta Agro Marine Products, Inc. vs. Gorombalem, 175 SCRA 93, 98. (July 5, 1989).