



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

REYNALDO HAYAN MOYA,
Petitioner,

G.R. No. 18-4011

Present:

CARPIO, J.,*
Acting Chief Justice,
BRION,
DEL CASTILLO,
PEREZ, and
PERLAS-BERNABE, JJ.

-versus-

FIRST SOLID RUBBER
INDUSTRIES, INC.,
Respondent.

Promulgated:

SEP 18 2013

X ----- X

DECISION

PEREZ, J.:

Before the Court is a Petition for Review on *Certiorari*¹ from the Decision² of the Special Third Division of the Court of Appeals in CA-G.R. SP No. 99500 dated 30 April 2008, modifying the Decision of the National Labor Relations Commission (NLRC) by deleting the award of separation pay in favor of Reynaldo Hayan Moya (Moya). The dispositive portion of the assailed decision reads:

WHEREFORE, premises considered, the petition is hereby **GRANTED**. The Resolutions dated January 31, 2007 and April 24, 2007 of the National Labor Relations Commission in NLRC NCR CA No. 048653-06 (NLRC NCR Case No. 00-11-12626 2004) affirming the

* Per Special Order No. 15-48 dated 16 September 2013.
Rule on Civil Procedure, Rule 45.

Peened by Associate Justice Rodrigo V. Cosico with Associate Justices Hakim S. Abdulwahid and Sesinando E. Villon, concurring. *Rollo*, pp. 181-200.

Decision dated February 28, 2006 of the Labor Arbiter Pablo C. Espiritu[,] Jr. is **MODIFIED** by deleting the award for separation pay in favor of private respondent Reynaldo Hayan Moya.³

The facts as gathered by this Court follow:

On 25 January 2005, Moya filed before the NLRC-National Capital Region a complaint for illegal dismissal against First Solid Rubber Industries, Inc. (First Solid) and its President Edward Lee Sumulong. In his complaint-affidavit,⁴ Moya alleged that:

1. Sometime in May 1993, he was hired by the company First Solid, a business engaged in manufacturing of tires and rubbers, as a machine operator;
2. Through years of dedication to his job, he was promoted as head of the Tire Curing Department of the company;
3. On October 15, 2004, he reported an incident about an undercuring of tires within his department which led to the damage of five tires;
4. The company conducted an investigation of the incident and he was later required to explain;
5. In his explanation, he stated that the damage was caused by machine failure and the incident was without any fault of the operator;
6. Despite his explanation of what transpired, he was terminated by the company through a letter dated November 9, 2004.

From the foregoing, he prayed that payment of backwages, separation pay, moral damages and exemplary damages be adjudged in his favor due to the illegal dismissal he suffered from the company.

Moya, through his Reply,⁵ added that his termination fell short of any of the just causes of serious misconduct, gross and habitual neglect of duties and willful breach of trust. He pointed out that the company failed to prove

³ Id. at 199-200.

⁴ Id. at 25-28.

⁵ CA *rollo*, pp. 80-81.

that his act fell within the purview of improper or wrong misconduct, and that a single act of negligence as compared to eleven (11) years of service of good record with the company will not justify his dismissal.

First Solid, in its Position Paper,⁶ Reply⁷ and Memorandum,⁸ admitted that Moya was a former employee of the company and was holding the position of Officer-in-Charge of the Tire Curing Department until his valid dismissal. However, it denied that it illegally dismissed Moya and maintained that his severance from the company was due to a valid exercise of management prerogative.⁹ The company insisted on its right to validly dismiss an employee in good faith if it has a reasonable ground to believe that its employee is responsible of misconduct, and the nature of his participation therein renders him absolutely unworthy of the trust and confidence demanded by his position.¹⁰

Opposing the story of Moya, the company countered that Moya, who was exercising supervision and control over the employees as a department head, failed to exercise the diligence required of him to see to it that the machine operator, Melandro Autor, properly operated the machine. This act is considered as a gross and habitual neglect of duty which caused actual losses to the company.¹¹

During the initial investigation, Moya, in his Explanation Letter¹² dated 15 October 2004, insisted that the cause of the damage of five (5) tires was due to premature hauling of the tires below curing time. Unsatisfied with the explanation, the company sent Moya a Letter¹³ dated 26 October 2004 stating that he failed to explain what really transpired in the undercuring of tires. The company informed Moya that the damage was caused by the operator's unlawful setting of the timer from manual to automatic without Moya's permission. To make the matter worse, Moya failed to disclose the real situation that the operator was at fault.

Moya was given twenty-four (24) hours to defend himself and explain the matter. In response, Moya admitted in a letter dated 29 October 2004 his mistake of not disclosing the true incident and explained that he found it more considerate to just let the operator be suspended and be fined for the

⁶ Id. at 57-68.

⁷ Id. at 73-79.

⁸ *Rollo*, pp. 41-49.

⁹ Id. at 34-35.

¹⁰ Id. at 34.

¹¹ Id. at 36-37.

¹² Id. at 50

¹³ Annex B, id. at 51.

damage committed. He denied any willful intention to conceal the truth or cover up the mistake of his employee. Finally, he asked for the company's forgiveness for the fault he had committed.¹⁴ In a letter dated 3 November 2004, Moya reiterated his plea for forgiveness and asked for another chance to continue his employment with the company.¹⁵

Procedural due process, through issuance of twin notices, was also complied with by the company. Moya was informed of the charges against him through a memorandum¹⁶ indicating his violation and was given an opportunity to answer or rebut the charges. After giving his explanation through several letters to the company, a notice was sent informing him of the management's decision of his dismissal and termination from services on 9 November 2004 based on serious misconduct, gross and habitual neglect of duty and willful breach of trust reposed upon him by the company.¹⁷

On 28 February 2006, Labor Arbiter Pablo C. Espiritu, Jr. rendered a judgment¹⁸ finding sufficient and valid grounds to dismiss Moya for concealing and lying to First Solid about the factual circumstances leading to the damage of five (5) tires on 15 October 2004. However, it ruled that the dismissal from service of the complainant was too harsh as a penalty since it was a first offense and there was no willful and malicious intention on his part to cause damage. The dispositive portion reads:

WHEREFORE, judgment is hereby rendered ordering Respondents First Solid Rubber Industrial, Inc. and Edward Lee Sumulong to jointly and severally pay complainant separation pay in lieu of reinstatement the amount of **P63, 654.00.**

All other claims whether monetary or otherwise are hereby **DISMISSED** for lack of merit.¹⁹

In justifying his decision, the Labor Arbiter explained that the length of time during which the complainant was deprived of employment was sufficient penalty for the act he had committed against the company. As a result, his reinstatement without backwages to his former position was in order. However, since the employment was already strained and Moya was no longer seeking to be reinstated, he decided that it was for the best interest of both parties to award instead a separation pay of one (1) month salary for

¹⁴ Annex C, id. at 52.

¹⁵ Annex D, id. at 53.

¹⁶ Annex B, id. at 51.

¹⁷ Annex E, CA *rollo*, p. 56.

¹⁸ *Rollo*, pp. 54-59.

¹⁹ Id. at 59.

every year of credited service less the total of cash advances of the complainant amounting to ₱19,000.00.²⁰

Not in total accord with the outcome of the decision, First Solid filed its partial appeal before the NLRC on 13 April 2006. The company assailed as error on the part of the Labor Arbiter the grant of separation pay in favor of Moya despite the finding that there was a just cause for the employee's dismissal from service. It was submitted that the complainant's length of service to the company cannot be invoked to justify the award. It was argued that Moya was dismissed for just causes; hence, to award separation pay would be tantamount to giving a prize for disloyalty and breach of trust.²¹

On 31 January 2007, the NLRC affirmed the Decision of the Labor Arbiter in its entirety.²²

The NLRC affirmed the finding of the Labor Arbiter that a separation pay should be given to Moya in lieu of reinstatement citing primarily his length of service and years of contribution to the profitable business operation of the company. It also noted that this transgression was the first mistake of Moya in the performance of his functions. Finally, it cited as justification the Court's ruling in *St. Michael's Institute v. Santos*,²³ wherein the Court held that "*even when an employee is found to have transgressed the employer's rules, in the actual imposition of penalties upon the erring employee, due consideration must still be given to his length of service and the number of violations committed during his employment.*"²⁴

In its Motion for Reconsideration,²⁵ First Solid insisted that length of service cannot mitigate breach of trust which is penalized with dismissal.

On 24 April 2007, the NLRC denied the motion of First Solid as it found no compelling justification to overturn its findings.²⁶

In its Petition for *Certiorari* before the Court of Appeals, the company reiterated its previous arguments that separation pay cannot be awarded to

²⁰ Id. at 58-59.

²¹ Memorandum of Partial Appeal, id. at 60-68.

²² NLRC Decision, id. at 89-93.

²³ 422 Phil. 723 (2001).

²⁴ Id. at 733.

²⁵ *Rollo*, pp. 95-105.

²⁶ Id. at 106-108.

validly dismissed employees and that length of service was not a ground to reduce the penalty of dismissal due to breach of trust.²⁷

In his Comment²⁸ and Memorandum,²⁹ Moya capitalized on the pronouncement of the Labor Arbiter that his alleged infraction does not merit a penalty of dismissal from service given his length of service to the company as well as the failure of the company to prove that he acted maliciously and with the intention to cause damage.

First Solid, in its Reply³⁰ and Memorandum,³¹ argued that Moya, being a supervisor, the company reposed on him its trust and confidence. He was expected to remain loyal and trustworthy and promote the best interest of the company. His act of concealing, by making a fraudulent report to the company regarding the transgression of the machine operator under him, is a valid basis for dismissal based on breach of trust and confidence. The company further contended that the award of separation pay made by the labor tribunals was contrary to law and jurisprudence.

In its Decision,³² the Court of Appeals ruled in favor of the company and reversed the decisions of the labor tribunals. The dispositive portions reads:

WHEREFORE, premises considered, the petition is **GRANTED**. The Resolutions dated January 31, 2007 and April 24, 2007 of the National Labor Relations Commission in NLRC NCR CA No. 048653-06 (NLRC NCR Case No. 00-11-12626-2004) affirming the Decision dated February 28, 2006 of the Labor Arbiter Pablo C. Espiritu[,] Jr. is **MODIFIED** by deleting the award for separation pay in favor of private respondent Reynaldo Hayan Moya.³³

The appellate court ruled that an employee found to be guilty of serious misconduct or other acts reflecting his moral character is not entitled to separation pay. Moya who held a supervisory position as the Head of the Curing Department breached the trust reposed upon him when he did not disclose what was actually done by the machine operator which eventually caused the damage. It was only when the company discovered that the report was not in accordance with what really transpired that Moya admitted

²⁷ Id. at 110-127.

²⁸ Id. at 150-157.

²⁹ Id. at 178-184.

³⁰ Id. at 158-165.

³¹ Id. at 166-177.

³² Id. at 187-200.

³³ Id. at 199-200.

its mistake. In sum, the appellate court agreed that First Solid presented substantial proof to consider Moya as dishonest and disloyal to the company.

It took the position that instead of being a basis for the award of separation pay, Moya's length of service should have been taken against him. The reason for his dismissal was his lack of integrity and loyalty to the company reflecting upon his moral character.

The appellate court emphasized that while the law is considerate to the welfare of the employees whenever there is a labor conflict, it also protects the right of an employer to exercise its management prerogative in good faith.

The Court's Ruling

That there is a valid ground for the dismissal of Moya based on breach and loss of trust and confidence is no longer at issue. The Labor Arbiter, NLRC and the appellate court were unanimous in their rulings on this matter. The remaining question is whether or not petitioner employee is entitled to separation pay based on his length of service.

Petitioner is not entitled to separation pay. Payment of separation pay cannot be justified by his length of service.

It must be stressed that Moya was not an ordinary rank-and-file employee. He was holding a supervisory rank being an Officer-in-Charge of the Tire Curing Department. The position, naturally one of trust, required of him abiding honesty as compared to ordinary rank-and-file employees. When he made a false report attributing the damage of five tires to machine failure, he breached the trust and confidence reposed upon him by the company.

In a number of cases,³⁴ this Court put emphasis on the right of an employer to exercise its management prerogative in dealing with its company's affairs including its right to dismiss its erring employees. We recognized the right of the employer to regulate all aspects of employment, such as the freedom to prescribe work assignments, working methods,

³⁴ *Radio Philippines Network, Inc. v. Yap*, G.R. No. 187713, 1 August 2012, 678 SCRA 148, 164 citing *Association of Integrated Security Force of Bislig (AISFB)-ALU v. Court of Appeals*, 505 Phil. 10, 25 (2005); *San Miguel Corporation v. Layoc, Jr.*, 562 Phil. 670, 687 (2007) citing *San Miguel Brewery Sales Force Union (PTGWO) v. Hon. Ople*, 252 Phil. 27, 31 (1989).

processes to be followed, regulation regarding transfer of employees, supervision of their work, lay-off and discipline, and dismissal and recall of workers.³⁵ It is a general principle of labor law to discourage interference with an employer's judgment in the conduct of his business. As already noted, even as the law is solicitous of the welfare of the employees, it also recognizes employer's exercise of management prerogatives. As long as the company's exercise of judgment 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.³⁶

Following the ruling in *The Coca-Cola Export Corporation v. Gacayan*,³⁷ the employers have a right to impose a penalty of dismissal on employees by reason of loss of trust and confidence. More so, in the case of supervisors or personnel occupying positions of responsibility, does loss of trust justify termination. Loss of confidence as a just cause for termination of employment is premised on the fact that an employee concerned holds a position of trust and confidence. This situation holds where a person is entrusted with confidence on delicate matters, such as the custody, handling, or care and protection of the employer's property. But, in order to constitute a just cause for dismissal, the act complained of must be "work-related" such as would show the employee concerned to be unfit to continue working for the employer.³⁸

The foregoing as viewpoint, the right of First Solid to handle its own affairs in managing its business must be respected. The clear consequence is the denial of the grant of separation pay in favor of Moya.

As pronounced in the recent case of *Unilever Philippines, Inc., v. Rivera*,³⁹ an employee who has been dismissed for any of the just causes enumerated under Article 282⁴⁰ of the Labor Code, including breach of trust,

³⁵ *Goya, Inc. v. Goya, Inc. Employees Union-FFW*, G.R. No. 170054, 21 January 2013, 689 SCRA 1, 9.

³⁶ *Id.*

³⁷ G.R. No. 149433, 22 June 2011, 652 SCRA 463, 470.

³⁸ *Yabut v. Manila Electric Company*, G.R. No. 190436, 16 January 2012, 663 SCRA 92, 106.

³⁹ G.R. No. 201701, 3 June 2013.

⁴⁰ **Art. 282.** Termination by employer. — An employer may terminate an employment for any of the following causes:

- a. Serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work;
- b. Gross and habitual neglect by the employee of his duties;
- c. Fraud or willful breach by the employee of the trust reposed in him by his employer or duly authorized representative;
- d. Commission of a crime or offense by the employee against the person of his employer or any immediate member of his family or his duly authorized representatives; and
- e. Other causes analogous to the foregoing.

is not entitled to separation pay.⁴¹ This is further bolstered by Section 7, Rule I, Book VI of the Omnibus Rules Implementing the Labor Code which provides that:

Sec. 7. Termination of employment by employer. — The just causes for terminating the services of an employee shall be those provided in Article 282 of the Code. The separation from work of an employee for a just cause does not entitle him to the termination pay provided in the Code, without prejudice, however, to whatever rights, benefits and privileges he may have under the applicable individual or collective agreement with the employer or voluntary employer policy or practice.

However, this Court also provides exceptions to the rule based on “social justice” or on “equitable grounds” following the ruling in *Philippine Long Distance Telephone Co. v. NLRC*,⁴² stating that separation pay shall be allowed as a measure of social justice only in those instances where the employee is validly dismissed for causes other than serious misconduct or those reflecting on his moral character. Where the reason for the valid dismissal is, for example, habitual intoxication or an offense involving moral turpitude, like theft or illicit sexual relations with a fellow worker, the employer may not be required to give the dismissed employee separation pay, or financial assistance, or whatever other name it is called, on the ground of social justice.⁴³

The *PLDT case* further elucidates why an erring employee could not benefit under the cloak of social justice in the award of separation pay, we quote:

The policy of social justice is not intended to countenance wrongdoing simply because it is committed by the underprivileged. At best it may mitigate the penalty but it certainly will not condone the offense. Compassion for the poor is an imperative of every humane society but only when the recipient is not a rascal claiming an undeserved privilege. Social justice cannot be permitted to be refuge of scoundrels any more than can equity be an impediment to the punishment of the guilty. Those who invoke social justice may do so only if their hands are clean and their motives blameless and not simply because they happen to be poor. This great policy of our Constitution is not meant for the protection of those who have proved they are not worthy of it, like the

⁴¹ *Tirazona v. Philippine EDS Techno-Service, Inc. (PET, Inc.)*, G.R. No. 169712, 20 January 2009, 576 SCRA 625, 628-629.

⁴² 247 Phil. 641, 649 (1988).

⁴³ *Unilever Philippines, Inc. v. Rivera*, supra note 39.

workers who have tainted the cause of labor with the blemishes of their own character.⁴⁴


Moya's dismissal is based on one of the grounds under Art. 282 of the Labor Code which is willful breach by the employee of the trust reposed in him by his employer. Also, he is outside the protective mantle of the principle of social justice as his act of concealing the truth from the company is clear disloyalty to the company which has long employed him.

Indeed, as found below, Moya's length of service should be taken against him. The pronouncement in *Reno Foods, Inc. v. Nagkakaisang Lakas ng Manggagawa (NLM) - Katipunan*⁴⁵ is instructive on the matter:

x x x Length of service is not a bargaining chip that can simply be stacked against the employer. After all, an employer-employee relationship is symbiotic where both parties benefit from mutual loyalty and dedicated service. If an employer had treated his employee well, has accorded him fairness and adequate compensation as determined by law, it is only fair to expect a long-time employee to return such fairness with at least some respect and honesty. Thus, it may be said that betrayal by a long-time employee is more insulting and odious for a fair employer.⁴⁶ (Emphasis supplied).

WHEREFORE, we **DENY** the petition for review on *certiorari*. The Decision dated 30 April 2008 and Resolution dated 1 August 2008 of the Special Third Division of the Court of Appeals in CA-G.R. SP No. 99500 are hereby **AFFIRMED**.

SO ORDERED.

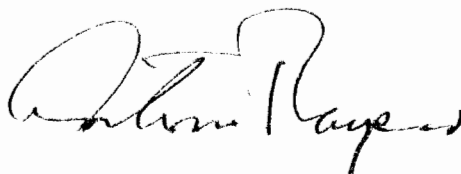

JOSE PORTUGAL PEREZ
Associate Justice

⁴⁴ Id., citing *Philippine Long Distance Telephone Co. v. NLRC*, supra note 42 at 650; *Toyota Motor Phils. Corp. Workers Association v. NLRC*, 562 Phil. 759, 810-811 (2007).

⁴⁵ G.R. No. 164016, 15 March 2010, 615 SCRA 240.

⁴⁶ Id. at 252.


WE CONCUR:



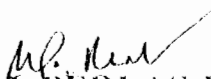
ANTONIO T. CARPIO
Chairperson



ARTURO D. BRION
Associate Justice



MARIANO C. DEL CASTILLO
Associate Justice



ESTELA M. PERLAS-BERNABE
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