

Title: Alaska Milk Corporation and Asiapro Multipurpose Cooperative v. Ruben P. Paez et al.

Facts:

Alaska Milk Corporation is a domestic corporation engaged in manufacturing dairy products, while Asiapro is a cooperative providing personnel services. Respondents Ruben P. Paez, Florentino M. Combite, Jr., Sonny O. Bate, Ryan R. Medrano, and John Bryan S. Oliver were initially supplied by Asiapro as production helpers at Alaska's plant, while some eventually were transferred to 5S Manpower Services but continued working in the same capacity. Their duties involved various post-production activities.

In 2013, the respondents received memoranda informing them of the termination of their assignments at Alaska which eventually took place on different dates within the same year. Paez and Medrano sought transfers within Asiapro, while the other respondents sought the same with 5S.

The respondents then filed complaints with the Labor Arbiter (LA) for illegal dismissal, regularization, and other monetary claims, which were consolidated due to common issues. The LA dismissed the complaints, finding Asiapro and 5S as legitimate contractors and that the respondents were not Alaska's employees. The National Labor Relations Commission (NLRC) affirmed the LA's decision.

The respondents then assailed the NLRC's resolution through a certiorari petition with the Court of Appeals (CA), who reversed the NLRC's ruling, finding that Asiapro and 5S were labor-only contractors and the respondents were regular employees of Alaska.

Alaska and Asiapro moved for reconsideration, which was denied by the CA. Finally, the parties filed Rule 45 petitions with the Supreme Court (SC) seeking reversal of the CA rulings.

Issues:

1. Whether Asiapro and 5S are legitimate job contractors or engaged in labor-only contracting.
2. Whether the respondents were regular employees of Alaska and thus illegally dismissed.

Court's Decision:

The Supreme Court held that Asiapro is a legitimate job contractor while 5S is a labor-only contractor. It found that Asiapro had substantial capital as required and exercised the right to control over the means and methods of the work of its supposed employees. In contrast,

5S failed to prove it had substantial capital or investments related to the job contracted by Alaska, thus it could not carry on an independent business.

For respondents under 5S (Bate, Combite, and Oliver), the Supreme Court ordered their reinstatement as Alaska's regular employees, as they were deemed illegally dismissed. For Paez and Medrano under Asiapro, their complaints were dismissed, finding that they were not dismissed but recalled for reassignment, therefore, they were not entitled to reinstatement or backwages.

#### Doctrine:

Legitimate job contracting exists when a contractor has substantial capital or investment and exercises the right to control the means and methods of the work performed. Labor-only contracting is prohibited and occurs when the contractor has no substantial capital or investment and the workers recruited perform activities that are directly related to the main business of the employer-principal.

#### Class Notes:

- Article 106 of the Labor Code provides the distinction between legitimate job contracting and labor-only contracting.
- The control test is the standard to determine the existence of an employer-employee relationship.
- A bona fide independent contractor should possess substantial capital or investment and the right to control the work performed.
- In cases of illegal dismissal due to labor-only contracting, regular employees are entitled to reinstatement or separation pay, and backwages inclusive of benefits.

#### Historical Background:

The case represents the ongoing tension in Philippine labor law between protecting workers' rights and permitting flexible labor practices like contractualization. The Supreme Court's decision reflects jurisprudential precedents that strictly regulate job contracting to prevent circumvention of labor rights, in line with the social justice precepts enshrined in the Philippine Constitution and the Labor Code.