

Title: Ruga et al. v. National Labor Relations Commission and De Guzman Fishing Enterprises

Facts: Petitioners Alipio R. Ruga and others were fishermen-crew members of the trawl fishing vessel 7/B Sandyman II, owned by De Guzman Fishing Enterprises. They held various positions aboard and were paid on a percentage commission basis from the sale of fish-catch. On September 11, 1983, the president of De Guzman Fishing Enterprises accused them of selling fish-catch at midsea, and when they denied the accusation, they were prevented from returning to work. The accusation followed the petitioners' formation of a labor union on September 3, 1983. Without witnesses or formal charges filed against the petitioners, their de facto dismissal ensued.

Petitioners filed complaints for illegal dismissal and other monetary claims with the Ministry of Labor and Employment, which was subsequently dismissed by the Labor Arbiter on the grounds of a "joint fishing venture" rather than an employer-employee relationship. The petitioners then appealed to the National Labor Relations Commission (NLRC), which affirmed the Labor Arbiter's decision. The case was elevated to the Supreme Court on the contention that an employer-employee relationship existed and they were illegally dismissed.

Issues: The Supreme Court decided on whether the petitioners were employees of De Guzman Fishing Enterprises and, if so, whether they were illegally dismissed.

Court's Decision: The Court granted the petition, reversing the NLRC's decision, stating that an employer-employee relationship existed and that the alleged "joint fishing venture" was not applicable to the case. The Court emphasized the control and supervision exerted by De Guzman Fishing Enterprises over the fishing operations and the fact that petitioners had been employed for 8-15 years. The petitioners were deemed regular employees under Article 281 of the Labor Code, and their dismissal was ruled illegal. The Supreme Court ordered their reinstatement with 3-year backwages and other legal benefits.

Doctrine: The Supreme Court reiterated the four elements in determining an employer-employee relationship: selection and engagement of the employee, payment of wages, power of dismissal, and the employer's power to control the employee's work. The Court also applied the "right-of-control test," which is not merely the actual exercise of control but primarily the existence of the right to control the methods by which work is to be accomplished.

Class Notes:

- Employer-Employee Relationship: Determined by (a) selection and engagement of the employee; (b) payment of wages; (c) power of dismissal; (d) control over the work performance. (Article 97(f) of the Labor Code for “wage” definition.)
- Right-of-Control Test: It is the existence of the right, not the actual exercise, that is significant in characterizing the relationship.
- Notion of Employment: The existence of an employer-employee relationship depends on the contract of hire, whether express or implied.
- Regular Employment: When the work is necessary or desirable in the usual business of the employer, the employment is considered regular as per Article 281 of the Labor Code.
- Illegal Dismissal: Dismissal must comply with due process, or it is tainted with illegality.

Historical Background: The case mirrors the dynamics of employment in the Philippine fishing industry, wherein the delineation between joint ventures and employer-employee relationships has historically been contentious. In the context of this decision, the Supreme Court clarifies the legal standing of fishermen-crew as regular employees, with rights to due process and protection from arbitrary dismissal, thereby strengthening labor rights within this sector.