

Title: Brotherhood Labor Unity Movement of the Philippines et al. vs. Hon. Ronaldo B. Zamora et al.

Facts:

The case arose from a complaint lodged with the Court of Industrial Relations (CIR) by the “Brotherhood Labor Unity Movement of the Philippines” (BLUM) and its members against San Miguel Corporation (SMC) for unfair labor practices under Republic Act No. 875, specifically union-busting and illegal dismissal. The complainants contended they were employees of SMC, but they were dismissed due to their union membership and activities. SMC argued that the complainants were not its employees but those of an independent contractor.

Despite numerous postponements, evidence was submitted, and hearings began on September 8, 1975, under the National Labor Relations Commission (NLRC) following the CIR’s abolition. The Labor Arbiter found in favor of the complainants, a decision concurred with by the NLRC but modified to reduce the awarded backwages to one year’s equivalent salary.

SMC appealed, and the Office of the President’s Secretary overturned the NLRC’s ruling, emphasizing the absence of an employer-employee relationship. This denial of an employer-employee relationship between petitioners (members of BLUM) and respondent SMC is the central issue in the ensuing petition before the Supreme Court.

Issues:

The Supreme Court focused on whether an employer-employee relationship existed between the petitioners and SMC and if the dismissal of the petitioners was due to unionism, constituting unfair labor practice.

Court’s Decision:

Analyzing the relationship based on the control test and other relevant factors, the Supreme Court recognized the presence of an employer-employee relationship. The Court observed that SMC had control over the petitioners, even in disciplinary measures, and there was a continuity in the work performed by petitioners for SMC, which indicated regular employment. The contractual relationship claimed by SMC was found to be a “labor-only” contracting scheme, prohibited by labor laws.

Consequently, the Supreme Court granted the petition, ordering the reinstatement of the petitioners with three years of backwages. Where reinstatement was not feasible, SMC was

ordered to pay separation pay.

Doctrine:

The Supreme Court reiterated the doctrine concerning the test for determining the existence of an employer-employee relationship, emphasizing the “control test” as the most significant element. The Court also applied provisions of the Labor Code (Article 106, 109) to denounce “labor-only” contracting schemes.

Class Notes:

1. Elements for determining employer-employee relationship: selection and engagement, payment of wages, power of dismissal, and control of worker’s performance (control test).
2. “Control Test”: The employer’s power to control the employee with respect to the means and methods by which the work is to be accomplished, not just the end result.
3. Regular employment is presumed when the activity performed is necessary or desirable in the usual business or trade of the employer.
4. The bedrock principle is that in a labor-only contracting scenario, the intermediary is considered an agent of the employer, bearing responsibility for the workers as if they were directly employed.
5. Labor Code provisions applied:
  - Article 106: Prohibition of “labor-only” contracting and stipulating direct employer liability in such cases.
  - Article 109: Solidary liability in case of labor-only contracting.

Historical Background:

This case reflects the ongoing struggle in Philippine labor law to properly characterize the relationship between workers and the businesses that engage their services, particularly in the context of attempts by certain businesses to circumvent the rights and benefits due to employees. It draws attention to the tactics used by companies to avoid recognizing unions and providing employee benefits mandated by labor standards. The decision forms part of the legal framework establishing the standards for determining employer-employee relationships and addresses the practices undermining worker’s rights, such as “labor-only” contracting.