

****Title:****

Yolanda M. Mercado, et al. vs. AMA Computer College-Parañaque City, Inc.

****Facts:****

AMA Computer College-Parañaque City, Inc. (AMACC) employed Yolanda M. Mercado, Charito S. De Leon, Diana R. Lachica, Margarito M. Alba, Jr., and Felix A. Tonog as faculty members starting May 25, 1998. Mercado held a position as Professor 3, Tonog as Assistant Professor 2, and De Leon, Lachica, and Alba, Jr. as Instructor 1. They were employed under individual Teacher's Contracts, subject to trimester periods with non-tenured terms.

For the 2000-2001 academic year, AMACC introduced new faculty screening guidelines which included performance standards used for determining salary increases. The petitioners failed to meet these standards and thus did not receive salary increases. Consequently, they filed a complaint with the Arbitration Branch of the NLRC on July 25, 2000, seeking underpayment of wages, non-payment of overtime and overload compensation, 13th month pay, and discrimination.

On September 7, 2000, petitioners received a "Notice of Non-Renewal of Contract" from AMACC, resulting in the non-renewal of their teaching contracts. In response, the petitioners amended their complaint to include illegal dismissal. They claimed unlawful termination in retaliation to their filings and inadequate notice for their terminations. AMACC defended their actions on the grounds that the faculty members were under probationary status and failed to meet the newly implemented performance standards.

****Procedural History:****

1. ****Labor Arbiter:**** Ruled in favor of petitioners, finding their dismissal illegal and ordering reinstatement with back wages, 13th month pay, attorney's fees, and honoraria.
2. ****National Labor Relations Commission (NLRC):**** Affirmed the Labor Arbiter's ruling but applied Section 92 of the Manual of Regulations for Private Schools rather than Article 281 of the Labor Code. It held that the termination based on new guidelines introduced near the end of their probationary period was unjust.
3. ****Court of Appeals (CA):**** Reversed the NLRC's decision, ruling that petitioners were not dismissed but their contracts expired according to academic standards and without evidence of bad faith.

****Issues:****

1. Whether the petitioners were illegally dismissed by AMACC.

2. Whether AMACC's non-renewal of the petitioners' contracts constituted dismissal or mere expiration of term under valid fixed-period employment.
3. Whether AMACC's application of new guidelines in 2000-2001 was valid and in line with standards known to petitioners at their time of engagement.
4. Whether petitioners are entitled to reinstatement with back wages and other benefits.

****Court's Decision:****

The Supreme Court found the petition meritorious, ruling as follows:

* ****On Issue 1:**** The Court ruled that petitioners were illegally dismissed as AMACC failed to provide substantial evidence of just cause for non-renewing their contracts. It highlighted that AMACC could not rely solely on vague allegations without specific evidence on failed performance standards.

* ****On Issue 2:**** It emphasized that probationary status intertwined with trimester-fixed terms must comply with probation and due process rules under Article 281 of the Labor Code. The primary consideration should be the probationary principles rather than the fixed-term character of contracts.

* ****On Issue 3:**** The Court held that while AMACC had the prerogative to set academic standards, those standards must be reasonable, pre-communicated, and validly applied. The mandatory communication of standards set in place at the start of employment or relevant period had not been demonstrated.

* ****On Issue 4:**** Due to the significant lapse of time since the termination, the Court ordered the payment of separation pay calculated on a trimestral basis, instead of reinstatement, alongside properly recomputed back wages and other pay.

****Doctrine:****

1. ****Employment on Probationary Status (Labor Code):**** An employee's services engaged on probationary basis may be terminated for just cause if they fail to qualify as a regular employee according to the standards known to the employee at engagement.
2. ****Fixed-term Employment:**** Fixed-term contracts are legitimate; however, when intertwined with probationary periods as in education, probationary principles must prevail unless expressly stipulated otherwise.
3. ****Due Process in Employment:**** Employers must provide clear, communicated, and reasonable standards at the start of a probationary period, supported by substantive evidence for decisions impacting employment continuity.

****Class Notes:****

- **Article 281, Labor Code:** Probation period and termination standards.
- **Section 92, Manual of Regulations for Private Schools:** Probationary period for academic personnel.
- **Brent School, Inc. v. Zamora:** Validity of fixed-term contracts.
- **Performance standards:** Necessity of communication and reasonableness.
- **Procedural Due Process:** Two-notice requirement in employee dismissal.

Historical Background:

The case demonstrates the tension between fixed-term employment contracts and employment on probationary status within the academic sector. It addresses the balance of both management prerogatives and labor protections under the Labor Code. It underscores the evolving nature of educational standards in response to technological advancements while reinforcing statutory due process guarantees in employment.