

Title: Corporal, Sr., et al., vs. National Labor Relations Commission, Lao Enteng Company, Inc., et al.

Facts:

1. **Employment Background:**

- Osias I. Corporal, Sr., Pedro Tolentino, Manuel Caparas, Elpidio Lacap, Simplicio Pedelos worked as barbers.
- Teresita Flores and Patricia Nas worked as manicurists at New Look Barber Shop, located at 651 P. Paterno Street, Quiapo, Manila.
- Nas also worked as a watcher and marketer.

2. **Ownership Transition:**

- Originally, New Look Barber Shop was a single proprietorship owned by Vicente Lao.
- In January 1982, Lao's children incorporated Lao Enteng Co. Inc., taking over New Look Barber Shop's assets, equipment, and properties.
- The petitioners continued working for the incorporated business until April 15, 1995, when Trinidad Ong informed them that their services were no longer needed due to the building's sale.

3. **Complaint for Illegal Dismissal:**

- On April 28, 1995, the petitioners filed a complaint with the NLRC for illegal dismissal, illegal deduction, separation pay, non-payment of the 13th-month pay, and salary differentials.
- Nas claimed a salary differential for being paid a daily wage of P25.00.
- The petitioners also sought a refund for a P1.00 daily deduction meant for the sweeper's salary.

4. **Respondent's Position:**

- Lao Enteng Co. Inc. claimed the petitioners were joint venture partners, receiving 50% commission.
- Asserted that there was no employer-employee relationship.
- Even if there were such a relationship, the business closure was due to serious losses, exempting them from paying separation pay.

5. **Labor Arbiter Decision:**

- Dismissed the complaint, finding that the parties were engaged in a joint venture without an employer-employee relationship.

- Noted business closures due to losses as excusing separation pay.

6. **NLRC Decision:**

- Affirmed the Labor Arbiter's decision, emphasizing the absence of an employer-employee relationship under the established four-way test.
- Concluded that the petitioners operated as independent contractors.

7. **Petition for Certiorari:**

- The petitioners challenged the NLRC's decision, alleging grave abuse of discretion and arguing they were employees, not independent contractors.
- Pointed out that their working conditions did not align with an independent business model.
- Highlighted substantial evidence of their roles and argued the NLRC arbitrarily disregarded these in its judgment.

Issues:

1. **Whether there was an employer-employee relationship between the petitioners and Lao Enteng Co. Inc.**
2. **Whether the petitioners were illegally dismissed and entitled to their money claims, including 13th-month pay and separation pay.**

Court's Decision:

1. **Existence of Employer-Employee Relationship:**

- The Supreme Court disagreed with the NLRC's findings. It highlighted the lack of documentary evidence to support the joint venture claim.
- Various elements of an employer-employee relationship existed: selection and engagement, power of dismissal, wage payment, and power to control.
- The case did not meet the criteria for "independent contractors": petitioners didn't run an independent business, lacked substantial capital, and were under employer control, beyond just the result of their performance.

2. **Illegal Dismissal and Entitlement to Claims:**

- Although the business closure was valid due to serious losses, the petitioners were recognized as employees.
- The petitioners were entitled to separation pay calculated based on the prevailing minimum wage at the time of termination (April 15, 1995).

- They were also entitled to the 13th-month pay as specified under existing legal guidelines.

****Doctrine:****

- ****Employer-Employee Relationship:****

The Court established a clear distinction between employees and independent contractors via the comprehensive application of control test, focusing on the power to direct and control not only the results but the manner and method of work.

- ****Separation Pay and 13th-Month Pay:****

The case reaffirmed that employees who are dismissed due to genuine business closure are entitled to separation pay as mandated in Article 283 of the Labor Code.

****Class Notes:****

1. ****Fourfold Test for Employer-Employee Relationship:****

- Selection and Engagement
- Payment of Wages
- Power of Dismissal
- Control Test (Power to Control Worker's Conduct)

2. ****Independent Contractors:****

- Conduct work on their own responsibility.
- Free from control in the method and manner of their work.
- Possess substantial capital or investment.

3. ****Relevant Labor Laws:****

- Article 283, Labor Code: Separation pay for closure/cessation of operations.
- P.D. 851: 13th Month Pay Law requirements.

****Historical Background:****

This case holds significance as it addresses the nuanced classification of workers within service industries, such as barber shops, and delineates the boundaries of employment relationships. It reflects on broader labor policy shifts in the Philippines, emphasizing employee rights and employer obligations amid structural business changes. The decision upholds workers' protections in situations where traditional employment structures might blur, setting a precedent for similar future disputes in the gig economy landscape.