

Zanotte Shoes/Leonardo Lorenzo v. National Labor Relations Commission, et al.

311 Phil. 272

Facts

The case began when private respondents (Joseph Lluz, Lolito Lluz, Noel Adarayan, Rogelio Sira, Virginia Heresano, Genelito Heresano, and Carmelita de Dios) filed a complaint for illegal dismissal and various monetary claims, including damages and attorney's fees, against Zanotte Shoes and its owner, Leonardo Lorenzo. They alleged that they worked for a minimum of 12 hours daily, including weekends and holidays, on a piece-rate basis. They asserted that their request for SSS membership and a pay raise angered Lorenzo, who then barred them from the work premises starting on October 24, 1988.

Petitioners argued that their operations were seasonal and that they engaged the services of the respondents on a purely contractual basis.

The Labor Arbiter, after hearing the case, issued a decision on October 16, 1989, ruling in favor of the complainants. He recognized an employer-employee relationship existed between the parties, categorized the respondents as regular employees, and ordered Zanotte Shoes and Lorenzo to pay separation pay and attorney's fees amounting to a total of P65,465.

Petitioners appealed the decision to the National Labor Relations Commission (NLRC). On April 24, 1991, the NLRC upheld the Labor Arbiter's decision. The petitioners' motion for reconsideration was denied by the NLRC on May 30, 1991.

Subsequently, the petitioners filed a petition for certiorari with the Philippine Supreme Court, assailing both the April 24, 1991, resolution of the NLRC and its denial of their motion for reconsideration.

Issues

1. Whether the NLRC erred in affirming the Labor Arbiter's finding of an employer-employee relationship.
2. Whether the awarding of separation pay and attorney's fees was justified considering there was neither dismissal nor abandonment.

Court's Decision

Employer-Employee Relationship

The Supreme Court agreed with the findings of both the Labor Arbiter and the NLRC that

there existed an employer-employee relationship between Zanotte Shoes and the respondents. These findings were based on the evidentiary indicia of such a relationship:

- Selection and engagement of the employee
- Payment of wages
- Power of dismissal
- Employer's control over the employee's work

The court reiterated that what was required to establish an employer-employee relationship was the right of control over the means and methods by which the work was accomplished, not necessarily the actual exercise of such control.

Award of Separation Pay and Attorney's Fees

However, the Supreme Court found the award of separation pay and attorney's fees to be improper. Both the Labor Arbiter and NLRC concluded that there was no dismissal or abandonment, with respondents opting to be given separation pay instead of reinstatement. The NLRC's justification, suggesting the employer might use reinstatement to later unlawfully force the respondents out of their jobs, was deemed speculative.

The Solicitor General agreed that while an employer-employee relationship existed, the award of separation pay was unwarranted without a clear finding of wrongful dismissal or valid resignation. The Supreme Court thus set aside the orders for separation pay and attorney's fees, emphasizing that there should be a concrete legal basis for such awards.

Doctrine

The court reiterated the "control test," which is primarily determinative of an employer-employee relationship. It requires the right of control over the methods and means by which the work is performed, not the actual exercise of control.

Class Notes

- **Control Test**: An essential method to determine the existence of an employer-employee relationship (Dy Keh Beng v. International Labor and Marine Union).
- **Labor Code Art. 279**: Regular employment security mandates that an employee shall not be terminated except for a just cause or when authorized by law. Regular employees unjustly dismissed are entitled to reinstatement and full backwages.

Historical Background

The case reflects the typical conflicts in labor relations in the Philippines during the late 20th century, characterized by disputes over labor rights, job regularization, and employer

obligations under statutory labor protections. This context mirrors the wider struggle for labor reforms and social justice during a period of economic and political transition in the country.