

****Title****: Makati Haberdashery, Inc. vs. National Labor Relations Commission

****Facts****:

Petitioners Makati Haberdashery, Inc., Jorge Ledesma, and Cecilio G. Inocencio are challenging the decision of the National Labor Relations Commission (NLRC) which found them guilty of illegal dismissal and affirmed the existence of an employer-employee relationship, thus granting various monetary claims to the respondent workers.

1. ****Employment Background****:

- Individual complainants, hereafter referred to as private respondents, worked for Makati Haberdashery, Inc. in various capacities, including tailors, seamstresses, sewers, basters, and “plantsadoras”.
- They were paid on a piece-rate basis, with Maria Angeles and Leonila Serafina receiving monthly salaries.
- They were also given a daily allowance of PHP 3.00, provided they reported before 9:30 a.m.

2. ****Complaint Filing****:

- On July 20, 1984, the labor organization of respondent workers, Sandigan ng Manggagawang Pilipino, filed a complaint (NLRC NCR Case No. 7-2603-84), alleging underpayment of wages and allowances, non-payment of overtime, holiday pay, service incentive pay, 13th-month pay, and benefits under Wage Orders Nos. 1-5.
- During the pendency of this case, an incident involving the discovery of a “jusi” barong tagalog in the possession of respondent worker Dioscoro Pelobello prompted disciplinary action against Pelobello and another worker, Casimiro Zapata.

3. ****Allegation and Dismissal****:

- Pelobello and Zapata were questioned and dismissed on February 4, 1985, for alleged competing business activities. They then filed a complaint for illegal dismissal (NLRC NCR Case No. 2-428-85) on February 5, 1985.

4. ****Labor Arbiter’s Decision****:

- On June 10, 1986, Labor Arbiter Ceferina J. Diosana found petitioners guilty of illegal dismissal and ordered the reinstatement of Pelobello and Zapata with back wages.

5. ****NLRC’s Affirmation****:

- The NLRC affirmed the Arbiter’s decision on March 30, 1988, but limited back wages to one year.

- This decision led to the filing of the instant petition by the petitioners questioning the rulings on employer-employee relationship, monetary claims, and the legality of the dismissal.

****Issues**:**

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

- Whether an employer-employee relationship existed between Makati Haberdashery and the respondent workers.

2. ****Entitlement to Monetary Claims**:**

- Whether the respondents were entitled to monetary claims despite the finding that they were not entitled to the minimum wage.

3. ****Legality of Dismissal**:**

- Whether the dismissal of Pelobello and Zapata was illegal.

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

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

- The Supreme Court upheld the decisions of the Labor Arbiter and the NLRC, ruling that an employer-employee relationship existed based on the four-fold test (selection and engagement, payment of wages, power of dismissal, and control over conduct).

- The court emphasized the "control test" as the most significant factor. The memorandum issued by Assistant Manager Inocencio demonstrated control over employees' tasks and methods.

2. ****Monetary Claims**:**

- While respondents were acknowledged as employees and thus entitled to various benefits including Cost of Living Allowance (COLA), 13th Month Pay, they were found not entitled to Service Incentive Leave Pay or Holiday Pay, as piece-rate workers fall under specific exemptions in the Labor Code.

3. ****Legality of Dismissal**:**

- On the issue of illegal dismissal, the court found that there was no illegal dismissal of Pelobello and Zapata. Evidence showed that they violated company rules by engaging in competing business activities and failed to provide explanations as required by the employer.

- The Supreme Court underscored the employer's right to dismiss employees whose actions are inimical to its interests.

****Doctrine**:**

1. ****Control Test**:**

- The control test remains the primary determinant of an employer-employee relationship. An employee is one who is subjected to the employer's control not only regarding the work result but also about the means and methods to achieve that result.

2. ****Employee Benefits**:**

- Regular employees are entitled to minimum wage, COLA, and 13th Month Pay, but piece-rate workers are exempt from service incentive leave and holiday pay.

****Class Notes**:**

1. ****Control Test**:** The most determinative factor in establishing an employer-employee relationship.

“`verbatim

“The right of control refers to the right of the employer to control both the end to be achieved and the methods used to attain it.”

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2. ****Employee Benefits**:**

- Definitions under labor laws applicable to piece-rate workers:

“`verbatim

“All employees paid by the result shall receive not less than the applicable minimum wage rates for eight hours work a day.”

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- Entitlements for employees under the Labor Code include Minimum Wage, COLA, and 13th Month Pay, with notable exceptions for piece-rate workers.

****Historical Background**:**

The case took place within the broader context of labor rights and protections in the Philippines, during a period characterized by strong labor movements and evolving labor laws designed to protect workers' rights. Presidential Decrees like P.D. No. 1614 and 1713 established minimum wage standards and worker benefits, reflecting the government's response to labor demands and socio-economic conditions of the time.