

Title: Agro Commercial Security Services Agency, Inc. vs. NLRC, et al., 256 Phil. 1182 (1989)

Facts:

- Employment and Contracts:** Private respondents, 46 security guards and/or janitors, were employed under individual contracts by petitioner Agro Commercial Security Services Agency, Inc. These contracts included a clause for temporary suspension of employment if contracts with clients were terminated.
- Termination and Floating Status:** In early 1986, many of the petitioner's service contracts with various clients were terminated. Consequently, private respondents were placed on "floating status" starting September 16, 1986, meaning a non-salaried indefinite period without work assignments. Some guards later secured employment with other agencies.
- Filing of Complaint:** On July 25, 1986, private respondents filed a complaint of illegal dismissal with the Department of Labor and Employment, seeking separation pay, 13th month pay for 1986, and service incentive leave pay.
- Labor Arbiter and NLRC Decisions:** Respondent Labor Arbiter Bienvenido V. Hermogenes ruled in favor of the private respondents, awarding separation pay, 13th month pay, and service incentive leave pay. This decision was affirmed by the National Labor Relations Commission (NLRC) on January 29, 1988, and reaffirmed on April 18, 1988, upon petitioner's motion for reconsideration.
- Petition to the Supreme Court:** Agro Commercial Security Services Agency, Inc. then filed a petition for certiorari and prohibition with preliminary injunction with the Supreme Court, asserting denial of due process, lack of employee status, and contesting the determination of illegal dismissal.

Issues:

- Existence of Employer-Employee Relationship:** Whether an employer-employee relationship existed between Agro Commercial and the security guards/janitors.
- Legality of Floating Status:** Whether the indefinite "floating status" of security guards can be considered lawful and whether prolonged floating status constitutes illegal dismissal.
- Prematurity of Dismissal Claim:** Whether the filing of the complaint by the private

respondents before their floating status exceeded six months was premature.

4. **Just Cause for Dismissal:** Whether the acceptance of other employment by the security guards/janitors without prior resignation constituted just cause for their termination from Agro Commercial.

Court's Decision:

1. **Employer-Employee Relationship:** The Supreme Court affirmed that there was an employer-employee relationship. The elements, namely, selection and engagement of the employee, payment of wages, power of dismissal, and control over the conduct of the employee, were met, as it was proven that Agro Commercial determined salaries, assignments, and disciplinary actions, and reported employees for social security and tax purposes.

2. **Legality of Floating Status:** The Court acknowledged that floating status is typical in security agencies due to their contract-based operations. However, such status should not exceed six months. If it prolongs beyond six months without reassignments, it constitutes illegal dismissal per Article 286 of the Labor Code.

3. **Prematurity of Dismissal Claim:** The Court noted that while the complaint was filed prematurely before the actual enforcement of floating status in September 1986, the issue was not contested and hence deemed waived.

4. **Just Cause for Dismissal:** The Court ruled that accepting other employment by 27 private respondents without resigning from Agro Commercial constituted a violation of company rules and just cause for termination. Consequently, these respondents were not entitled to separation pay.

Doctrine:

1. **Employer-Employee Relationship:** Establishes that control test and four-fold test determine employer-employee relationships effectively.

2. **Floating Status:** The legitimate floating status can last up to six months. Beyond this period, such a status is deemed illegal dismissal under Article 286 of the Labor Code.

3. **Illegal Dismissal:** Employees on prolonged floating status beyond six months without reemployment are considered constructively dismissed.

Class Notes:

- **Employer-Employee Relationship Elements:** Selection and engagement, wages payment, dismissal power, control over conduct.
- **Article 286, Labor Code:** Provides rules on suspension of work, asserting that suspension beyond six months implies termination.
- **Article 279, Labor Code:** Accent on security of tenure for regular employees.
- **Just Cause for Dismissal (Article 282, Labor Code):** Emphasizes grounds for valid termination, including rule violations and unauthorized employment.

Historical Background:

This case emerged during post-Martial Law Philippines when economic and operational uncertainties affected contractual engagements across public and private sectors. Security services, crucial in transitional governance phases, often faced contractual fluctuations due to changes in governmental agencies and business operations. This case reflects labor sector sensitivities to employment stability and procedural correctness in dismissals, highlighting the equilibrium labor laws strive to maintain between just causes and employee security.