

Title: MAM Realty Development Corporation and Manuel Centeno vs. National Labor Relations Commission and Celso B. Balbastro

Facts

1. **Initial Employment:** Celso B. Balbastro was employed by MAM Realty Development Corporation ("MAM") as a pump operator in 1982 at Rancho Estate, Marikina, earning a monthly salary of P1,590.00 for working seven days a week from 6:00 a.m. to 6:00 p.m.
 2. **Complaint Filing:** Balbastro filed a complaint with the Labor Arbiter against MAM and its Vice President Manuel P. Centeno for wage differentials, ECOLA, overtime pay, incentive leave pay, 13th-month pay (1988 and 1989), holiday pay, and rest day pay.
 3. **Employer's Defense:** MAM contended that Balbastro had been contracted as a service contractor, not as an employee, arguing that his primary task was to open and close the water supply system in the subdivision, requiring a maximum of three hours per day. The arrangement lacked control or supervision from MAM, as similar arrangements were made with other service providers.
 4. **Deed of Transfer:** On May 23, 1990, MAM executed a Deed of Transfer of the subdivision's water system to Rancho Estates Phase III Homeowners Association, effective July 1, 1990.
 5. **Labor Arbiter's Decision:** On December 23, 1991, the Labor Arbiter dismissed Balbastro's complaint for lack of merit.
 6. **NLRC Appeal:** Balbastro appealed to the National Labor Relations Commission (NLRC), which set aside the Labor Arbiter's decision and ordered a further hearing.
 7. **NLRC's Final Decision:** On March 21, 1994, the NLRC, after considering the supplementary report, ordered MAM and Centeno to pay Balbastro's claim amounting to P86,641.05 jointly and severally.
 8. **Supreme Court Petition:** MAM and Centeno filed a petition alleging grave abuse of discretion by the NLRC and questioning the existence of an employer-employee relationship as well as the joint and several liabilities.
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Issues

1. ****Existence of Employer-Employee Relationship:**** Whether an employer-employee relationship existed between Balbastro and MAM.
2. ****Joint and Several Liability:**** Whether MAM's Vice President, Manuel P. Centeno, should be held jointly and severally liable with MAM.
3. ****Appropriate Period for Computation of Money Claims:**** Determining the accurate period for calculating Balbastro's monetary claims considering the transfer of the water system to the Homeowners Association.
4. ****Finality of Decision:**** Whether the NLRC's decision was final and executory, precluding further review by the Supreme Court.

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Court's Decision

1. ****Employer-Employee Relationship:**** The Supreme Court affirmed the finding of the NLRC, recognizing the employer-employee relationship between Balbastro and MAM. The Court referenced the four-fold test: (a) selection and engagement of the employee, (b) payment of wages, (c) power of dismissal, and (d) control over the employee's conduct. The power of control, the most crucial factor, was determined to reside with MAM, even though Balbastro's tasks could have been performed by others.
2. ****Joint and Several Liability:**** The Court held that while corporate agents (directors, officers) generally do not bear personal liability for corporate acts, they can be held solidarily liable in cases of bad faith, gross negligence, patently unlawful acts, conflict of interest, or specific legislative mandate. In this case, Centeno was not found to meet any criteria that would warrant holding him solidarily liable with MAM.
3. ****Period for Money Claims:**** The Supreme Court noted the NLRC oversight regarding the Deed of Transfer of the water system, advising a re-calculation of monetary awards to only span from March 6, 1988, to July 1, 1990. Additionally, MAM was required to provide separation pay equivalent to one-half month's pay per year of service.
4. ****Finality of Decision:**** The Supreme Court noted that the NLRC's decision could still be reviewed since the petition was filed under Rule 65, citing there is no appeal from the NLRC

decisions and relief under Rule 65 is available within a reasonable time.

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Doctrine

- ****Test for Employer-Employee Relationship:**** The four-fold test emphasizing the power of control as the most determining factor.
- ****Personal Liability of Corporate Officers:**** Officers and directors are typically shielded from personal liability but exceptions exist, such as patently unlawful acts, bad faith, or specific legal provisions.

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Class Notes

1. ****Employer-Employee Relationship:**** Determined by:
 - a. Selection and engagement of the employee.
 - b. Payment of wages.
 - c. Power of dismissal.
 - d. Control of employee's conduct.
2. ****Personal Liability of Corporate Directors/Officers:**** Generally limited unless:
 - a. Assent to patently illegal acts.
 - b. Bad faith or gross negligence.
 - c. Conflict of interest.
 - d. Specific statutory provisions.
3. ****Legal Citations:****
 - Article 283, Labor Code: Provisions on closure of establishments and separation pay.
 - Corporation Code Section 31, 65.
4. ****Application in Case:****
 - Balbastro's control by MAM, engagement terms, and benefits indicated an employer-employee relationship.
 - Centeno had no exceptional conduct warranting personal liability, reaffirming the separate legal personality of corporations.

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Historical Background

The case epitomizes the ongoing legal delineation of labor rights within the industrial and corporate sectors in the Philippines, emphasizing protection of workers' rights and due process in labor disputes. It also reinforces corporate jurisprudence on the limited liability doctrine and exceptional circumstances capable of piercing the corporate veil, reflecting the broader corporate governance evolution in the Philippines.