

DAMIAN AKLAN, JUANITO AMIDO, REYNALDO BATICA, RAMIL BAUTISTA, WELARD BAUTISTA, MAMERTO BRIGOLI, ELMER CABOTEJA, JOEL CAMMAYO, WELFREDO CARIO, RODOLFO CINCO, ARWEN DABLO, RUBEN D...

G.R. No. 168537. December 11, 2008

Ponente: REYES, R.T., J.

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REYES, R.T., J.:

WE tackle in this labor case the dichotomy between impermissible labor-only contracting and legitimate job contracting.

This is a review on certiorari of the Decision[1] of the Court of Appeals (CA) upholding that of the National Labor Relations Commission (NLRC), finding the dismissal of petitioners justified.

The Facts

Respondent BMA Philasia, Inc. (BMA) is a domestic corporation engaged in the business of transporting and hauling of cargoes, goods, and commodities of all kinds. Respondent Arlene Eusebio is the president of BMA.

Petitioners, numbering forty-seven (47) in all, are the former employees of respondent BMA at respondent San Miguel Corporation's (SMC) warehouse in Pasig City. They were hired under fixed-term contracts beginning October 1999.

On July 31, 2001, a number of petitioners went to the Department of Labor and Employment (DOLE) District Office to file a complaint against BMA and Eusebio for underpayment of wages and non-payment of premium pay for rest day, 13th month pay, and service incentive leave pay.[2]

On August 14, 2001, petitioner Elmer Caboteja was charged with insubordination and disrespect to superior, failure to properly perform his job assignment, and unauthorized change of schedule. He was directed to submit his written explanation within forty-eight (48) hours. On August 17, 2001, Caboteja was terminated for the offenses of disregard of company rules and regulations and rude attitude to supervisors. On August 27, 2001, he filed a complaint for illegal dismissal against BMA.[3]

On various dates thereafter, BMA agreed to a settlement with some of the complainants in the case[4] for underpayment of wages.[5] Eleven of the present petitioners executed quitclaims and releases in favor of BMA and Eusebio in the presence of DOLE district officers. BMA refused to settle the claim of other complainants.

On September 13, 2001, petitioners Joan Erico Dumalagan and Ronaldo Salvador were also terminated for failure to perform their job responsibilities. On September 17, 2001, Dumalagan and Salvador filed complaints for illegal dismissal against BMA.[6]

On October 18, 2001, petitioners held a picket at the warehouse premises to protest BMA's refusal to pay the claim for underpayment of the rest of the workers. This picket disrupted the business operations of private

respondents, prompting BMA to terminate their services. Subsequently, petitioners filed separate complaints against BMA, Eusebio, and SMC for illegal dismissal.^[7] All the complaints for illegal dismissal were consolidated.

Petitioners alleged that they were illegally dismissed after filing a complaint for underpayment of wages and non-payment of benefits before the DOLE; they were terminated after staging a peaceful picket to protest the non-payment of their claims. According to them, BMA is a labor-only contractor. SMC was not only the owner of the warehouse and equipment used by BMA, it was their true employer. The manner and means by which they performed their work were controlled by SMC through its Sales Logistic Coordinator who was overseeing their performance everyday.

Private respondents BMA and Eusebio countered that petitioners Caboteja, Dumalagan, and Salvador were validly and justly dismissed. They were among the eleven who already signed quitclaims and releases before the DOLE district office after receiving an amount in settlement of their claims. As for the rest of petitioners (36 complainants), there was no illegal dismissal to speak of. Said employees simultaneously did not go back to work for no apparent reason on October 18, 2001.

Private respondent SMC maintained that it had no employer-employee relationship with petitioners who were hired and supervised exclusively by BMA pursuant to a warehousing and delivery agreement in consideration of a fixed monthly fee. SMC argued that BMA is a legitimate and independent contractor, duly registered with the Securities and Exchange Commission (SEC) as a separate and distinct corporation with substantial capitalization, investment, equipment, and tools. It submitted documentary evidence proving that BMA engaged the services of petitioners, paid for their wages and benefits, and exercised exclusive control and supervision over them.

SMC showed that under their contract, BMA provided delivery trucks, drivers, and helpers in the storage and distribution of SMC products. On a day-to-day basis, after the routes were made by SMC salesmen, they would book the orders they obtained. In turn, BMA's Scheduler Planner, detailed at the Pasig Warehouse, downloaded these booked orders from the computer and processed the necessary documents to be forwarded to the Warehouse Checker, also an employee of BMA. SMC contended that petitioners were dismissed by BMA for staging a two-hour strike without complying with the mandatory requirements for a valid strike. As a result, BMA had to come up with ways and means in order to avoid the disruption of delivery operations.

Labor Arbiter and NLRC Dispositions

After due hearings, Labor Arbiter Veneranda C. Guerrero found respondent BMA liable for illegal dismissal and ordered the reinstatement of petitioners. She ruled that the evidence presented duly established that BMA was a legitimate independent contractor and the actual employer of petitioners. Its failure, however, to comply with the registration and reportorial requirements of the DOLE rendered SMC, its principal, directly liable to the claims of petitioners.^[8] Thus, BMA and SMC were found jointly and severally liable for the payment of petitioners' backwages and money claims. The dispositive part of the Arbiter ruling runs in this wise:

WHEREFORE, all the foregoing considered, judgment is hereby rendered finding respondent BMA Philasia, Inc., liable for illegal dismissal. Accordingly, it is hereby ordered to reinstate all of the complainants to their previous positions, and to pay jointly and severally with respondent San Miguel the complainants' backwages reckoned from the time of their illegal dismissal up to their actual/payroll reinstatement, the aggregate amount of which as of this date amounts to SEVEN MILLION FIVE HUNDRED EIGHTEEN THOUSAND TWO HUNDRED FIFTY-TWO AND 89/100 PESOS (P7,518,252.89). In addition respondents are solidarily held liable to pay the complainants' Daniel Jamisola, Rodolfo Cinco, Eduardo Garcia, Dario Macaraeg, Romeo Del Rosario, Alan Quiles, Joseph Quiles, Ronald Suprino, Rolando Felizardo, Efren Fernandez, Damian Aklan,

Welard Bautista, Rodrigo Suprino, Noel Janer, Jesus Macaraeg, Reynaldo Batista, Rhonnel Rodil, Eduardo Peremne, Mamerto Brigoli, Ireneo Odiamar, Rex Ignacio, Edgardo Mahaguay, Reyes Suprino, Rodrigo Dela Cruz, Ramil Bautista, Francis Suprino, Eduardo Tiongson, Joel Cammayo, Arwen Dablo, Alex Dela Vega, Bernard Gallogo, Rex Farnacio, Ruben De Castro, Rowan Janer, Raquel Janer, and Bernardo Macaraeg their salary differentials, service incentive leave pay and 13th month pay in the aggregate amount of ONE MILLION TWO HUNDRED FIFTY-SIX THOUSAND THREE HUNDRED SIXTY-SIX and 80/100 PESOS (P1,256,366.80).

Respondents are further assessed the amount equivalent to ten percent (10%) of the total award, as and for attorney's fees.

The computation of the complainants' individually adjudged benefits shall form part of this Decision as Annex "A" hereof.

All other claims are DISMISSED for lack of merit.

SO ORDERED.[9](Emphasis supplied)

Respondents appealed the decision of the Labor Arbiter to the NLRC. On December 19, 2003, the NLRC reversed the Labor Arbiter disposition and ruled that there was no illegal dismissal. The fallo of the NLRC decision reads:

WHEREFORE, in view of all the foregoing, the appealed decision of the Labor Arbiter is hereby REVERSED and SET ASIDE and a new decision is hereby rendered finding that there was no illegal dismissal committed by respondents, hence, no liability for backwages. However, complainants are awarded their salary differentials, service incentive leave pay and 13th month pay except for the year 2000 in the aggregate amount of ONE MILLION TWO HUNDRED FIFTY-SIX THOUSAND THREE HUNDRED SIXTY-SIX AND 80/100 (P1,256,366.80) and 10%

ATTORNEY'S FEES based on the salary differentials, SILP and 13th month pay.

SO ORDERED.[10]

The NLRC found that petitioners Caboteja, Dumalagan, and Salvador were separated from their jobs for just and valid causes. They were given the opportunity to explain their sides. As for the quitclaims previously executed by the other petitioners, the NLRC ruled that these were sufficient basis to release respondent BMA from liability.

With respect to the first and second assigned errors, the records show that complainants Elmer Caboteja, Erico "Jojo" Dumalagan and Ronaldo Salvador were separated from their jobs for just and valid causes and after they were given the chance to explain their sides. Copies of memoranda were served upon them advising their violation of company rules and regulations and rude attitude and disrespect to superiors and disrespect to superiors in the case of Caboteja and failure to perform duties and responsibilities in the case of Dumalagan and Salvador. They were asked to explain and finding their explanations unacceptable, respondents dismissed them. Hence, they are not entitled to separation pay.

As regards the other complainants, there is no showing that they were illegally dismissed from their jobs by BMA. They have not given details on to whom they reported for work, who barred them from entering the respondents' premises and from working, in so many words how they were told that they were already dismissed. The only evident fact is that they just stopped reporting for work beginning October 18, 2001 without informing BMA why there were doing so. Their claim that they were not allowed by the respondents to return to their work is hard to believe. Why should the respondents terminate simultaneously the services of the complainants and completely paralyze respondents' business operation, particularly their service contract with SMC? Complainants have not shown any reason which would compel the respondents to resort to mass dismissal. On the other hand, complainants have strong reason to paralyze respondents' operation in order to force compliance to their demands.

x x x x

In fact, the records of this case also disclose that during the mandatory conciliation proceedings, BMA urged these complainants to go back to work, but may refused to do so. Obviously, their refusal to go back to their work was a deliberate move to force respondents to give in to their demands. Considering this refusal, it is not hard to believe that complainants were not dismissed but rather they refused to work in order to paralyze respondents' operations and force them to give in to complainants' demands.[11](Emphasis supplied)

CA Disposition

Aggrieved, petitioners filed a Rule 65 petition with the CA. The following grounds were interposed: (1) that the NLRC gravely abused its discretion in holding that Caboteja, Dumalagan, and Salvador were validly dismissed; (2) that the other petitioners were not dismissed but were guilty of abandonment; and (3) that the quitclaims executed by eleven of the petitioners barred the complaint for illegal dismissal.[12]

On April, 15, 2005, the CA denied the petition, affirming in full the NLRC disposition, thus:

WHEREFORE, premises considered, the present petition is hereby DENIED DUE COURSE and accordingly DISMISSED, for lack of merit. The assailed Decision dated December 19, 2003 and Resolution dated July 20, 2004 of the National Labor Relations Commission in the consolidated cases, NLRC Case No. CN 08-04522-01-CA No. 036856-03 (NLRC NCR North Sector Case Nos. 08-04522-2001, 09-04941-2001, 00-11-05023-2001, 00-11-05969-2001, 11-01-00450-2002, 02-00934-2002, 12-06288-2001, and 12-06320-2001), are hereby AFFIRMED and UPHELD.

No pronouncement as to costs.

SO ORDERED.[13]

In ruling against petitioners, the CA found that the NLRC committed no reversible error or grave abuse of discretion in ruling that petitioners were not illegally dismissed but actually refused to report back to work after staging a surprise stoppage that paralyzed respondent BMA's business operations at the Pasig warehouse on October 18, 2001.

Issues

Undaunted, petitioners resorted to this review on certiorari, anchored on the following grounds:

The CA committed a serious legal error in not ruling that respondent San Miguel Corporation (principal of respondent BMA Philasia), and respondent Arlene Eusebio, (president and owner of respondent BMA Philasia) are all solidarily liable for petitioners' money claims.

The CA committed a serious legal error in ruling that the quitclaims executed by eleven (11) of the petitioners, in relation to their claims for underpayment of wages before the DOLE, also barred their subsequent complaint for illegal dismissal, despite the fact that the said complaint was not yet in existence at the time the quitclaims were executed.

The CA committed a serious legal error in refusing to hold that respondent San Miguel Corporation was petitioners' real employer despite the fact that respondent BMA Philasia was not duly registered with the DOLE and caused the workers to perform tasks directly related to the business of respondent San Miguel Corporation and under the latter's supervision.

The CA committed a legal error and acted with grave abuse of discretion in holding that petitioners Elmer Caboteja, Joan Erico Dumalagan, and Ronaldo Salvador were not illegally dismissed from their jobs, despite a previous ruling of the Labor Arbiter to the contrary.

The CA committed a serious legal error in not awarding damages, at the very least, to petitioners Joan Erico

Dumalagan, and Ronaldo Salvador for violation of their right to due process.

The CA seriously committed an error of law in holding that the rest of the petitioners abandoned their jobs and were not dismissed therefrom, contrary to the findings of the Labor Arbiter who heard the case.[14](Underscoring supplied)

Our Ruling

Petitioners argue mainly that their employer is, in fact, respondent SMC, not respondent BMA. They contend that BMA is a labor-only contractor and SMC, as their true employer, should be held directly liable for their money claims.

A finding that a contractor is a "labor-only" contractor, as opposed to permissible job contracting, is equivalent to declaring that there is an employer-employee relationship between the principal and the employees of the supposed contractor, and the "labor-only" contractor is considered as a mere agent of the principal, the real employer.[15]

Both the Labor Arbiter and the NLRC found that the employment contracts of petitioners duly prove that an employer-employee relationship existed between petitioners and BMA. We hasten to add that the existence of an employer-employee relationship is ultimately a question of fact and the findings by the Labor Arbiter and the NLRC on that score shall be accorded not only respect but even finality when supported by ample evidence.[16]

In its ruling, the NLRC considered the following elements to determine the existence of an employer-employee relationship: (1) the selection and engagement of the workers; (2) power of dismissal; (3) the payment of wages by whatever means; and (4) the power to control the worker's conduct.[17] All four elements were found by the NLRC to be vested in BMA. This NLRC finding was affirmed by the CA:

It is the BMA which actually conducts the hauling, storage, handling, transporting, and delivery operations of SMC's products pursuant to their warehousing and Delivery Agreement. BMA itself hires and supervises its own workers to carry out the aforesaid business activities. Apart from the fact that it was BMA which paid for the wages and benefits, as well as SSS contributions of petitioners, it was also the management of BMA which directly supervised and imposed disciplinary actions on the basis of established rules and regulations of the company. The documentary evidence consisting of numerous memos throughout the period of petitioners' employment leaves no doubt in the mind of this Court that petitioners are only too aware of who is their true employer. Petitioners received daily instructions on their tasks from BMA management, particularly, private respondent Arlene C. Eusebio, and whenever they committed lapses or offenses in connection with their work, it was to said officer that they submitted compliance such as written explanations, and brought matters connected with their specific responsibilities.[18]

The employer-employee relationship between BMA and petitioners is not tarnished by the absence of registration with DOLE as an independent job contractor on the part of BMA. The absence of registration only gives rise to the presumption that the contractor is engaged in labor-only contracting, a presumption that respondent BMA ably refuted.

Thus, We find no grave abuse of discretion in the CA observation that respondent BMA is the true employer of petitioners who should be held directly liable for their claims. Likewise, no grave abuse of discretion can be ascribed to the CA when it ruled that illegal dismissal was absent.

The records fully disclose that petitioners Caboteja, Dumalagan, and Salvador were separated from their jobs for just and valid causes. Caboteja was cited for violation of company rules and regulations and disrespectful conduct. Dumalagan and Salvador were investigated for failure to perform duties and responsibilities. After their explanations were found unacceptable, they were accordingly dismissed.

As for the other petitioners, they contend that they were illegally dismissed when respondent BMA barred them from entering the work premises and from performing their work. Both the NLRC and the CA found that petitioners failed to substantiate this contention. Rather, what was shown in the records was that they simply stopped reporting for work starting October 18, 2001 when they staged a picket. The CA observation along this line is worth restating:

x x x petitioners failed to substantiate their claim that they had been prevented from entering the work premises after staging a "picket" on October 18, 2001 to further press their demands for payment of their money claims. At this time, the labor standards case was already pending with the DOLE District Office and petitioners could have availed of said proceedings with the intervention of DOLE officials. Instead, however, they resorted to an illegal stoppage of work that paralyzed the business operations of BMA. As aptly noted by the NLRC, there is simply no probable or logical reason for private respondent BMA to simultaneously dismiss its workers that will disrupt business operations at the warehouse. Under the factual circumstances, it clearly appears that petitioners refused to report back to their work in order to force their employer BMA to give in to their immediate demand for the salary differentials and unpaid benefits subject of their complaint with the DOLE. Hence, BMA cannot be held liable for illegal dismissal.

While it is true that the defense of abandonment may not be given credence or is negated by the immediate filing of illegal dismissal cases by the affected employees, records clearly reveal that as of October 18, 2001, petitioners without justifiable cause failed and refused to report back to their work. Their claim of having been prevented from entering the work premises was not given due weight for no particulars was even alleged by them in their report back to their jobs, who prevented their entry to the company premises and details as to what steps they took to bring the matter to the attention of DOLE District Office wherein their complaint for labor standards violation was already pending.[19] (Emphasis supplied)

Moreover, eleven of petitioners contend that their quitclaims should not be considered as a bar to their complaint for illegal dismissal because that complaint was not yet in existence at the time the quitclaims were executed. That the quitclaims were executed voluntarily is not denied by petitioners. They, however, contend that the quitclaims should be construed as limited to the money claims in connection with the first labor standards complaint[20] they had filed before the DOLE district office.

Unless there is a showing that the employee signed involuntarily or under duress, quitclaims and releases are upheld by this Court as the law between the parties.[21] If the agreement was voluntarily entered into by the employee, with full understanding of what he was doing, and represents a reasonable settlement of the claims of the employee, it is binding on the parties and may not be later disowned simply because of a change of mind.[22] In the case under review, the quitclaims and releases signed by petitioners stated:

That for and in consideration of the sum of FIFTY-THREE THOUSAND PESOS (P53,000.00)[23] in settlement of my/our claim/s as financial assistance and/or gratuitously given by my/our employer receipt of which is hereby acknowledge to my/our complete and full satisfaction, I/we hereby release and discharge the above respondent and/or its officers from any and all claims by way of wages, overtime pay, differential pay, or otherwise as may be due me/us incident to my/our past employment with said establishment. I/we hereby state further that I/we have no more claim, right or action of whatsoever nature whether past, present or contingent against the said respondent and/or its officers.[24] (Emphasis supplied)

As correctly observed by the NLRC, the language employed by the above quitclaims and releases indicates in no uncertain terms that petitioners voluntarily and freely acknowledged receipt of full satisfaction of all claims against respondents. Thus, the quitclaims effectively barred petitioners from questioning their dismissal.

Social justice must be founded on the recognition of the necessity of interdependence among diverse units of a society and of the protection that should be equally and evenly extended to all groups as a combined force in our

social and economic life.[25]While labor should be protected at all times, this protection must not be at the expense of capital.

WHEREFORE, the petition is DENIED and the assailed Decision of the Court of Appeals AFFIRMED.

SO ORDERED.

Puno, C.J., Ynares-Santiago, (Chairperson), Austria-Martinez, and Chico-Nazario, JJ., concur.

* Designated as additional member vice Associate Justice Antonio Eduardo B. Nachura per raffle dated November 26, 2008.

[1] Rollo, pp. 56-74.Promulgated on April 15, 2005.Penned by Associate Justice Martin S. Villarama, Jr., with Associate Justices Regalado E. Maambong and Lucenito N. Tagle, concurring.

[2] Docketed as SED-0107-15-061.

[3] Docketed as NLRC NCR North Sector Case No. 08-04522-2001.

[4] See note 2.

[5] Ronaldo Salvador, Alexis Olivar, Arnel Olivar, Joan Dumalagan, Elmer Caboteja, Joel Moncog, Julito Durian, Danilo Gamban, Consorcio Liñan, Juanito Amido, Ramil Santiago, Wilfredo Damian, and Joselito Duyanen.

[6] Docketed as NLRC NCR North Sector Case No. 09-04941-2001.

[7] Daniel J. Jamisola, Joseph N. Quiles, Rodolfo R. Cinco, Eduardo B. Garcia, Rolando Felizardo, Romeo Del Rosario, Jesus Macaraeg, Alan Quiles, Julito Durian, Welard Bautista, Efren Fernandez, Ronaldo Suprino, Rodrigo Suprino, and Noel Janer, November 9, 2001 (NLRC NCR North Sector Case No. 00-11-05923-2001); Reynaldo Batica, Rhonnel Rodil, Eduardo Peremne, Mamerto Brigoli, Ireneo Odiamar, Ramil Santiago, Rex Ignacio, Edgardo Mahaguay, Alexis Olivar, Rexes Suprino, and Wilfredo Cario, November 13, 2001 (NLRC NCR North Sector Case No. 00-11-05969-2001); Eduardo Tiongson, Joel Cammayo, Arwen Dablo, Alex Dela Vega, Consorcio Liñan, Arnel Olivar, and Bernardo Gallogo, November 21, 2001 (NLRC NCR North Sector Case No. 11-06120-2001); Joselito M. Duyan, January 17, 2002 (NLRC NCR North Sector Case No. 00-01-00450-2002); Bernard G. Macaraeg, February 5, 2002 (NLRC NCR North Sector Case No. 02-00934-2002); Rex Farnacio and Ruben De Castro, December 3, 2001 (NLRC NCR North Sector Case No. 12-06288-2001); and Rowan Janer and Raquel Janer, December 4, 2001 (NLRC NCR North Sector Case No. 12-063200-2001).

[8] Rollo, p. 14; Department Order No. 10, Series of 1997, Rule VIII-A, Secs. 10, 14(a), 19-22 24.

[9] Id. at 401.

[10] Id. at 138.

[11] Id. at 133-135.

[12] Id. at 67.

[13] Id. at 73.

[14] Id. at 25-27.

[15] Aboitiz Haulers, Inc. v. Dimapatoi, G.R. No. 148619, September 19, 2006, 502 SCRA 271.

[16] AFP Mutual Benefit Association, Inc. v. National Labor Relations Commission, 334 Phil. 712 (1997).

[17] Consolidated Broadcasting System v. Oberio, G.R. No. 168424, June 8, 2007, 524 SCRA 365; Victory Liner v. Race, G.R. No. 164820, March 28, 2007, 519 SCRA 356; Jo v. National Labor Relations Commission, 381 Phil. 428 (2000).

[18] Rollo, p. 72.

[19] Id. at 69-70.

[20] See note 2.

[21] C. Planas Commercial v. National Labor Relations Commission, G.R. No. 144619, November 11, 2005, 474 SCRA 608; Unicorn Safety Glass, Inc. v. Basarte, G.R. No. 154689, November 25, 2004, 444 SCRA 287; Philippine Carpet Employees Association v. Philippine Carpet Manufacturing Corporation, 394 Phil. 716 (2000).

[22] Periquet v. National Labor Relations Commission, G.R. No. 91298, June 22, 1990, 186 SCRA 724.

[23] In varying amounts for each individual.

[24] Rollo, p. 69.

[25] Agabon v. National Labor Relations Commission, G.R. No. 158693, November 17, 2004, 442 SCRA 573, 615, citing Calalang v. Williams, 70 Phil. 726, 735 (1940).

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