

INDUSTRIAL TIMBER CORPORATION AND LORENZO TANGSOC, PETITIONERS, VS. NATIONAL LABOR RELATIONS COMMISSION CONCORDIA DOS PUEBLOS AND LOLITA SANCHEZ, RESPONDENTS.

G.R. No. 83616. January 20, 1989

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

The issue presented in this petition is whether or not the National Labor Relations Commission committed a grave abuse of discretion in ruling that private respondents were employees of petitioners and as such were illegally dismissed.

The background facts of the case as narrated in public respondent's decision are not in dispute. Thus, succinctly stated, the pertinent facts of this case are as follows:

A written contract was entered into by and between petitioner Industrial Timber Corporation (ITC) and Engineer Azarias D. Dosdos who represented ADD Technical and Labor Service Consultancy.[1] In said agreement, ADD Technical and Labor Service Consultancy, which was engaged in technical as well as labor services, assented to run and man the plywood plant of petitioner ITC in Agusan Pequeño, Butuan City for a period of one year, from July 31, 1985.

Sometime in August, 1985, private respondents Concordia Dos Pueblos and Lolita Sanchez were employed as Accounting/Payroll Clerk and SSS/Medicare Clerk-Cashier, respectively, by petitioner.[2]

On April 20, 1986, the workers and employees of ITC staged a strike. The strike was amicably settled on April 26, 1986 by virtue of a Memorandum of Agreement entered into between Lorenzo Tangsoc, as owner and operator of petitioner ITC and of both Stanply Plant and the Butuan Logs, Inc. Plant, and the striking workers/employees of Stanply and Butuan Logs, Inc., wherein the private respondents were among those employed by Stanply. The pertinent provision of the Memorandum of Agreement reads in part:

"To resolve the issues of the strike the parties have agreed as follows:

"1. All employees in Butuan Logs and Stanply shall be absorbed and considered as employees of the administration. No contractual work shall be allowed or instituted in all aspects of production.

"2. The Industrial Timber Corporation reserves the right to hire its employees in STANPLY and BUTUAN LOGS. However, in the latter of hiring, top priority and preference shall be given to the striking employees whose names appear in the list appended hereto. Management shall not engage or hire the services of other employees unless the aforementioned list has been exhausted. Security of tenure shall be respected.

xxx xxx xxx

"4. All workers hired by management shall undertake a probationary period of two months from their hiring. Thereafter, all said workers shall be considered and treated as regular employees.[3]"

Pursuant to the aforementioned Memorandum of Agreement, petitioners admitted almost all of the striking workers, back to work, except private respondents. Hence, private respondents were forced to plead for their reinstatement. However, the same proved futile even after the lapse of seven (7) months of waiting and incessant follow-ups.

On November 10, 1986, private respondents filed with the Arbitration Branch of the National Labor Relations Commission (NLRC) a complaint for illegal dismissal and reinstatement with backwages against petitioner ITC. The case was heard on compulsory arbitration by Hearing Officer-Designate Atty. Nolasco D. Discipulo of the Agusan del Norte/Sur Provincial Office of the Ministry of Labor and Employment, Butuan City. Discipulo's report eventually became the basis of the decision rendered by Labor Arbiter Amado M. Solamo.

Records show that the case was scheduled for conciliation conference/investigation on November 17, 1986. The parties agreed to reset the same for possible amicable settlement on November 24, 1986. Petitioners, however, failed to appear at the scheduled conference. Due to said non-appearance by petitioners, private respondents amended their complaint to include a prayer for damages.

The hearing officer issued an order instructing private respondents to submit a position paper within ten (10) days from receipt of said order. Likewise, petitioners were ordered to submit their position paper within ten (10) days from receipt of the position paper of private respondents.

On December 11, 1986, private respondents filed their position paper by registered mail. The same was received by the office of the hearing officer on December 15, 1986. Petitioners, however, failed to file their position paper despite their receipt of the position paper of private respondents. Thus, the hearing officer made the following observations:[4]

Due to the preceding events, private respondents filed on January 8, 1987 a motion and manifestation stating among other things that since the receipt by petitioner of the copy of private respondents' position paper up to the date of said motion, a period of twenty-six (26) regular days, or thirteen (13) working days had elapsed thus necessitating the promulgation of a decision favoring private respondents.[5]

Acting on the manifestation of private respondents, the hearing officer reported that reinstatement with full backwages, as claimed, was but the natural consequence of the act of illegal dismissal committed by petitioners, to be reckoned from April 30, 1986 until actual reinstatement of private respondents. It was also reported that since the claims for damages were presumably based on legal and factual foundations, the said claims should likewise be given due course.[6]

Labor Arbiter Amado M. Solamo found the report of Hearing Officer-Designate Atty. Nolasco D. Discipulo to be in order and supported by substantial evidence. Thus, the same was adopted in the decision of the labor arbiter except for the award of damages which was modified. Accordingly, it was ordered that: private respondents be reinstated to their former positions without loss of seniority rights and privileges and that private respondents were to be paid their backwages, ECOLA, 13th month pay, holiday pay, vacation and sick leave pay in the amounts of TWENTY-FOUR THOUSAND THREE HUNDRED PESOS (P24,300.00) each, as well as TEN THOUSAND PESOS (P10,000.00) each as moral and exemplary damages, and ten percent of the total awards as attorney's fees.

Petitioners elevated the decision of the labor arbiter to the NLRC. In a resolution promulgated on January 22, 1988, the NLRC sustained the decision of the labor arbiter on the ground that there was no reason to alter or modify, much less reverse the said decision. Said Commission found petitioner company guilty of illegal dismissal since it violated Sections 1 and 2 of the Memorandum of Agreement.

Hence, the present petition. On June 27, 1988, this Court issued a temporary restraining order enjoining the execution of the resolution of the NLRC upon a bond in the amount of P30,000.00 to be filed by petitioner.

In the resolution of this case, this Court must determine whether or not private respondents were employees of the petitioners. This main issue has been approached by the parties from almost diametrical points, thereby bringing into focus the sub-issue of whether or not a previous quitclaim agreed upon between the parties is valid.

We will now discuss seriatim the questions just adverted to.

It is the petitioners' contention that private respondents had no employment relationship since the latter were hired and paid by ADD Technical and Labor Service Consultancy, and thus, the right to dismiss them belonged to the said employer, but not to the petitioners. If ever petitioners terminated private respondents' employment, such termination was done according to law.

In maintaining their position, petitioners posit the theory that the Memorandum of Agreement entered into by petitioners and the striking workers on April 26, 1986 shows that petitioners never agreed to absorb and consider the private respondents as their employees. Petitioners averred that it was the clear intent of the striking employees and petitioners to treat the employees in Butuan Logs and Stanply differently from that of the contract workers provided by Engineer Dosdos in that the employees in Butuan Logs and Stanply were to be absorbed and considered as employees of petitioners while private respondents, as contract workers, were still to be hired giving them top priority and preference since their names appeared in the list appended to the agreement.

On the other hand, it is private respondents' trenchant claim that they are employees of petitioner ITC and that the present issue involves questions of fact which have been ruled upon by Arbiter Solamo and the NLRC. The NLRC ruled that private respondents were employees of ITC and that the former's findings are supported by substantial evidence. Private respondents also submit that the findings of fact made by Arbiter Solamo must be appreciated with greater weight since he had the opportunity to observe the demeanor of the witnesses.

A judicious review of the records of this case convinces this Court that there is no merit in the arguments of petitioners. No cogent reason exists why the findings of fact made by the labor arbiter to the effect that an employer-employee relationship existed between the parties should be reversed. The findings of fact of quasi-judicial bodies are generally binding on the courts.[7] The question of whether or not an employer-employee relationship existed between the parties is a question of fact.[8]

However, this Court has never hesitated to exercise its corrective powers and to reverse administrative decisions in the following cases: (1) the conclusion is a finding grounded on speculations, surmises and conjectures; (2) the inferences made are manifestly mistaken, absurd, or impossible; (3) there is a grave abuse of discretion; (4) there is a misapprehension of facts; (5) the court in arriving at its findings went beyond the issues of the case and the same are contrary to the admissions of the parties or the evidence presented; (6) where respondent commission has sustained irregular procedures and through the invocation of summary methods, including rules on appeal, has affirmed an order which tolerates a violation of due process and (7) where the rights of a party were prejudiced because the administrative findings, conclusions or decision were in violation of constitutional provisions, in excess of statutory authority, or jurisdiction, made upon irregular procedure, vitiated by fraud, imposition or mistake, not supported by substantial evidence adduced at the hearing or contained in the records or disclosed to the parties, or arbitrary, or capricious.[9]

None of the abovementioned grounds are present which would warrant a reversal of the findings made by respondent Commission that an employer-employee relationship existed between the parties concerned.

Granting, *arguendo*, that private respondents were employed by Engineer Dosdos, petitioners would still be liable

to private respondents since the indices of a "labor only" contracting situation will apply to the present case. "Labor-only" contracting is defined in Section 9, Rule VIII, Book III of the Omnibus Rules Implementing the Labor Code in the following terms:

"Sec. 9. Labor-only contracting.-(a) Any person who undertakes to supply workers to an employer shall be deemed to be engaged in labor-only contracting where such person:

(1) Does not have substantial capital or investment in the form of tools, equipment, machineries, work premises and other materials; and

(2) The workers recruited and placed by such person are performing activities which are directly related to the principal business or operations of the employer in which workers are habitually employed.

(b). Labor-only contracting as defined herein is hereby prohibited and the person acting as contractor shall be considered merely as an agent or intermediary of the employer who shall be responsible to the worker in the same manner and extent as if the latter were directly employed by him.

xxx xxx xxx." (Italics supplied.)

The legal effect of a finding that a contractor is not a true independent contractor or "job contractor" but merely a "labor-only" contractor was expounded upon in *Philippine Bank of Communications vs. NLRC*,^[10] to wit:

"xxx The 'labor-only' contractor- i.e., 'the person or intermediary' -is considered 'merely as an agent of the employer.' The employer is made by the statute responsible to the employees of the 'labor only' contractor as if such employees had been directly employed by the employer. Thus, where 'labor only' contracting exists in a given case, the statute itself implies or establishes an employer-employee relationship between the employer (the owner of the project) and the employees of the 'labor only' contractor, this time for a comprehensive purpose: 'employer for purposes of this Code, to prevent any violation or circumvention of any provision of this Code.' The law in effect holds both the employer and the 'labor-only' contractor responsible to the latter's employees for the more effective safeguarding of the employees' rights under the Labor Code."

Hence, a finding that a contractor is a "labor-only" contractor is equivalent to a finding that there exists an employer-employee relationship between the owner of the project and the employees of the "labor-only" contractor since that relationship is defined and prescribed by the law itself.

Prescinding from the foregoing, the ineluctable conclusion is that an employer-employee relationship existed between petitioner and private respondents. Engineer Dosdos had no substantial capital investment in the form of tools, equipment, machineries, work premises and other materials since the plywood plant and panels were all supplied by petitioner. Likewise, the activities undertaken by the contractor were petitioners' business.

Coming now to the second sub-issue, petitioners allege that they did file a position paper albeit late in this case refuting therein the claims of the private respondents. However, petitioners filed the said position paper on January 13, 1987 with the District Labor Office at Butuan City and not in the office of the labor arbiter in Cagayan de Oro City which was then handling the cases. The said position paper also contained a quitclaim wherein private respondents allegedly admitted that they were workers/employees of ADD Technical and Labor Services and that for a consideration, the employees signed on May 17, 1986, quitclaims forever discharging and releasing petitioners from any and all claims arising from any source, particularly from their employment.

Petitioners state that even if they filed their position paper belatedly, proceedings before the respondent Commission are not governed by the technical rules on evidence applied in courts of law. Furthermore, private respondents supposedly benefited from the quitclaim and received their separation pay and as such, they cannot be allowed to repudiate the authenticity of the quitclaim deed after benefiting from it.

On the other hand, respondents state that this petition should not be given due course since petitioners failed to seasonably file their position paper with the District Labor Office. Furthermore, they state that the signatures appearing on the quitclaim deed are dubious in character and that the said signatures are either forged or signed under certain anomalous circumstances.

At the onset, this Court was predisposed to dismiss the petition since ITC's position paper containing the quitclaim was filed much too late. However, there appears to be a waiver. It is noted that the NLRC resolution stated that the record also shows that complainants (herein private respondents) signed quitclaim deeds and received their separation pay.[11] The private respondents even filed a rejoinder traversing petitioners' late position paper with respect to the issue on the quitclaim.

The determination of the validity of the quitclaim is essential towards a just determination of this case. The Labor Arbiter should have conducted a hearing to determine the veracity of the denials of the private respondents rather than resolve these intricate issues based wholly on the position paper of private respondents.

The appraisal of the situation by the NLRC and the Labor Arbiter lacks precision, giving rise to an ambiguity that lends plausibility to the present proceeding. As there are matters regarding the quitclaim that still need to be clarified, equity calls for a remand of the instant case to the NLRC for an ascertainment in greater detail of the circumstances surrounding the execution of the quitclaim.

Certiorari to that extent lies. So this Court rules.

There will be an element of unfairness at this stage if this Court will disregard the quitclaim and thus enable private respondents to unjustly benefit if indeed they signed the quitclaim. What is vital and indispensable then is a determination of the validity of the quitclaim.

WHEREFORE, the assailed resolution of the respondent National Labor Relations Commission is **AFFIRMED** only as to the finding that petitioner is the employer of private respondents. The case is **REMANDED** to the National Labor Relations Commission for an inquiry with deliberate dispatch on the validity of the quitclaim. The restraining order issued by the Court is made permanent. No pronouncement as to costs.

SO ORDERED.

Narvasa, (Chairman), Cruz, Griño-Aquino, and Medialdea, JJ., concur.

[1] Pages, 88 and 89. Rollo.

[2] Page 2, Resolution of the National Labor Relations Commission.

[3] Pages 28 and 29, Rollo.

[4] Page 3, Decision of the Labor Arbiter.

[5] Ibid, at 3 and 4.

[6] Page 5, Decision of the Labor Arbiter.

[7] *Akay Printing Press vs. Minister of Labor and Employment*, 140 SCRA 381 (1985).

[8] *RJL Martinez Fishing Corporation vs. NLRC*, 127 SCRA 455 (1984).

[9] *Ateneo De Manila University vs. Court of Appeals*, 145 SCRA 100 (1986); *Baguio Country Club Corporation vs. NLRC*, 118 SCRA 557 (1982).

[10] 146 SCRA 347, 356 (1986).

[11] Page 84, Rollo.

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