

**SANYO SEIKI STAINLESS STEEL CORPORATION, PETITIONER, VS.
LEONIL AMAGO, ELLY BAYLON, NOLI FRANCISCO BILLONES,
ARWIN CORTON, RICHARD CRISMUNDO, JEFF CRUZ, JULIUS
PATRICK GONZALES,...**

G.R. Nos. 275229 and 275678, August 11, 2025

Ponente: LAZARO-JAVIER, J.

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LAZARO-JAVIER, J.:

These consolidated Petitions for Review on Certiorari[1] assail the following dispositions of the Court of Appeals in CA-G.R. SP Nos. 159091 and 160210:

1. Consolidated Decision[2] dated February 27, 2023 granting the petition filed by respondent workers: (i) declaring Cebu General Services, Inc. (CGSI) as a labor-only contractor; (ii) ordering respondent workers to be reinstated and paid their benefits; and (iii) holding Sanyo Seiki Stainless Steel Corporation (Sanyo) and CGSI jointly and solidarily liable for payment of respondent workers' monetary awards; and
2. Resolution[3] dated July 30, 2024, denying the respective motions for reconsideration of Sanyo and CGSI.

Antecedents

The present case stemmed from a series of complaints for illegal dismissal, reinstatement with full backwages, non-payment of the 13th month pay, service incentive leave, moral damages, exemplary damages, and attorney's fees filed by respondents and other workers against Sanyo; CGSI; Sanyo's President, Gregory Chan (Gregory); Sanyo's Vice-President, Jenny Chan (Jenny); and CGSI's General Manager, Orlando V. Isobal (Isobal).[4]

Sanyo is a domestic corporation engaged in stainless steel manufacturing, while CGSI is a service contractor engaged in the business of providing manpower services. They executed a Service Contract where respondent CGSI would perform specific jobs farmed out by Sanyo for a period of one year, from October 27, 2016 until October 26, 2017.[5]

Respondents Leonil Amago, Elly Baylon, Noli Francisco Billones, Arwin Corton, Richard Crismundo, Jeff Cruz, Julius Patrick Gonzales, Marlon Ilarde, Edgar Marayan, Jacob Miguel, Jovito Molisimo, Jr., Jonathan Quinlog, Jeiel Ramirez, Jason Sanchez, Reynaldo Sonio, Jr., Alvin Suarez, and Reynante Versales (collectively, Amago et al.) were employed by CGSI as drivers, warehouse workers, logistics personnel, machine operators, welders, maintenance workers, helpers, logistics personnel, electrical technicians, sharpener, and quality control inspectors. They were then assigned to provide the service requirements of Sanyo.

Prior to the execution of the Service Contract with CGSI, some of the respondents were already working with Sanyo, albeit for different independent contractors. Their employment history is summarized below:[6]

EMPLOYEE NAME**POSITION**

START

DATES

LAST WAGE

RATE

1. Leonil Amago Machine Operator November 10, 2017

Php515.00

2. Jim Noe Asanza Machine Operator April 7, 2014

Php421.00

3. Loreto Azueta Helper May 1, 2016

Php364.00

4. Noel Barnes Machine Operator May 1, 2016

Php421.00

5. Elly Baylon Warehouseman April 4, 2015

Php364.00

6. Rodel Bilangel Logistics May 1, 2016

Php364.00

7. Noli Billones Helper June 23, 2015

Php364.00

8. Orleen Cabagua Helper May 1, 2016

Php364.00

9. Alvin Calamba Machine Operator May 1, 2016

Php515.00

10. Albert Camarines Helper May 1, 2016

Php364.00

11. Arwin Corton Helper -

Php364.00

12. Richard Crismundo Maintenance man August 31, 2011

Php414.00

13. Jeff Cruz Machine Operator April 2008

Php465.00

14. Ricardo Doña, Jr. Machine Operator October 10, 2011

Php465.00

15. Nelson Estaño Machine Operator May 1, 2016

Php421.00

16. Christofer Francisco Helper May 1, 2016

Php364.00

17. Michael Fuentes Machine Operator May 1, 2016

Php465.00

18. Alexander Gono Machine Operator May 1, 2016

Php421.00

19. Julius Patrick Gonzales Welder November 28, 2014

Php421.00

20. Edgar Ilagan Machine Operator June 27, 2003

Php421.00

21. Marlon Ilarde Helper June 18, 2015

Php364.00

22. Giovanni Leal Driver May 1, 2016

Php515.00

23. Marvin Manuel Maintenance August 17, 2015

Php364.00

24. Edgar D. Marayan Machine Operator January 23, 2014

Php421.00

25. Paulino Margallo Machine Operator May 5, 2016

Php465.00

26. Jacob Miguel IC Consumable April 7, 2014

Php421.00

27. Jovito Molisimo, Jr. Driver March 31, 2016

Php364.00

28. Ronnel Montebon Machine Operator July 25, 2010

Php364.00

29. Danilo Nimo Machine Operator May 1, 2016

Php465.00

30. Jomar Policarpio Quality Control June 18, 2011

Php465.00

31. Rodolfo Punzalan Machine Operator May 17, 2009

Php515.00

32. Jonathan Quinlog Maintenance April 10, 2015

Php364.00

33. Jeiel Ramirez Driver April 10, 2015

Php364.00

34. Renieboy Razon Maintenance May 1, 2016

Php515.00

35. Garry Rogano Machine Operator May 1, 2016

Php515.00

36. Jason Sanchez Warehouseman November 11, 2012

Php364.00

37. Rodelio Signey Sharpener June 8, 2015

Php364.00

38. Reynaldo Sonio, Jr. Machine Operator April 7, 2014

Php421.00

39. Alvin Suarez Electrical Technician June 2, 2008

Php515.00

40. Cristan Paul Sta. Rosa Welder May 1, 2016

Php364.00

41. Rommel Tabia Machine Operator October 24, 2009

Php515.00

42. Reynante Versale Machine Operator February 23, 2010

Php465.00

43. Roderick Villamar Machine Operator May 1, 2016

Php465.00

On February 24, 2017, Sanyo pre-terminated its Service Contract with CGSI for failing to pay the wages of its

workers who were deployed at Sanyo's offices. Consequently, the workers had stopped performing their tasks, disrupting the business operations of Sanyo, and causing it financial distress.[7]

As a result, CGSI reassigned respondents to its other clients located in Cabuyao, Laguna, Las Piñas, Cavite, Cebu, Iloilo, Davao, Capiz, Palawan, Naga, and Bohol. Respondents, however, rejected their new assignments.[8]

Respondents, together with other workers, were thus constrained to file their respective illegal dismissal complaints on April 24, 2017, May 2, 2017, and May 29, 2017, against Sanyo and CGSI, including Gregory, Jenny, and Isobal in their official capacities as president of Sanyo, executive vice president of Sanyo, and general manager of CGSI, respectively.[9]

In their position paper, respondents averred that they are regular employees of Sanyo since their services are necessary and desirable to the business of Sanyo. Some were even moved by Sanyo from one contractor to another although they did not apply for employment with any of these contractors. Hence, they were shocked when they were subsequently barred from entering Sanyo's premises on March 24, 2017, following the pre-termination of its service contract with CGSI.[10]

On the other hand, Sanyo and CGSI riposted that CGSI has been engaged in the business of legitimate job contracting for 40 years and was considered as one of the biggest job contractors nationwide. In fact, it has been registered as a legitimate contractor as early as 1997. It is registered with the Department of Labor and Employment (DOLE) as a legitimate job contractor, pursuant to Department Order No. 18-A, Series. of 2011, as reflected in its Certificate of Registration No. ROII-2016-01-004-TCFO. The same was issued by Regional Director Exequiel R. Sarcauga effective for three years beginning January 19, 2016 until January 18, 2019. In other words, it was timely registered when it entered into a Service Contract with Sanyo. Further, it has a paid-up capital of PHP 10,000,000.00, with a net income of PHP 37,290,305.00 in 2016. As of December 31, 2016, its total assets amounted to PHP 279,938,665.00. An Establishment Employment Report was also presented showing the names of its employees, including private respondents, who were dismissed due to the pre-termination of its service contract with Sanyo.[11]

Ruling of the Labor Arbiter

By Decision[12] dated May 31, 2018, Labor Arbiter Roderick Q. Almeyda found CGSI liable for illegal dismissal, and consequently ordered the latter to reinstate respondents and the other complainants, with full backwages, 13th month pay, service incentive leave pay (SILP), and attorney's fees, viz.:

WHEREFORE, judgment is hereby rendered finding the following complainants to have been illegally dismissed.

1. Danilo Nimo
2. Michael Fuentes
3. Alvin Suarez
4. Rodel Bilangel
5. Christofer Francisco
6. Renieboy Razon
7. Jeff Cruz
8. Reynante Versales
9. Leonil Amago
10. Ronnel Montebon
11. Garry Rogano
12. Albert Camarines
13. Jovito Molisino, Jr.

14. Jason Sanchez
15. Jonathan Quinlog
16. Jacob Miguel
17. Edgar D. Marayan
18. Alexander Gono
19. Jomar Policarpio
20. Marlon Ilarde
21. Rodelio Signey
22. Julius Patrick Gonzales
23. Rodolfo Punzalan
24. Noel Barnes
25. Edgar Ilagan
26. Alvin Calamba
27. Marvin Manuel
28. Jeiel Ramirez
29. Roderick Villamar
30. Richard Crismundo
31. Jim Noe Asanza
32. Rommel Tabia
33. Nelson Estanero
34. Cristan Paul Sta. Rosa
35. Noli Francisco Billones
36. Giovanni Leal

[CGSI] is ordered to REINSTATE them to their former positions without loss of seniority rights and privileges. The order of reinstatement is immediately executory even pending appeal. As such, [CGSI] is further directed to submit a Report of Compliance within ten (10) calendar days from receipt of this Decision.

In addition [CGSI] is ordered to pay the complainants the following:

1. Danilo Nimo

- a. Backwages
- b. 13[th] Month Pay
- c. Service Incentive Leave Pay Php123,032.00
Php 28,392.00
Php5,460.00

TOTAL

Php156,884.00

2. Michael Fuentes

- a. Backwages
- b. 13[th] Month Pay
- c. Service Incentive Leave Pay Php123,032.00
Php28,392.00
Php5,460.00

TOTAL

Php156,884.00

3. Alvin Suarez

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php174,070.00

Php40,170.00

Php7,725.00

TOTAL

Php221,965.00

4. Rodel Bilangel

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php165,958.00

Php25,617.11

Php4,926.37

TOTAL

Php196,501.47

5. Christofer Francisco

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php18,510.00

Php3,559.62

TOTAL

Php145,101.62

6. Renieboy Razon

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php174,070.00

Php40,170.00

Php7,725.00

TOTAL

Php221,965.00

7. Jeff Cruz

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php157,170.00

Php36,270.00

Php6,975.00

TOTAL

Php200,415.00

8. Reynante Versales

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php157,170.00

Php36,270.00

Php6,975.00

TOTAL

Php200,415.00

9. Leonil Amago

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php174,070.00

Php40,170.00

Php7,725.00

TOTAL

Php221,965.00

10. Ronnel Montebon

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php28,392.00

Php5,460.00

TOTAL

Php156,884.00

11. Garry Rogano

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php174,070.00

Php40,170.00

Php7,725.00

TOTAL

Php221,965.00

12. Albert Camarines

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php9,306.27

Php1,789.67

TOTAL

Php134,127.93

13. Jovito Molisi[m]o, Jr.

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php9,282.61

Php1,785.12

TOTAL

Php134,099.72

14. Jason Sanchez

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php28,392.00

Php5,460.00

TOTAL

Php156,884.00

15. Jonathan Quinlog

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php18,454.80

Php3,549.00

TOTAL

Php145,035.80

16. Jacob Miguel

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php142,298.00

Php32,445.77

Php6,239.57

TOTAL

Php180,983.34

17. Edgar D. Marayan

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php142,298.00

Php32,838.00

Php6,315.00

TOTAL

Php181,451.00

18. Alexander Gono

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php142,298.00

Php32,838.00

Php6,315.00

TOTAL

Php181,451.00

19. Jomar Policarpio

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php157,170.00

Php36,270.00

Php6,975.00

TOTAL

Php200,415.00

20. Marlon Ilarde

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php16,719.73

Php3,215.33

TOTAL

Php142,967.07

21. Rodelio Signey

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php16,979.99

Php3,265.38

TOTAL

Php143,277.38

22. Julius Patrick Gonzales

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php142,298.00

Php25,422.09

Php4,888.86

TOTAL

Php172,608.95

23. Rodolfo Punzalan

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php174,070.00

Php40,170.00

Php7,725.00

TOTAL

Php221,965.00

24. Noel Barnes

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php142,298.00

Php32,445.77

Php6,239.57

TOTAL

Php180,983.34

25. Edgar Ilagan

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php174,070.00

Php40,170.00

Php7,725.00

TOTAL

Php221,965.00

26. Alvin Calamba

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php174,070.00

Php40,170.00

Php7,725.00

TOTAL

Php221,965.00

27. Marvin Manuel

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php15,166.06

Php2,916.55

TOTAL

Php141,114.61

28. Jeiel Ramirez

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php18,510.00

Php3,559.62

TOTAL

Php145,101.62

29. Roderick Villamar

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php157,170.00

Php36,270.00

Php6,975.00

TOTAL

Php200,415.00

30. Richard Crismundo

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php139,932.00

Php32,292.00

Php6,210.00

TOTAL

Php178,434.00

31. Jim Noe Asanza

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php142,298.00

Php32,445.77

Php6,239.57

TOTAL

Php180,983.34

32. Rommel Tabia

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php174,070.00

Php40,170.00

Php7,725.00

TOTAL

Php221,965.00

33. Nelson Estanero

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php142,298.00

Php32,838.00

Php6,315.00

TOTAL

Php181,451.00

34. Cristan Paul Sta. Rosa

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php28,392.00

Php5,460.00

TOTAL

Php156,884.00

35. Noli Francisco Billones

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php16,585.66

Php3,189.55

TOTAL

Php142,807.21

36. Giovanni Leal

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php123,032.00

Php16,719.73

Php3,215.33

TOTAL

Php142,967.07

37. Ricardo Doña, Jr.

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php172,040.70

Php36,270.00

Php6,975.00

TOTAL

Php215,285.70

38. Reynaldo Sonio, Jr.

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php155,761.58

Php32,455.77

Php6,239.57

TOTAL

Php194,446.92

39. Paulino Margallo

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php172,040.70

Php10,709.73

Php2,059.56

TOTAL

Php184,809.99

40. Loreto Azueta

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php134,672.72

Php19,282.61

Php1,785.12

TOTAL

Php145,740.44

41. Arwin Corton

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php134,672.72

Php16,404.27

Php3,154.67

TOTAL

Php154,231.65

42. Orleen Cabagua

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php134,672.72

Php17,090.41

Php3,286.62

TOTAL

Php155,049.74

43. Elly Baylon

a. Backwages

b. 13[th] Month Pay

c. Service Incentive Leave Pay Php134,672.72

Php18,667.74

Php3,589.95

TOTAL

Php156,930.41

Plus 10% Attorney's Fees payable to the PAO Php810,878.05

The rest of the money claims including moral and exemplary damages are denied for lack of merit.

The complaint filed against Sanyo Seiki Stainless Steel Corporation and its officers is dismissed for lack of merit.

The attached computation prepared by the Fiscal Examiner shall form an integral part of this Decision

SO ORDERED.[13]

The labor arbiter ruled that CGSI is a legitimate job contractor as shown by its Articles of Incorporation, the DOLE Certificate of Registration, and its substantial capital per its Audited Financial Statements. He further noted that as of December 31, 2016, its assets ballooned to PHP 279,938,665.00. Also, CGSI wielded the power of control over its employees, and was the one which paid their wages and benefits.[14]

Ruling of the National Labor Relations Commission

Under Decision[15] dated September 27, 2018, the National Labor Relations Commission (NLRC) partially granted the parties' respective appeals. It declared that some of the respondents were employees of Sanyo who were illegally dismissed. As for the others, they were project employees of CGSI who were validly dismissed from employment, thus:

WHEREFORE, the Appeals dated July 20, 2018 and July 25, 2018 are both PARTIALLY GRANTED. The Decision dated May 31, 2018 rendered by Labor Arbiter Roderick Q. Almeyda is hereby AFFIRMED with MODIFICATION in that:

1. Complainants Leonil Amago, Jim Noe Asanza, Elly Baylon, Noli Francisco Billones, Arwin Corton, Richard Crismundo, Jeff Cruz, Ricardo Doña, Jr., Julius Patrick Gonzales, Edgar Ilagan, Marlon Ilarde, Marvin Manuel, Edgar Marayan, Jacob Miguel, Jovito Molisimo Jr., Ronnel Montebon, Jomar Policarpio, Rodolfo Punzalan, Jonathan Quinlog, Jeiel Ramirez, Jason Sanchez, Rodelio Signey, Reynaldo Sonio, Jr., Alvin Suarez, Rommel Tabia and Reynante Versales are declared regular employees of Sanyo Senki (sic) Stainless Steel Corp. and found to have been illegally dismissed. Consequently, respondent Sanyo Senki (sic) Stainless Steel Corp. is hereby ordered to REINSTATE said complainants to their previous positions without loss of seniority rights and privileges and to pay the latter backwages in the total amount of Five Million Seven Hundred Forty-Four Thousand Seven Hundred Eighteen Pesos and Ninety-Seven Centavos (Php5,744,718.97) and Service Incentive Leave Pay (SILP) in the total amount of Two Hundred Seventy- Three Thousand Seven

Hundred Twenty Pesos and Seventy-Three Centavos (Php273,720.73);

2. Complainants Loreto Azueta (sic), Noel Barnes, Rodel Bilangel, Orleen Cabagua, Alvin Calamba, Albert Camarines, Nelson Estañero, Christofer Francisco, Michael Fuentes, Alexander Gono, Giovanni Leal, Paulino Margallo, Danilo Nimo, Renieboy Razon, Garry Rogano, Cristan Paul Sta. Rosa and Roderick Villamar are declared project employees of respondent Cebu General Services, Inc. Consequently, their Complaint for illegal dismissal is DISMISSED for lack of merit;

3. Pursuant to Department Order No. 174-17, respondents Sanyo Senki (sic) Stainless Steel Corp and Cebu General Services, Inc. are ordered to pay all complainants their 13th month pay for the year 2017 in the total amount of One Hundred Four Thousand Two Hundred Seventy-Nine Pesos and Twenty Centavos (Php104,279.20);

4. Respondent Sanyo Senki (sic) Stainless Steel Corp. is ordered to pay attorney's fees (10%) in the amount of Six Hundred Twelve Thousand Two Hundred Seventeen Pesos and Eighty-Nine Centavos (Php612,217.89).

The attached provisional computation forms part of this Decision.

All other disposition not inconsistent herein stays.

SO ORDERED.[16] (Emphasis in the original)

As for Aldem Guias and Armand Policarpio, their appeals were dismissed for failure to prosecute because they failed to execute a special power of attorney to authorize Danilo Nimo, Alvin Suarez, or Michael Fuentes to sign pleadings on their behalf. On the other hand, Ricardo Doña, Jr.'s appeal was denied for being filed out of time.[17]

Affirming the factual findings of the labor arbiter, the NLRC held that CGSI is a legitimate job contractor, but its status may vary for each of the employee assigned to Sanyo depending on the circumstances of the case.[18]

Leonil Amago, Jim Noe Asanza, Elly Baylon, Noli Francisco Billones, Arwin Corton, Richard Crismundo, Jeff Cruz, Ricardo Doña, Jr., Julius Patrick Gonzales, Edgar Ilagan, Marlon Ilarde, Marvin Manuel, Edgar Marayan, Jacob Miguel, Jovito Molisimo, Jr., Ronnel Montebon, Jomar Policarpio, Rodolfo Punzalan, Jonathan Quinlog, Jeiel Ramirez, Jason Sanchez, Rodelio Signey, Reynaldo Sonio, Jr., Alvin Suarez, Rommel Tabia, and Reynante Versales were considered regular employees of Sanyo because of the following factors: (a) they were employed prior to CGSI's registration with DOLE as legitimate job contractor; and (b) their employment contracts with CGSI as project employees were not presented in evidence.[19]

In stark contrast, for Loreto Azueta (Azueta), Noel Barnes, Rodel Bilangel, Orleen Cabagua, Alvin Calamba, Albert Camarines, Nelson Estañero, Christofer Francisco, Michael Fuentes, Alexander Gono, Giovanni Leal, Paulino Margallo, Danilo Nimo, Renieboy Razon, Garry Rogano, Cristan Paul Sta. Rosa and Roderick Villam (collectively, Azueta, Jr. et al.), CGSI was able to show their respective employment contracts for project employment, coupled with the inclusion of their names in the Establishment Employment Report submitted by CGSI to the DOLE. More importantly, they were employed by CGSI after its registration with DOLE. Hence, they were project employees of CGSI.[20]

Ruling of the Court of Appeals

In its assailed Consolidated Decision[21] dated February 27, 2023, the Court of Appeals dismissed the petition filed by Sanyo, but partially granted the petition filed by the workers led by Azueta, viz.:

WHEREFORE, premises considered, judgment is hereby rendered:

1)

In CA-G.R. SP No. 159091, the Petition for Review filed by Sanyo Seiki Stainless Corp. against Respondents (workers) Leonil Amago, et. al. is DISMISSED.

2)

In CA[-]GR SP No. 160210, the Petition for Review filed by Loreto Azueta, Jr. et. al., (workers) against Sanyo Seiki Stainless Corp., Cebu General Services., Inc. et. al. is PARTIALLY GRANTED. The assailed Decision and Order of the NLRC are affirmed with modification to read as follows:

a)

it is declared that Cebu General Services Inc is a labor-only contractor; Sanyo Seiki Stainless Corporation is the employer of all the workers: respondents in CA[-]G.R. SP No. 159091 and petitioners in CA[-]G.R. SP No. 160210;

b)

Sanyo Seiki Stainless Corp. and Cebu General Services Inc. are solidarily liable for all the monetary claims of all the workers;

c)

Complainants Leonil Amago, Jim Noe Asanza, Elly Baylon, Noli Francisco Billones, Arwin Corton, Richard Crismundo, Jeff Cruz, Ricardo Doña[,] Jr., Julius Patrick Gonzales, Edgar Ilagan, Marlon Ilarde, Marvin Manuel, Edgar Marayan, Jacob Miguel, Jovito Molisimo[,] Jr., Ronnel Montebon, Jomar Policarpio, Rodolfo Punzalan, Jonathan Quinlog, Jeiel Ramirez, Jason Sanchez, Rodello Signey, Reynaldo Sonio[,] Jr., Alvin Suarez, Rommel Tabia[,] and Reynante Versales are declared regular employees of Sanyo Seiki Stainless Steel Corp. and found to have been illegally dismissed. Consequently, respondent Sanyo Seiki Stainless Steel Corp. is hereby ordered to REINSTATE said complainants to their previous positions without loss of seniority rights and privileges and to pay the latter backwages in the total amount of Five Million Seven Hundred Forty-Four Thousand Seven Hundred Eighteen Pesos and Ninety-Seven Centavos (Php5,744,718.97) and Service Incentive Leave Pay (SILP) in the total amount of Two Hundred Seventy-Three Thousand Seven Hundred Twenty Pesos and Seventy-Three Centavos (Php273,720.73);

d)

Complainants Loreto Azueta, Jr., Noel Barnes, Rodel Bilangel, Orleen Cabagua, Alvin Calamba, Albert Camarines, Nelson Estaño, Christofer Francisco, Michael Fuentes, Alexander Gono, Giovanni Leal, Paulino Margallo, Danilo Nimo, Renieboy Razon, Garry Rogano, Cristan Paul Sta. Rosa[,] and Roderick Villamar are regular employees of Sanyo Seiki Steel Corp. and found to have been illegally dismissed. Consequently, Sanyo Seiki Steel Corp. is hereby ordered to REINSTATE said complainants to their previous positions without loss of seniority rights and privileges. Let the records of the case be remanded to the Office of the Labor Arbiter for the computation of their backwages, Service Incentive Leave Pay (SILP);

e)

Pursuant to Department Order Np. 174-17, respondents Sanyo Seiki Stainless Steel Corp. and Cebu General Services, Inc. are ordered to pay solidarily all the aforementioned workers their 13th month pay for the year 2017 in the total amount of One Hundred Four Thousand Two Hundred Seventy-Nine Pesos and Twenty Centavos (Php104,279.20) subject to review of computation by the Labor Arbiter;

f)

Sanyo Seiki and CGSI are solidarily liable to pay attorney's fees equivalent to 10 percent (10%) of the monetary grants to them.

Let this case be remanded to the Labor Arbiter for a detailed computation of the monetary awards.

All monetary awards shall earn interest at the legal rate of six percent (6%) per annum from the finality of the Decision until fully paid.

SO ORDERED.[22] (Emphasis in the original)

The Court of Appeals decreed that the implementation of the service agreement and the terms and conditions of the contractual employment violated the workers' security of tenure and right to benefits. It also pronounced that CGSI is a labor-only contractor because the activities performed by its supposed employees were necessary and desirable to Sanyo's core business. Sanyo also failed to prove that CGSI is a legitimate job contractor. Hence, Sanyo is liable for illegal dismissal for failure to prove redundancy and the existence of other just or authorized causes for terminating the services of respondents.[23]

By its assailed Resolution[24] dated July 30, 2024, the Court of Appeals denied the respective motions for reconsideration of Sanyo and CGSI since they are "mere reiterations of the same arguments that have been thoroughly addressed and passed upon the Decision sought to be reconsidered." [25]

The Present Petitions

Both Sanyo and CGSI now seek to reverse the foregoing dispositions via the Petitions for Review on Certiorari.

In G.R. No. 275229, Sanyo raises anew the following arguments: (1) CGSI is engaged in legitimate job contracting pursuant to Department Order 174, Series of 2017 as even core activities can be fanned out; (2) CGSI exercised control over the concerned workers through its site supervisor; and (3) it cannot be held liable for illegal dismissal because CGSI is the true employer of respondents.[26]

In G.R. No. 275678, CGSI reiterates its status as a legitimate job contractor as shown by its various compliance documents, its substantial capital, and various clients other than Sanyo. Also, there was no illegal dismissal as it was the workers who had refused the offer of reassignment to its other clients.[27]

In their Consolidated Comment[28] dated April 28, 2025, respondents maintain that they were regular employees of Sanyo while CGSI is a labor-only contractor. Since the main business of Sanyo is manufacturing stainless steel for local distribution and exportation, the work performed by respondents as operators and welders are necessary and desirable to Sanyo's main business. Too, CGSI's Certificate of Registration does not conclusively confirm that CGSI is a legitimate job contractor. As regular employees, they were illegally dismissed by Sanyo when it pre-terminated the contract with CGSI.[29]

Issues

The twin petitions raise three common issues:

First: Is CGSI a legitimate job contractor or a labor-only contractor?

Second: Were respondents illegally dismissed?

Third: Did Sanyo or CGSI incur any liabilities under the Labor Code?

The Court's Ruling

As a rule, the Court does not review factual questions in Petitions for Review on Certiorari. Section 1, Rule 45, of the Rules of Court provides:

Section 1. Filing of petition with Supreme Court. - A party desiring to appeal by certiorari from a judgment, final order or resolution of the Court of Appeals, the Sandiganbayan, the Court of Tax Appeals, the Regional Trial Court or other courts, whenever authorized by law, may file with the Supreme Court a verified petition for review on certiorari. The petition may include an application for a writ of preliminary injunction or other provisional remedies and shall raise only questions of law, which must be distinctly set forth. The petitioner may seek the same provisional remedies by verified motion filed in the same action or proceeding at any time during its pendency.

The Court is not a trier of facts. The function of the Court in petitions for review on certiorari under Rule 45 of the Rules of Court is limited to reviewing errors of law that may have been committed by the lower courts. As a matter of sound practice and procedure, the Court defers and accords finality to the factual findings of trial courts. To do otherwise would defeat the very essence of Rule 45 and would convert the Court into a trier of facts, which is not its intended purpose under the law.[30]

The rule admits of exceptions though, i.e., (1) when the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) where there is a grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) the findings of the Court of Appeals are contrary to those of the trial court; (8) when the findings of fact are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (10) the finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record.[31]

Here, there is a conflict between the factual findings of the labor arbiter and the NLRC, on one hand, and those of the Court of Appeals, on the other. Thus, in the exercise of its discretionary appellate jurisdiction, the Court may review these factual findings and make its own factual findings based on the evidence on record, especially when to do so, as in this case, would serve the higher interest of justice.

CGSI is a legitimate job contractor

Job contracting arrangement is allowed and recognized under Article 106 of the Labor Code, thus:

ART. 106. Contractor or Subcontractor. – Whenever an employer enters into a contract with another person for the performance of the farmer's work, the employees of the contractor and of the latter's subcontractor, if any, shall be paid in accordance with the provisions of this Code.

In the event that the contractor or subcontractor fails to pay the wages of his employees in accordance with this Code, the employer shall be jointly and severally liable with his contractor or subcontractor to such employees to the extent of the work performed under the contract, in the same manner and extent that he is liable to

employees directly employed by him.

The Secretary of Labor and Employment may, by appropriate regulations, restrict or prohibit the contracting-out of labor to protect the rights of workers established under this Code. In so prohibiting or restricting, he may make appropriate distinctions between labor-only contracting and job contracting as well as differentiations within these types of contracting and determine who among the parties involved shall be considered the employer for purposes of this Code, to prevent any violation or circumvention of any provision of this Code.

There is "labor-only" contracting where the person supplying workers to an employer does not have substantial capital or investment in the form of tools, equipment, machineries, work premises, among others, and the workers recruited and placed by such person are performing activities which are directly related to the principal business of such employer. In such cases, the person or intermediary shall be considered merely as an agent of the employer who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him.

The implementing provision is found in Section 8 of Department Order No. 174, Series of 2017.[32] It enumerates the requisites for permissible contracting or subcontracting arrangements, viz.:

Section 8. Permissible Contracting or Subcontracting Arrangements. Notwithstanding Sections 5 and 6 hereof, contracting or subcontracting shall only be allowed if all the following circumstances concur:

- a) The contractor or subcontractor is engaged in a distinct and independent business and undertakes to perform the job or work on its own responsibility, according to its own manner and method;
- b) The contractor or subcontractor has substantial capital to carry out the job farmed out by the principal on his account, manner and method, investment in the form of tools, equipment, machinery and supervision;
- c) In performing the work farmed out, the contractor or subcontractor is free from the control and/or direction of the principal in all matters connected with the performance of the work except as to the result thereto; and
- d) The Service Agreement ensures compliance with all the rights and benefits for all the employees of the contractor or subcontractor under the labor laws.

As correctly found by the labor arbiter and the NLRC, CGSI has satisfied all these requisites for permissible contracting or subcontracting arrangements, thus:

First. CGSI submitted below its DOLE Certificate of Registration for the period of January 19, 2016 until January 18, 2019. This gives rise to a presumption that it is indeed engaged in legitimate job contracting—which remains undisputed.

Second. CGSI has a distinct and independent business from Sanyo. CGSI was incorporated and registered with the Securities and Exchange Commission since 1974 as reflected in its Articles of Incorporation. More, when Sanyo pre-terminated its service contract with CGSI, it offered respondents new assignments to its other clients. Other than Sanyo, CGSI has provided its services to a diverse range of clients. and has been in the job contracting business for 50 years, lending credibility to its claim as a legitimate job contractor.

San Miguel Foods, Inc. v. Rivera,[33] pronounced that the A-list clients listed in the roster of the contractor apart from the principle involved in the case, strongly indicates that the concerned labor contractor carried on a legitimate and independent business operations distinct from the operations of petitioner itself.[34]

Third. CGSI has substantial capital and assets. Under Department Order No. 174, Series of 2017, "substantial capital" refers to paid-up capital stock or shares of at least PHP 5,000,000.00.[35] At the time it entered into a service contract with Sanyo, CGSI had a paid-up capital of PHP 10,000,000.00. Further, its Audited Financial Statements[36] showed a net income of PHP 37,290,305.00 in 2016. As of December 31, 2016, its net assets

increased to PHP 279,938,665.00.[37]

Fourth. CGSI wielded the power of control over the workers assigned to Sanyo through CGSI's supervisor, Kimpee Monceda (Monceda). In his Affidavit dated December 8, 2016, Monceda stated that he reported daily at Sanyo's premises to monitor the performance of CGSI's employees assigned there. In other words, the workers' discipline and performance were constantly assessed by CGSI pursuant to the terms and conditions of the contract of employment executed between CGSI and the workers.[38]

Lastly, CGSI's service contract[39] with various entities ensured compliance with labor laws. It guaranteed payment by CGSI itself of the corresponding contributions by its workers and itself as employer to SSS, PhilHealth, Pag-IBIG, and other mandated statutory benefits. The said obligation of CGSI is not only reflected on paper, but also in practice as it, in fact, pays the wages of its employees as well as contributions to SSS, PhilHealth, and Pag-IBIG.

Hence, the Court upholds the uniform findings of the labor arbiter and the NLRC that CGSI has complied with the requisites under Department Order No. 174, Series of 2017 and should be deemed as a legitimate job contractor.

It must be clarified, however, that CGSI's current status as a legitimate job contractor should not be relied upon with respect to workers who were engaged by Sanyo even before CGSI fulfilled all the requirements for legitimate job contracting. The nuances of this issue will be discussed below.

Employers may contract out core activities.

The workers consistently invoke the necessity or desirability of the nature of their work to conclude that CGSI is a labor-only contractor. This was the same basis used by the Court of Appeals in concluding that all the workers are employees of Sanyo.

We must clarify.

Jurisprudence dictates that it is management prerogative to farm out any of its activities, regardless of whether such activity is peripheral or core in nature.[40]

A careful perusal of Department Order No. 174, Series of 2017 would show that there is no blanket prohibition on contracting out activities which are necessary or desirable to the main business of the employer. The list of prohibitions, which includes contracting out activities that are necessary or related or directly related to the operation of the principal because of strike and lock-out whether actual or imminent, was qualified by the following phrase: "when not done in good faith and not justified by the exigencies of the business."

In *Serrano v. Isetann Department Store*,[41] we upheld the employer's decision to hire an independent security agency and abolish its own security department as a legitimate business decision.[42]

Thus, there is a clear and categorical recognition of the employer's management prerogative to contract out activities which are necessary or desirable to the main business of the employer as long as it is done in good faith and justified by the exigencies of the business.

The status of CGSI as job contractor may vary on a case-by-case basis.

NLRC was correct in stating that the status of an agency as a legitimate job contractor may vary on a case-by-case basis. An agency may be considered a legitimate job contractor for some clients, while simultaneously being deemed a labor-only contractor for others. This is because the time and the totality of the circumstances under which the employees were engaged by the principal must also be taken into account. At the time of the worker's engagement, were all the requisites for a legitimate job contracting arrangement present?

In *Coca-Cola Bottlers, Phils., Inc., v. Hingpit*,^[43] the NLRC relied solely on a prior case, *Guarin v. Lipercon*,^[44] in holding that Lipercon is a mere labor-only contractor. In reversing the NLRC's findings, the Court held that the NLRC ignored substantial evidence which showed that, this time, Lipercon is a legitimate job contractor. Thus:

Respondent Commission grounded its reversal of the Arbiter's adjudgment solely on a 1989 judgment of this Court, *Guarin et al. v. Lipercon*—in which LIPERCON had also been involved as a labor contractor of another company. There, the Court held LIPERCON to be a "labor-only" contractor; and declared that the NLRC's finding — that it "was not a mere labor-only contractor because it has substantial capital or investment in the form of tools, equipment, machineries, work premises"—was "based on insubstantial evidence, as the NLRC (had merely) pointed out that [i]t (LIPERCON) claims to be possessed among others, of substantial capital and equipment essential to carry out its business as a general independent contractor[.]" In other words, in *Guarin*, LIPERCON was held to have failed to discharge its burden of proof that "it has substantial capital, investment, tools, etc."

Not so in the case at bar. Here, there is substantial evidence, detailed by the Labor Arbiter, to establish LIPERCON's character as an independent contractor in the real sense of the word, which makes the Labor Arbiter's ruling more acceptable than respondent Commission's on the same matter, being founded solely on an inapplicable precedent. Also more deserving of assent is said Labor Arbiter's conclusion that the complainants' acceptance of employment in LIPERCON in December, 1986—lasting for a period of some two years—effectively operated as a cessation of the prior relationship they had with PIONEER and COCA COLA in consequence of which they became entitled to separation pay from COCA COLA, PIONEER being merely its hiring agent.^[45] (Citations omitted)

In other words, the status as a legitimate job contractor can only be invoked if all the requisites under the law are complied with each time the contractor employs a worker until it assigns the worker with a principal under a service agreement. A contractor's transactions with its supposed employees and with its principal must therefore be consistent. It must guarantee compliance with the laws each time, as there's no room for complacency. Otherwise, the Court will not hesitate to pronounce a contractor to be engaged in labor-only contracting. A job contractor's initial compliance with labor laws shall not be used as defense to its subsequent irregular transaction. In the same manner, a contractor's subsequent compliance with labor laws will not cure the illegality of its previous arrangement with its principal.

To determine whether the contractor was engaged by the principal as a legitimate job contractor or a labor-only contractor, "the totality of the facts and the surrounding circumstances of the case are to be considered." All the features of the relationship are assessed.^[46]

To resolve the issue on which entity is the true employer of the workers, the following factors were considered: (1) the dates when the workers began rendering services to Sanyo; (2) the date of the registration of CGSI as a job contractor; (3) the start date in the Service Contract between Sanyo and CGSI; (4) the existence of project employment contracts (PEC); and (5) the workers' inclusion in the establishment employment report (EER), viz.:

Name Dates when they began rendering services to Sanyo Whether PEC was presented The inclusion of their name in the EER Start date under the Service Contract:
October 27, 2016 Date registered as contractor:
January 19, 2016

1. Leonil Amago November 10, 2007 yes included employed prior to start date Start date with Sanyo is prior to CGSI's registration
2. Jim Noe Asanza April 7, 2014 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

3. Loreto Azueta May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
4. Noel Barnes May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
5. Elly Baylon April 4, 2015 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration
6. Rodel Bilangel May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
7. Noli Billones June 23, 2015 none not included employed prior to start date Start date with Sanyo is prior to CGSI's registration
8. Orleen Cabagua May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
9. Alvin Calamba May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
10. Albert Camarines May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
11. Arwin Corton -[47] none included
-
-
12. Richard Crismundo August 31, 2011 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration
13. Jeff Cruz April 2008 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration
14. Nelson Estaño May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
15. Christofer Francisco May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
16. Michael Fuentes May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
17. Alexander Gono May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration
18. Julius Patrick Gonzales November 28, 2014 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration
19. Edgar Ilagan June 27, 2003 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration
20. Marlon Ilarde June 18, 2015 none included employed prior to start date Start date with Sanyo is prior to

CGSI's registration

21. Giovanni Leal May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration

23. Marvin Manuel August 27, 2015 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

24. Edgar D. Marayan January 23, 2014 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

25. Paulino Margallo May 5, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration

26. Jacob Miguel April 7, 2014 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

27. Jovito Molisimo, Jr. March 31, 2016 none included employed prior to start date Start date with Sanyo is after CGSI's registration

28. Ronnel Montebon July 25, 2010 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

29. Danilo Nimo May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration

30. Rodolfo Punzalan May 17, 2009 yes included employed prior to start date Start date with Sanyo is after CGSI's registration

31. Jonathan Quinlog April 10, 2015 yes included employed prior to start date Start date with Sanyo is prior to CGSI's registration

32. Jeiel Ramirez April 10, 2015 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

33. Renieboy Razon May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration

34. Gerry Rogano May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration

35. Jason Sanchez November 11, 2012 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

36. Rodelio Signey June 8, 2015 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

37. Reynaldo Sonio, Jr. April 7, 2014 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

38. Alvin Suarez June 2, 2008 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

39. Christian Paul Sta. Rosa May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's registration

40. Rommel Tabia October 14, 2009 yes included employed prior to start date Start date with Sanyo is prior to CGSI's registration

41. Reynante Versales February 23, 2010 none included employed prior to start date Start date with Sanyo is prior to CGSI's registration

42. Roderick Villamar May 1, 2016 yes included employed prior to start date Start date with Sanyo is after CGSI's

For the workers who were assigned to Sanyo prior to CGSI's registration (Leonil Amago, Jim Noe Asanza, Elly Baylon, Noli Billones, Richard Crismundo, Jeff Cruz, Richard Crismundo, Julius Patrick Gonzales, Edgar Ilagan, Marlon Ilarde, Marvin Manuel, Edgar D. Marayan, Jacob Miguel, Ronnel Montebon, Jomar Policarpio, Rodolfo Punzalan, Jonathan Quinlog, Jeiel Ramirez, Jason Sanchez, Rodelio Signey, Reynaldo Sonio, Jr., Alvin Suarez, Rommel Tabia, and Reynante Versales), it cannot be denied that the contracting arrangement was resorted to by Sanyo in order to circumvent their tenurial security.

It must also be emphasized that the workers who were not given employment contracts (except for Jovito Molisimo, Jr.) by CGSI rendered services to Sanyo even before CGSI got registered as a job contractor with DOLE.

Too, the presumption that CGSI is a legitimate job contractor at the time it got registered cannot be given retroactive effect for the purpose of considering the aforementioned workers as CGSI's employees since it was Sanyo, not CGSI, which hired them when they first started working in the premises of Sanyo. The subsequent intervening employment with CGSI is a mere ploy to contravene their security of tenure.

For instance, records showed that Sanyo first availed of the services of Amago from 2007 until 2008 under Southern Global Services Multi-Purpose Cooperative. He was then employed by Kabraso Multi-Purpose Cooperative until 2011, yet he continued to be assigned to Sanyo. This same pattern went on until 2016, when CGSI came into the picture as his new supposed job contractor.[48]

The same holds true for the other workers who were assigned to Sanyo prior to CGSI's registration with DOLE in 2016. Despite being employed by different agencies, the workers were, in reality, always performing the same duties for the same employer, Sanyo. Essentially, the workers' day-to-day responsibilities and work environment remain unchanged, but the contractual arrangements allowed Sanyo to avoid the legal obligations associated with offering permanent employment, such as providing benefits, job security, and long-term stability.

Despite the lengths of their service, Sanyo refused to recognize their status as regular employees. Instead, they were transferred from one contractor to another to which they never applied to in the first place. As narrated in Amago et al.'s Position Paper before the labor arbiter, every time Sanyo changed its agency, they were given new identification cards and handed new payslips bearing the name and logo of the new agency.

This devious scheme of using multiple agencies helped the company mitigate labor costs and legal responsibilities, at the expense of the workers' rights and job security. This was the very evil sought to be avoided in regulating job contracting. Sanyo's management prerogative to contract out services should never be invoked to trample on the rights of workers. Contracting arrangements designed to circumvent labor laws and undermine workers' rights are strictly prohibited.

Hence, Leonil Amago, Jim Noe Asanza, Elly Baylon, Noli Billones, Richard Crismundo, Jeff Cruz, Richard Crismundo, Julius Patrick Gonzales, Edgar Ilagan, Marlon Ilarde, Marvin Manuel, Edgar D. Marayan, Jacob Miguel, Ronnel Montebon, Jomar Policarpio, Rodolfo Punzalan, Jonathan Quinlog, Jeiel Ramirez, Jason Sanchez, Rodelio Signey, Reynaldo Sonio, Jr., Alvin Suarez, Rommel Tabia, and Reynante Versales are regular employees

of Sanyo, and were illegally dismissed from employment when Sanyo terminated its service contract with CGSI.

Since Sanyo already closed its business last July 1, 2022,[49] they shall be entitled to separation pay in lieu of reinstatement equivalent to one-month salary for every year of service reckoned from the time they were employed until the finality of this Decision.

The same conclusion, however, cannot be applied to the other workers assigned to Sanyo beginning 2016, after CGSI was already registered as an independent job contractor. For these workers, the four-fold test bolsters the existence of an employer-employee relationship between CGSI and the workers. Thus, their services were validly contracted out by Sanyo.

The four-fold test should be applied to determine the existence of employer-employee relationship

Aside from necessity and desirability of the nature of their work, the lower tribunals overlooked the "four-fold test" for determining whether an employer-employee relationship existed between respondents and Sanyo. It must be emphasized that the contracting arrangements should be assessed in light of the requisites under Department Order No. 174, Series of 2017, as well as the four-fold test for determining the existence of an employer-employee relationship.

The necessity or desirability of the nature of work is material in determining the status of one's employment in a corporation. It presupposes that an employer-employee relationship already exists. It is not, however, the yardstick to determine the existence of an employer-employee relationship.

In *Atok Big Wedge Company, Inc. v. Gison*,[50] We decreed:

Contrary to the conclusion of the CA, respondent is not an employee, much more a regular employee of petitioner. The appellate court's premise that regular employees are those who perform activities which are desirable and necessary for the business of the employer is not determinative in this case. In fact, any agreement may provide that one party shall render services for and in behalf of another, no matter how necessary for the latter's business, even without being hired as an employee. Hence, respondent's length of service and petitioner's repeated act of assigning respondent some tasks to be performed did not result to respondent's entitlement to the rights and privileges of a regular employee.

Furthermore, despite the fact that petitioner made use of the services of respondent for eleven years, he still cannot be considered as a regular employee of petitioner. Article 280 [now 295] of the Labor Code, in which the lower court used to buttress its findings that respondent became a regular employee of the petitioner, is not applicable in the case at bar. Indeed, the Court has ruled that said provision is not the yardstick for determining the existence of an employment relationship because it merely distinguishes between two kinds of employees, i.e., regular employees and casual employees, for purposes of determining the right of an employee to certain benefits, to join or form a union, or to security of tenure; it does not apply where the existence of an employment relationship is in dispute. It is, therefore, erroneous on the part of the Court of Appeals to rely on Article 280 [now 295] in determining whether an employer-employee relationship exists between respondent and the petitioner.[51] (Emphasis supplied)

The four factors considered under the four-fold test are: (i) the selection and engagement of the employee; (ii) the payment of wages; (iii) the power of dismissal; and (iv) the power to control the employees' conduct.[52]

Among them, the power of control is the most crucial indicator of employment. Under the control test, an employer-employee relationship exists where the person for whom the services are performed reserves the right to control not only the end achieved, but also the manner and means to be used in reaching that end.[53]

Here, records show that the workers employed after CGSI's registration were selected and hired by CGSI itself,

which likewise paid their wages and other benefits. More, CGSI's supervisor, Monceda, monitored their performance at Sanyo's premises on a daily basis.

Verily, the absence of the element of control on the part of Sanyo engenders the conclusion that the concerned workers were not its employees. Said workers did not present any iota of evidence to prove that Sanyo exercised control over them at any point in time. Instead, they used the wrong yardstick by merely invoking the necessity and desirability of the nature of their work. As stated, it is within the employer's prerogative to contract out to a service contractor such as CGSI the performance of the basic tasks and activities of its business.

Arwin Corton and Jovito Molisimo, Jr. are regular employees of CGSI.

We now settle the issue on the nature of employment of the workers of CGSI and the issue of illegal dismissal.

For an employee to be considered project-based, the employer must show compliance with two requisites: (a) the employee was assigned to carry out a specific project or undertaking; and (b) the duration and scope of which were specified at the time they were engaged for such project.[54] Hence, informing the workers at the time they were hired of the scope and duration of the project is a crucial factor for this Court to uphold the employee's status as a project employee. The same requirement must be met for fixed-term contractual employees where the latter should be notified of the duration of their contract at the time they were engaged.[55]

Anent the status of Arwin Corton (Corton) and Jovito Molisimo, Jr. (Molisimo, Jr.), they are deemed as regular employees of CGSI since their contracts of employment were not presented despite being included in the Establishment Employment Report. The Report per se will not suffice to determine if truly Corton and Molisimo, Jr. were informed of the duration and scope of their employment at the time of their engagement. Absent any proof of such agreement in conformity with the requirements of Article 295 of the Labor Code, a worker is presumed to be a regular employee.[56]

Therefore, Corton and Molisimo, Jr., are regular employees of CGSI. They are deemed to have been illegally dismissed, sans any authorized or just cause.

Azueta, Jr. et al. are fixed-term contractual employees of CGSI.

The workers hired by CGSI following its registration with DOLE in 2016, namely, Loreto Azueta, Jr., Noel Barnes, Rodel Bilangel, Orleen Cabagua, Alvin Calamba, Albert Camarines, Nelson Estaño, Christofer Francisco, Michael Fuentes, Alexander Gono, Giovanni Leal, Paulino Margallo, Danilo Nimo, Rodolfo Punzalan, Renieboy Razon, Garry Rogano, Cristan Paul Sta. Rosa, and Roderick Villamar—are fixed-term contractual employees of CGSI as reflected in their respective employment contracts, viz.:

A. TERM OF CONTRACT

Your employment with us shall be for a fixed period, effective on May 1, 2016 and shall be conterminous with the term of our contract with the client, on any phase thereof for which you were engaged unless sooner terminated by us for a just or authorized cause, or pre-terminated or shortened by our client for reasons beyond our control.

Article 280 of the Labor Code does not proscribe an employment contract with a fixed period provided the same is entered into by the parties, without any force, duress or improper pressure being brought to bear upon the employee and absent any other circumstance vitiating consent. It does not necessarily follow that where the duties of the employee consist of activities usually necessary or desirable in the usual business of the employer, the parties are forbidden from agreeing on a period of time for the performance of such activities. There is thus nothing essentially contradictory between a definite period of employment, on one hand, and the nature of the

employee's duties, on the other.[57]

Since they were assigned to Sanyo only once in 2016, after being hired by CGSI following its registration as a legitimate job contractor, it cannot be argued that a contractual arrangement between Sanyo and CGSI was adopted in order to circumvent their tenorial security. This lone service contract involving Azueta, Jr. et al. was neither renewed nor extended; instead, it was pre-terminated.

Contracts of employment for a fixed period are not unlawful. What is objectionable is the practice of some unscrupulous employers who try to circumvent the law protecting workers from the capricious termination of employment. Employers have the right and prerogative to choose their workers. The law, while protecting the rights of the employees, authorizes neither the oppression nor destruction of the employer. When the law angles the scales of justice in favor of labor, the scale should never be so tilted if the result is an injustice to the employer.[58]

Being fixed-term contractual employees does not mean that they no longer have the right to security of tenure. Fixed-term contractual employees still have the right to security of tenure during the term of their contract. They can only be terminated upon the existence of a just or authorized cause, and upon the expiration of the period agreed upon.

Here, there was illegal dismissal when the contract was pre-terminated for reasons attributable to CGSI. The workers' employment contracts provide that they can be dismissed from service "when the pre-termination was made for reasons beyond [CGSI's] control." Clearly, the non-payment of statutory benefits by CGSI in favor of the workers was the very cause of the pre-termination of the contract. CGSI has no one to blame but itself for the pre-termination of its service contract with Sanyo.

Thus, CGSI cannot free itself from its ensuing liability arising from the illegal dismissal of Azueta, Jr. et al. who are entitled to reinstatement and backwages.

Solidary liability of CGSI and Sanyo

Article 109 of the Labor Code provides for the solidary liability of CGSI and Sanyo for the monetary claims of employees of CGSI (Azueta Jr. et al.), viz.:

ART. 109. Solidary liability. - The provisions of existing laws to the contrary notwithstanding, every employer or indirect employer shall be held responsible with his contractor or subcontractor for any violation of any provision of this Code. For purposes of determining the extent of their civil liability under this Chapter, they shall be considered as direct employers.

This provision serves as a guarantee for payment of the wages of workers and other monetary claims in the event the contractor fails to pay them. Should the contractor fail to pay the wages of its employees in accordance with law, the indirect employer (the petitioner in this case), is jointly and severally liable with the contractor, but such responsibility should be understood to be limited to the extent of the work performed under the contract, in the same manner and extent that he is liable to the employees directly employed by him. This liability of petitioner covers the payment of the workers' performance of any work, task, job or project. So long as the work, task, job or project has been performed for petitioner's benefit or on its behalf, the liability accrues for such period even if, later on, the employees are eventually transferred or reassigned elsewhere.[59]

This solidary liability, however, does not extend to the payment of backwages and separation pay which are punitive in character in the absence of any finding that Sanyo conspired with CGSI in the illegal dismissal of the workers.[60]

Moral and exemplary damages

We affirm the findings of the labor arbiter, NLRC, and the Court of Appeals that none of the respondents are entitled to moral and exemplary damages.

The person claiming moral and exemplary damages must prove the existence of bad faith by clear and convincing evidence as the law always presumes good faith.[61]

Here, records are devoid of any finding that CGSI or Sanyo acted in bad faith in terminating the services of private respondents. Hence, their claim for moral and exemplary damages must be denied. The award of attorney's fees must, however, be upheld since there was unlawful withholding of wages on the part of Sanyo and CGSI with respect to their respective employees.[62] The monetary awards shall earn interest at the rate of 6% per annum from the date of the finality of this Decision until fully paid pursuant to prevailing jurisprudence.[63]

ACCORDINGLY, the Petition for Review on Certiorari in G.R. No. 275229 is PARTIALLY GRANTED while the Petition for Review on Certiorari in G.R. No. 275678 is DENIED for lack of merit.

1. The Consolidated Decision dated February 27, 2023 and Resolution dated July 30, 2024 of the Court of Appeals in CA-G.R. SP Nos. 159091 and 160210 are PARTIALLY REVERSED insofar as it declared Sanyo Seiki Stainless Steel Corporation is the true employer of all the workers—respondents in CA-G.R. SP No. 159091 and petitioners in CA-G.R. SP No. 160210.
2. Sanyo Seiki Stainless Steel Corporation is ordered to PAY Leonil Amago, Jim Noe Asanza, Elly Baylon, Noli Billones, Richard Crismundo, Jeff Cruz, Richard Crismundo, Julius Patrick Gonzales, Edgar Ilagan, Marlon Ilarde, Marvin Manuel, Edgar D. Marayan, Jacob Miguel, Ronnel Montebon, Jomar Policarpio, Rodolfo Punzalan, Jonathan Quinlog, Jeiel Ramirez, Jason Sanchez, Rodelio Signey, Reynaldo Sonio, Jr., Alvin Suarez, Rommel Tabia, and Reynante Versales separation pay in lieu of reinstatement equivalent to one month salary for every year of service reckoned from the time they were employed until the finality of this Decision, full backwages, and service incentive leave pay.
3. Cebu General Services, Inc. is ordered to REINSTATE Loreto Azueta, Jr., Noel Barnes, Rodel Bilangel, Orleen Cabagua, Alvin Calamba, Albert Camarines, Nelson Estañero, Christofer Francisco, Michael Fuentes, Alexander Gono, Giovanni Leal, Paulino Margallo, Danilo Nimo, Rodolfo Punzalan, Renieboy Razon, Garry Rogano, Cristan Paul Sta. Rosa, Roderick Villamar, Arwin Corton, and Jovito Molisimo, Jr. to their previous positions without loss of seniority rights and privileges with full backwages and service incentive leave pay.
4. Sanyo Seiki Stainless Steel Corporation and Cebu General Services, Inc. are solidarily liable for the monetary claims of Loreto Azueta, Jr., Noel Barnes, Rodel Bilangel, Orleen Cabagua, Alvin Calamba, Albert Camarines, Nelson Estañero, Christofer Francisco, Michael Fuentes, Alexander Gono, Giovanni Leal, Paulino Margallo, Danilo Nimo, Rodolfo Punzalan, Renieboy Razon, Garry Rogano, Cristan Paul Sta. Rosa, Roderick Villamar, Arwin Corton, and Jovito Molisimo, Jr.
5. Sanyo Seiki Stainless Steel Corp. and Cebu General Services, Inc. are solidarily liable to pay the unpaid wages, 13[th] month pay, and service incentive leave pay for the year 2017 of Loreto Azueta, Jr., Noel Barnes, Rodel Bilangel, Orleen Cabagua, Alvin Calamba, Albert Camarines, Nelson Estañero, Christofer Francisco, Michael Fuentes, Alexander Gono, Giovanni Leal, Paulino Margallo, Danilo Nimo, Rodolfo Punzalan, Renieboy Razon, Garry Rogano, Cristan Paul Sta. Rosa, Roderick Villamar, Arwin Corton and Jovito Molisimo, Jr. subject to the exact amount to be determined by the labor arbiter.
6. Sanyo Seiki Stainless Steel Corporation and Cebu General Services Inc. are solidarily liable to PAY attorney's

fees equivalent to 10% of the monetary grants to Loreto Azueta, Jr., Noel Barnes, Rodel Bilangel, Orleen Cabagua, Alvin Calamba, Albert Camarines, Nelson Estaño, Christofer Francisco, Michael Fuentes, Alexander Gono, Giovanni Leal, Paulino Margallo, Danilo Nimo, Rodolfo Punzalan, Renieboy Razon, Garry Rogano, Cristan Paul Sta. Rosa, Roderick Villamar, Arwin Corton, and Jovito Molisimo, Jr.

All other dispositions not inconsistent herewith are AFFIRMED.

Let these cases be remanded to the Labor Arbiter for a detailed computation of the monetary awards.

All monetary awards shall earn interest at 6% per annum from the finality of this Decision until fully paid.

SO ORDERED.

Leonen, SAJ. (Chairperson), J. Lopez, Kho, Jr., and Villanueva, JJ., concur.

[1] Rollo (G.R. No. 275229), pp. 89-109, and (G.R. No. 275678), pp. 15-84.

[2] Id. at 115-173. Penned by Associate Justice Lorenza R. Bordios and concurred in by Associate Justices Rafael Antonio M. Santos and Alfredo D. Ampuan, Special Second Division, Court of Appeals, Manila.

[3] Id. at 174-177. Penned by Associate Justice Lorenza R. Bordios and concurred in by Associate Justices Rafael Antonio M. Santos and Zenaida T. Galapate-Laguilles, Special Former Special Second Division, Court of Appeals, Manila.

[4] Id. at 117.

[5] Id.

[6] Id. at 118-119.

[7] Id. at 119.

[8] Id.

[9] Id. at 119-120.

[10] Id. at 120.

[11] Id. at 121.

[12] Id. at 632-649.

[13] Id. at 642-649.

[14] Id. at 637-638.

[15] Id. at 208-253. Penned by Commissioner Agnes Alexis Lucero-De Giano and concurred in by Presiding Commissioner Joseph Gerard E. Mabilog and Commissioner Isabel Panganiban-Ortiguerra.

[16] Id. at 248-249.

[17] Id. at 231-233.

[18] Id. at 236.

[19] Id. at 238-239.

- [20] Id. at 239.
- [21] Id. at 115-173.
- [22] Id. at 171-173.
- [23] Id. at 154-168.
- [24] Id. at 174-177.
- [25] Id. at 176.
- [26] Id. at 95-106.
- [27] Id. at 58-77.
- [28] Id. at 967-986.
- [29] Id. at 972-973.
- [30] *Heirs of Villanueva v. Heirs of Mendoza*, 810 Phil. 172, 177-178 (2017) [Per J. Peralta, Second Division].
- [31] *Pascual v. Burgos*, 776 Phil. 167, 182-183 (2016) [Per J. Leonen, Second Division]. (Emphasis supplied)
- [32] DOLE, Rules Implementing Articles 106 to 109 of the Labor Code, as amended, sec. 8 (2017).
- [33] 824 Phil. 961 (2018) [Per J. Velasco. Jr, Third Division].
- [34] Id. at 973.
- [35] DOLE, Rules Implementing Articles 106 to 109 of the Labor Code, as amended, sec. 3(l) (2017).
- [36] *Rollo* (G.R. No. 275229), pp. 336-375.
- [37] Id. at 363-364.
- [38] Id. at 376-423.
- [39] Id. at 424-429.
- [40] *Aliviado v. Procter & Gamble Phils. Inc.*, 628 Phil. 469, 480 (2010) [Per J. Del Castillo, Second Division].
- [41] 380 Phil. 416 (2000) [Per J. Mendoza, En Banc].
- [42] Id. at 438-439.
- [43] 356 Phil. 90 (1998) [Per CJ Narvasa, Third Division].
- [44] 258-A Phil. 34 (1989) [Per J. Griño-Aquino, First Division].
- [45] *Coca-Cola Bottlers, Phils., Inc., v. Hingpit*, 356 Phil. 90, 103 (1998) [Per CJ Narvasa, Third Division].
- [46] *Caballero v. Vikings Commissary*, 931 Phil. 552, 564 (2022) [Per J. Leonen, Second Division].
- [47] No evidence presented as to Arwin Corton's start date.

For the workers who were assigned to Sanyo prior to CGSI's registration (Leonil Amago, Jim Noe Asanza, Elly Baylon, Noli Billones, Richard Crismundo, Jeff Cruz, Richard Crismundo, Julius Patrick Gonzales, Edgar Ilagan, Marlon Ilarde, Marvin Manuel, Edgar D. Marayan, Jacob Miguel, Ronnel Montebon, Jomar Policarpio, Rodolfo Punzalan, Jonathan Quinlog, Jeiel Ramirez, Jason Sanchez, Rodelio Signey, Reynaldo Sonio, Jr.,

Alvin Suarez, Rommel Tabia, and Reynante Versales), it cannot be denied that the contracting arrangement was resorted to by Sanyo in order to circumvent their tenurial security.

[48] Rollo (G.R. No. 275229), pp. 455-456; pp. 481-483.

[49] Id. at 944.

[50] 670 Phil. 615 (2011) [Per J. Peralta, Third Division].

[51] Id. at 628-629.

[52] Del Rosario v. ABS-CBN, 882 Phil. 130, 203 (2020) [Per J. Caguioa, En Banc].

[53] 670 Phil. 615, 627 (2011) [Per J. Peralta, Third Division].

[54] Gadia v. Sykes Asia, Inc., 752 Phil. 413, 422 (2015) [Per J. Perlas-Bernabe, First Division].

[55] See OKS Designtech, Inc. v. Caccam, 765 Phil. 946, 957 (2015) [Per J. Perlas-Bernabe, First Division].

[56] See Carpio v. Modair Manila Co. Ltd. Inc., 904 Phil. 942, 955 (2021) [Per J. Lopez, Third Division].

[57] Tuppil, Jr., et al. v. LBP Service Corporation, 873 Phil. 910, 917 (2020) [Per J. Lopez, First Division].

[58] Labayog v. M.Y. San Biscuits, Inc., 527 Phil. 67, 73 (2006) [Per J. Corona, Second Division].

[59] Rosewood Processing, Inc. v. NLRC, 352 Phil. 1013, 1034 (1998) [Per J. Panganiban, First Division].

[60] Id.

[61] Audion Electric Co., Inc. v. NLRC, 367 Phil. 620 (1999) [Per J. Gonzaga-Reyes, Third Division].

[62] CIVIL CODE, art. 228.

[63] Nacar v. Gallery Frames, 716 Phil. 267, 283 (2013) [Per J. Peralta, En Banc].

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