

### **\*\*Parayday & Reboso vs. Shogun Shipping Co., Inc.\*\***

#### **\*\*Title\*\***

Pedrito R. Parayday and Jaime Reboso vs. Shogun Shipping Co., Inc.

#### **\*\*Facts\*\***

Pedrito Parayday and Jaime Reboso were hired initially by Oceanview in October 1996 and March 1997 respectively as fitters/welders. Their responsibilities included welding and repairs on Oceanview's barges. In 2003, Oceanview allegedly changed its name to Shogun Shipping Co., Inc. (Shogun Ships). Parayday and Reboso continued to work for Shogun Ships under similar terms, alleging non-payment of certain benefits and holiday compensation.

In May 2006, the employees suffered burns in an explosion on Shogun Ships' barge and were hospitalized. Although medical expenses were covered, salaries ceased during hospitalization, then resumed until August 2006. They claimed verbal dismissal in May 2008.

Shogun Ships denied the existence of an employer-employee relationship, asserting they only engaged the petitioners occasionally as helpers. They presented affidavits supporting this claim.

In 2009, the Labor Arbiter ruled in favor of Parayday and Reboso, ordering their reinstatement with backwages. Shogun Ships appealed to the NLRC, which affirmed the Labor Arbiter's decision. Shogun Ships then filed a Petition for Certiorari with the CA, which reversed the NLRC's decision, stating insufficient proof of an employment relationship.

#### **\*\*Issues\*\***

1. Whether Parayday and Reboso were regular employees of Shogun Ships.
2. If so, whether they were validly dismissed from employment.

#### **\*\*Court's Decision\*\***

**\*\*Issue 1: Regularity of Employment\*\***

- The Supreme Court found that an employer-employee relationship did exist based on control, consistent salary payment, and employment duration.
- Evidence such as Time Keeper's Reports, despite being dismissed by lower courts, alongside lack of categorical denials by Shogun Ships, supported the employment

relationship.

- Contrary to CA, the Supreme Court determined that Shogun Ships exercised sufficient control over the petitioners.
- Petitioners were deemed regular employees as they performed essential functions for Shogun Ships over an extended period without a clear fixed-term contract.

**\*\*Issue 2: Validity of Dismissal\*\***

- The Court found the petitioners were dismissed without due process.
- Shogun Ships failed to provide evidence of just cause and procedural diligence in termination.
- Their verbal dismissal from service and halt in salary payments lacked legal justification.

The Supreme Court granted the petition, reinstating the NLRC's ruling and mandating backwages from the date of dismissal until actual reinstatement.

**#### \*\*Doctrine\*\***

- **\*\*Four-Fold Test for Employment\*\***:

1. Selection and engagement of the employee
2. Payment of wages
3. Power to control the employee
4. Power of dismissal.

- **\*\*Regular Employment\*\***: Defined by the necessity and desirability of tasks to the employer's usual trade or business and duration of service (Art. 295 of the Labor Code).

- **\*\*Illegal Dismissal\*\***: Burden of proof lies on the employer to justify grounds for dismissal and that due process was followed.

**#### \*\*Class Notes\*\***

- Elements of regular employment and application of the four-fold test.
- Distinction between corporate entities and the non-application of piercing the corporate veil without proper procedure and jurisdiction.
- **\*\*Labor Code, Art. 295\*\*** establishes criteria for regular employment.
- **\*\*Substantial evidence\*\*** standard in labor cases.

**#### \*\*Historical Background\*\***

This case highlighted procedural principles in labor disputes within a dynamic industrial framework. The delineation of employer-employee relationships and regular employment criteria is pivotal in protecting labor rights in the Philippines, addressing evolving corporate

structures and practices. This strengthens statutory labor protections against unjust dismissal and underscores employers' compliance with procedural due process.