



Republic of the Philippines
 Supreme Court
 Manila

SECOND DIVISION

**RNB GARMENTS PHILIPPINES,
 INC.,**

Petitioner,

- versus -

**RAMROL MULTI-PURPOSE
 COOPERATIVE, MYRNA D.
 DESACADA, MARIA CECILIA
 N. OLMEDA, CARMEN F.
 VINZON, ELMER GUANZON,
 ARNOLD TERNORA,
 MELCHOR GONZALES, PHILIP
 BAYUGA, HERJANE B. REYES,
 and SONIA D. REYES,**

Respondents.

G.R. No. 236331

Present:

PERLAS-BERNABE, J.,
 Chairperson,
HERNANDO,
INTING,
DELOS SANTOS, and
BALTAZAR-PADILLA,* JJ.

X-----X

**RAMROL MULTI-PURPOSE
 COOPERATIVE,**

Petitioner,

- versus -

**MYRNA D. DESACADA, MARIA
 CECILIA N. OLMEDA,
 CARMEN F. VINZON, ELMER
 GUANZON, ARNOLD
 TERNORA, MELCHOR
 GONZALES, PHILIP BAYUGA,
 HERJANE B. REYES, and SONIA
 D. REYES,**

Respondents.

G.R. No. 236332

Promulgated:

14 SEP 2020

X-----X

* On leave.

DECISION

DELOS SANTOS, J.:

These consolidated Petitions for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assail the Decision² dated 26 May 2017 and the Resolution³ dated 28 December 2017 of the Court of Appeals (CA) in CA-G.R. SP Nos. 137376 and 138083. The CA dismissed the petitions for *certiorari* filed by petitioners RNB Garments Philippines, Inc. (RNB) and Ramrol Multi-Purpose Cooperative (RMPC), and affirmed the findings of the National Labor Relations Commission (NLRC) and of the Labor Arbiter (LA), declaring Myrna Desacada (Myrna), Carmen Vinzon (Carmen), Maria Cecilia Olmeda⁴ (Ma. Cecilia), Sonia Reyes (Sonia), Herjane Reyes (Herjane), Elmer Guanzon (Elmer), Arnold Ternora (Arnold), Melchor Gonzales⁵ (Melchor), and Philip Bayuga⁶ (Philip; collectively, Desacada, *et al.*) to have been illegally dismissed by RNB.

The Antecedents

RNB is a corporation engaged in manufacturing and exporting quality garments, while RMPC is a cooperative duly registered with the Cooperative Development Authority.⁷ In pursuit of its business, RNB engaged the services of RMPC, which undertook to manufacture garments in accordance with RNB's specifications. Pursuant to their agreement, the services of Desacada, *et al.* were engaged.⁸ They performed their respective tasks as sewers, trimmers, reviser, quality control staff, and sewing mechanic.⁹

On 10 October 2011, RNB decided to stop loading RMPC's sewing line until further notice, claiming to have suffered from "very minimal loading" of orders from its principal vendor, Champan.¹⁰ Allegedly, this led to Desacada, *et al.*'s temporary lay-off for more than six (6) months.¹¹

Aggrieved, Desacada, *et al.* filed their individual complaints for illegal dismissal against RNB and RMPC before the NLRC, which were then consolidated by the LA. Elmer, Arnold, Melchor, Philip, and Herjane averred that on different dates (*i.e.*, 19 April 2011, 12 February 2011, 12

¹ *Rollo* (G.R. No. 236331), pp. 12-45; *rollo* (G.R. No. 236332), pp. 10-33.

² Penned by Associate Justice Pedro B. Corales, with Associate Justices Amy C. Lazaro-Javier (now a Member of this Court) and Manuel M. Barrios, concurring; *rollo* (G.R. No. 236331), pp. 49-67.

³ *Id.* at 68-70.

⁴ Also referred to as Ma. Cecilia N. Olmeda in some parts of the *rollo*.

⁵ Also referred to as Melchor Gonzales, Jr. in some parts of the *rollo*.

⁶ Also referred to as Philip A. Bayaga in some parts of the *rollo*.

⁷ See Certificate of Registration No. 9520-04013629, *rollo* (G.R. No. 236331), p. 74.

⁸ *Id.* at 51.

⁹ *Id.* at 151-153.

¹⁰ See Letter dated 10 October 2011; *id.* at 87.

¹¹ *Id.* at 51.

December 2010, and 10 November 2010), RMPC, through its Chairman, Ramil Sarol (Sarol), informed them that they were temporarily laid off. However, despite the lapse of six (6) months, they did not receive any recall order from RMPC.¹² On the other hand, Myrna, Carmen, Ma. Cecilia, and Sonia alleged that on 19 October 2011, Sarol verbally dismissed them from employment on the ground that RNB abolished its sewing line.¹³

Denying employer-employee relationship with Desacada, *et al.*, RNB assailed the LA's jurisdiction over the illegal dismissal complaints. RNB pointed to RMPC as Desacada, *et al.*'s employer, claiming the same to be an independent contractor.¹⁴

For its part, RMPC invoked that it is a legitimate independent contractor duly registered with the Department of Labor and Employment (DOLE). While acknowledging Desacada, *et al.* as its employees, RMPC belied their claims of illegal dismissal. It explained that their employment was merely suspended, invoking the purported suspension of operation coming from RNB's principal vendor.¹⁵

In their Reply,¹⁶ Desacada, *et al.* averred that RMPC is a labor-only contractor, having no substantial capital in the form of tools, equipment, machineries, and work premises, and that RMPC merely supplied workers to RNB. They argued that their respective functions as sewers, trimmers, reviser, quality control staff, and sewing mechanic were directly related to RNB's principal business. They added that they worked under the direct control and supervision of RNB as to the means and methods of their work.¹⁷

Ruling of the Labor Arbiter

In a Decision¹⁸ dated 29 November 2012, the LA ruled in favor of Desacada, *et al.*, finding them as regular employees of RNB, not of RMPC. The *fallo* of the Decision reads:

WHEREFORE, premises considered, respondents RNB Garments Phils., Inc., Robert Sy and Ramil Sarol are hereby declared guilty of Illegal Dismissal and hereby ORDERED to immediately reinstate all the complainants to their former positions without loss of seniority rights and benefits. Further, the above respondents are jointly and severally liable to pay all complainants the following:

¹² Id. at 51-52, 126.

¹³ Id. at 52, 385.

¹⁴ Id. at 52, 111-112.

¹⁵ Id. at 52.

¹⁶ Id. at 414-417.

¹⁷ Id. at 415.

¹⁸ Penned by Labor Arbiter Edgar B. Bisana, id. at 122-132.



1. Full backwages from October 19, 2011 until actual reinstatement.
2. Salary Differential.
3. 13th month pay.
4. Service Incentive Leave Pay.
5. 10% of all sums owing to complainants as attorney's fees.

x x x x

SO ORDERED.¹⁹

In holding that RMPC merely acted as an agent of RNB, the LA underscored that RMPC failed to substantiate that it had substantial capital, machineries or tools in furtherance of its business. The LA also found that Desacada, *et al.* actually worked inside the premises of RNB using its sewing machines.²⁰

On the issue of illegal dismissal, the LA sustained the claims of Desacada, *et al.*, holding that RNB failed to prove that the purported abolition of its sewing line was predicated upon a valid and lawful measure to avert its claim of business losses. The LA underscored that RNB merely alleged "minimal loading orders" from its principal vendor. Accordingly, the LA directed RNB to reinstate Desacada, *et al.* to their former positions, and ordered RNB, its President, Robert Sy (Sy), RMPC, and Sarol to pay them, jointly and severally, their backwages, salary differentials, 13th month pay, service incentive leave pay and 10% attorney's fees.²¹

From the LA Decision, only RNB appealed to the NLRC.

RNB averred that as of 31 December 2012, it had already ceased operations, claiming a drastic decrease in its revenue, and increase in its costs and expenses. It maintained that Desacada, *et al.* were not its employees but of RMPC. Insisting that RMPC is an independent contractor, RNB presented Desacada, *et al.*'s identification cards and payslips issued and signed by RMPC through Sarol; RMPC's Certificate of Registration²² issued by the DOLE; and RMPC's Audited Financial Statements²³ and corresponding income tax returns (ITR)²⁴ for the years 2003 to 2010 showing RMPC's supposed substantial capital.²⁵

On the issue of illegal dismissal, RNB echoed RMPC's position in the LA, and added that Desacada, *et al.* were apprised of the anticipated changes

¹⁹ Id. at 129-130.

²⁰ Id. at 128.

²¹ Id. at 128-129.

²² Id. at 85-86.

²³ Id. at 212-247.

²⁴ *Rollo* (G.R. No. 236332), pp. 137-146.

²⁵ *Rollo* (G.R. No. 236331), pp. 53-54.

in RNB's loading orders brought about by a slump in the garment export industry. To RNB, RMPC justifiably placed them on floating status.²⁶

Ruling of the NLRC

Initially, the NLRC, in its Resolution²⁷ dated 30 September 2013, dismissed RNB's appeal for being procedurally infirmed. Upon motion for reconsideration,²⁸ the NLRC, through its Resolution²⁹ dated 30 April 2014, reinstated RNB's appeal. In the same Resolution, the NLRC affirmed the LA Decision and disposed, thus:

WHEREFORE, premises considered, the Motion for Reconsideration is **GRANTED** and the respondent's appeal is **RE-INSTATED**. However, we **AFFIRM** the November 29, 2012 Decision of Labor Arbiter Edgar B. Bisana subject to the following **MODIFICATIONS**:

1) The order directing respondent to reinstate complainants is **DELETED** in view of the cessation of RNB's operations effective December 31, 2012. Instead, respondents are ordered to pay complainants backwages and separation pay equivalent to one-half month salary for every year of service from the time of dismissal up to December 31, 2012;

2) The order for payment of backwages is also modified taking into consideration respondent's cessation of operations on December 31, 2012; and

3) The award for wage differential covering the period January 15, 2011 to September 15, 2011 is **DELETED**.

The rest of the remaining awards are **AFFIRMED**.

SO ORDERED.³⁰

The NLRC agreed with the LA that RNB is the real employer of Desacada, *et al.* In so ruling, the NLRC took into account the following: (1) Desacada, *et al.*'s tasks as sewers, trimmers/revisers, quality control staff, sewing mechanic, and bundle boy, respectively, were all directly related, necessary, and desirable to RNB's garment business; and (2) Charito Fajardo, production manager of RNB, exercised the right of control over the performance of their work.³¹

²⁶ Id. at 54.

²⁷ Penned by Presiding Commissioner Grace E. Maniquiz-Tan, with Commissioners Dolores M. Peralta-Beley and Mercedes R. Posada-Pacap, concurring; id. at 136-140.

²⁸ Id. at 141-145.

²⁹ Id. at 149-163.

³⁰ Id. at 162-163. (Emphases in the original)

³¹ Id. at 158.

The NLRC also found that RNB illegally dismissed Desacada, *et al.* With respect to Elmer, Arnold, Melchor, Philip, and Herjane, the NLRC faulted RNB with constructive dismissal when it failed to recall them for work after the lapse of the six (6)-month period allowed under Article 286³² of the Labor Code, since they were placed on floating status. Underscoring that the purchase orders from its client Champan continued even after the said floating status, the NLRC was not persuaded that RNB was suffering from substantial “declining orders.”³³ The NLRC likewise ruled that RNB was guilty of illegal dismissal with respect to Myrna, Carmen, Ma. Cecilia, and Sonia, for failing to discharge the burden that they were not dismissed on 19 October 2011 as a result of the purported abolition of its sewing line.³⁴

Aggrieved, RNB moved for reconsideration.³⁵ For its part, RMPC also filed a Motion for Reconsideration³⁶ averring that it never received the LA Decision. On 29 August 2014, the NLRC issued a Resolution³⁷ denying both motions for reconsideration.

The NLRC found RNB’s motion for reconsideration as a mere rehash of its previous arguments. As regards RMPC, the NLRC ruled that the LA Decision had already become final and executory as to RMPC when it failed to file a timely appeal therefrom.³⁸

Unfazed, RNB filed a Petition for *Certiorari*³⁹ with the CA, docketed as CA-G.R. SP No. 137376, maintaining that RMPC is a legitimate and independent labor contractor, hence the true employer of Desacada, *et al.*⁴⁰

For its part, RMPC also filed a separate Petition for *Certiorari*,⁴¹ docketed as CA-G.R. SP No. 138083. RMPC argued that the LA Decision dated 29 November 2012 could not have attained finality, claiming that it did not receive a copy of the Decision, the same being mailed to its previous address.⁴²

Ruling of the CA

In the assailed Decision⁴³ dated 26 May 2017, the CA dismissed both petitions of RNB and RMPC and upheld the rulings of the NLRC, *viz.*:

³² Now Article 301 of the Labor Code as renumbered by Republic Act No. 10151 and DOLE Department Advisory No. 01, series of 2015.

³³ *Rollo* (G.R. No. 236331), p. 159.

³⁴ *Id.* at 161.

³⁵ See *rollo* (G.R. No. 236332), pp. 347-361.

³⁶ *Rollo* (G.R. No. 236331), pp. 166-180.

³⁷ *Id.* at 474-480.

³⁸ *Id.* at 57.

³⁹ *Id.* at 481-527.

⁴⁰ *Id.* at 58.

⁴¹ Not attached to the *rollo*.

⁴² *Rollo* (G.R. No. 236331), p. 59.

⁴³ *Id.* at 49-67.



WHEREFORE, the instant petitions for *certiorari* are **DISMISSED**. The April 30, 2014 and August 29, 2014 Resolutions of the National Labor Relations Commission, Fifth Division, In NLRC LAC No. 03-000904-13 are hereby **AFFIRMED**.

SO ORDERED.⁴⁴

The CA agreed with the LA and the NLRC that RNB is the true employer of Desacada, *et al.* In concluding that RMPC merely served as an agent of RNB in engaging Desacada, *et al.*'s services, the CA underscored the following: (1) RMPC did not have working capital and/or investments in the form of tools and equipment sufficient to maintain an independent contracting business; and (2) Desacada, *et al.*'s respective duties as sewers, trimmers/revisers, quality control staff, sewing mechanic, and bundle boy were directly related to RNB's business, and were all performed in the premises of RNB using its fabric and sewing accessories, in accordance with the specifications, correct patterns, and quantity dictated by RNB.⁴⁵

As to the issue of illegal dismissal, the CA faulted RNB in failing to recall Desacada, *et al.* for work after they were placed on floating status, as well as its failure to prove, much less allege, any just and/or authorized cause for their eventual separation, hence dismissal, from employment. It also ruled that RNB failed to show compliance with the twin requirements of procedural due process, *i.e.*, notice and hearing, prior to dismissal.⁴⁶

As regards RMPC's petition, the CA ruled that the LA Decision had already become final and executory against RMPC. The CA faulted RMPC with inexcusable negligence when it failed to appeal from the LA Decision.⁴⁷

Both failing to obtain reconsideration from the CA Decision,⁴⁸ RNB and RMPC filed the subject petitions, docketed as G.R. No. 236331⁴⁹ and G.R. No. 236332,⁵⁰ respectively.

The Arguments of RNB and RMPC

RNB asserts that the CA erred in declaring RMPC as a labor-only contractor.

First, RNB insists that RMPC was duly registered, and had consistently renewed its registration, as a legitimate labor contractor with the

⁴⁴ Id. at 66-67. (Emphases in the original)

⁴⁵ Id. at 62-63.

⁴⁶ Id. at 64.

⁴⁷ Id. at 65-66.

⁴⁸ Id. at 70.

⁴⁹ Id. at 12-45.

⁵⁰ *Rollo* (G.R. No. 236332), pp. 10-33.

DOLE in 2002, having sufficient capital and investment in the form of tools and equipment.⁵¹ RNB also argues that it cannot be faulted in relying in good faith on the said registration, as well as on RPMC's representation as a legitimate labor contractor, prior to engaging its services.⁵²

Second, RNB argues that even if Desacada, *et al.*'s duties were directly related to its business as a manufacturer of garments, such fact does not necessarily negate its management prerogative to outsource/contract-out related services. RNB invokes that in doing so, it did not violate Desacada, *et al.*'s right to security of tenure and payments of their benefits under the law.⁵³

Third, RNB denies having control over Desacada, *et al.* in the performance of their respective duties, and claims that RMPC hired its own line leaders to supervise them. Further, RNB claims that its purchase orders with RMPC do not show, except for the end result, that it (RNB) exercised control, or had reserved its right to do so, as regards the manner and means used by Desacada, *et al.* in fulfilling their tasks.⁵⁴

Lastly, RNB argues that the CA erred in affirming the solidary liability of Sy, for the monetary claims of Desacada, *et al.* RNB invokes the lack of finding of malice and bad faith committed by Robert Sy in relation to Desacada, *et al.*'s illegal dismissal claims.⁵⁵

For its part, RMPC essentially corroborated the position and arguments of RNB. On its failure to appeal from the LA Decision, RMPC maintains that the copy of said Decision was improperly sent to its former address. Pleading for relaxation of technicalities, RMPC prays that its position and arguments be considered in the resolution of the present controversy.⁵⁶

The Issues

RNB and RMPC both submit to the Court the following issues:

1. Whether the CA erred in declaring that RMPC is a labor-only contractor;
2. Whether the CA erred in declaring that there exists an employer-employee relationship between RNB and Desacada, *et al.*; and

⁵¹ *Rollo* (G.R. No. 236331), pp. 27-29.

⁵² *Id.* at 30-32.

⁵³ *Id.* at 32-35.

⁵⁴ *Id.* at 35-37.

⁵⁵ *Id.* at 40-41.

⁵⁶ *Rollo* (G.R. No. 236332), pp. 28-29.

3. Whether the CA erred in declaring that Desacada, *et al.* had been illegally dismissed.

Additionally, RMPC maintains that the CA erred in sustaining the NLRC in holding that it was already barred from questioning the LA Decision.

Ruling of the Court

The Court denies both petitions.

Preliminary Procedural Consideration, G.R. No. 236332, RMPC's failure to appeal from the LA Decision dated 29 November 2012.

Contrary to the opinion of the CA, the Court holds that the LA Decision had not become final and executory as to RMPC, despite its failure to appeal therefrom.

The rule is that a party's appeal from a judgment will not inure to the benefit of a co-party who failed to appeal; and as against the latter, the judgment continues to run its course until it becomes final and executory.⁵⁷ To this rule, an exception attends, "where both parties have a commonality of interests, the appeal of one is deemed to be the vicarious appeal of the other."⁵⁸ The Court in *John Kam Biak Y. Chan, Jr. v. Iglesia ni Cristo*⁵⁹ explained, *viz.*:

While it is settled that a party who did not appeal from the decision cannot seek any relief other than what is provided in the judgment appealed from, nevertheless, when the rights and liability of the defendants are so interwoven and dependent as to be inseparable, in which case, the modification of the appealed judgment in favor of appellant operates as a modification to Gen. Yoro who did not appeal. In this case, the liabilities of Gen. Yoro and appellant being solidary, the above exception applies.⁶⁰

In *Maricalum Mining Corp. v. Remington Industrial Sales Corp.*,⁶¹ the Court illustrated the existence of commonality in the interests of the parties, as when: "a) their rights and liabilities originate from only one source or title; b) homogeneous evidence establishes the existence of their rights and

⁵⁷ *Concorde Condominium, Inc. v. Philippine National Bank*, G.R. No. 228354, 26 November 2018.

⁵⁸ *Id.*

⁵⁹ 509 Phil. 753 (2005).

⁶⁰ *Id.* at 764. (Underscoring supplied)

⁶¹ 568 Phil. 219 (2008).

liabilities; and c) whatever judgment is rendered in the case or appeal, their rights and liabilities will be affected, even if to varying extents.”⁶²

In this case, the commonality of interests between RNB and RMPC attends, as they were both made parties to the illegal dismissal complaints of Desacada, *et al.*, and were eventually held by the LA and the NLRC as solidarily liable for the monetary claims. Indeed, a contrary ruling by the CA on appeal as regards the core issue of whether or not RMPC is a labor-only contractor would have affected not only the rights and liabilities of RNB, but also of RMPC. A ruling sustaining RNB’s position would inure to the benefit of RMPC, which prayed before the LA to be declared as an independent contractor. The same holds true should the Court rule that RMPC is an independent contractor; in which case, such ruling cannot be undermined by the supposed finality of the LA Decision.

The foregoing, notwithstanding, the Court is not inclined to grant RMPC’s petition.

The question of whether RMPC is a labor-only contractor, the existence of an employer-employee relationship between RNB and Desacada, *et al.*, and the determination of liability for illegal dismissal are factual ones, inasmuch as the Court is being asked to revisit and assess anew the factual findings of the LA, the NLRC, and the CA. It must be underscored, however, that under Rule 45 of the Rules of Court, only questions of law may be raised in and resolved by the Court.⁶³ The Court, not being a trier of facts, will not review the factual findings of the lower tribunals as these are generally binding and conclusive.⁶⁴ While there are recognized exceptions,⁶⁵ none of them applies in this case. Even if otherwise, the Court finds no cogent reason to depart from the congruent findings of the LA, the NLRC, and the CA.

⁶² *Id.* at 229, citing *Director of Lands v. Reyes*, 161 Phil. 542 (1976).

⁶³ See *Tenazas v. R. Villegas Taxi Transport*, 731 Phil. 217, 228 (2014), citing “*J*” *Marketing Corp. v. Taran*, 607 Phil. 414, 424-425 (2009).

⁶⁴ *Cavite Apparel, Incorporated v. Marquez*, 703 Phil. 46, 53 (2013).

⁶⁵ These exceptions are: (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) When there is 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 respondent; 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. [*Pascual v. Burgos*, 776 Phil. 167, 182-183 (2016), citing *Medina v. Mayor Asistio, Jr.*, 269 Phil. 225, 232 (1990)].

RMPC is a labor-only contractor

As defined under Article 106 of the Labor Code, labor-only contracting, a prohibited act, is an arrangement where the contractor, who does not have substantial capital or investment in the form of tools, equipment, machineries, work premises, among others, supplies workers to an employer and the workers recruited are performing activities which are directly related to the principal business of such employer.

On the other hand, permissible or legitimate job contracting or subcontracting, as defined by the Court in *Norkis Trading Corporation v. Buenavista*,⁶⁶ viz.:

[R]efers to an arrangement whereby a principal agrees to put out or farm out with the contractor or subcontractor the performance or completion of a specific job, work, or service within a definite or predetermined period, regardless of whether such job, work, or service is to be performed or completed within or outside the premises of the principal. A person is considered engaged in legitimate job contracting or subcontracting if the following conditions concur: (a) the contractor carries on a distinct and independent business and partakes the contract work on his account under his own responsibility according to his own manner and method, free from the control and direction of his employer or principal in all matters connected with the performance of his work except as to the results thereof; (b) the contractor has substantial capital or investment; and (c) the agreement between the principal and the contractor or subcontractor assures the contractual employees' entitlement to all labor and occupational safety and health standards, free exercise of the right to self-organization, security of tenure, and social welfare benefits.⁶⁷

Section 5 of Department Order No. 18-02 of the Rules Implementing Articles 106 to 109 of the Labor Code, as amended, provides what constitutes "substantial capital or investment" and "right of control," viz.:

"Substantial capital or investment" refers to capital stocks and subscribed capitalization in the case of corporations, tools, equipment, implements, machineries and work premises, actually and directly used by the contractor or subcontractor in the performance or completion of the job work or service contracted out.

The "right to control" shall refer to the right reserved to the person for whom the services of the contractual workers are performed, to determine not only the end to be achieved, but also the manner and means to be used in reaching that end.

In *Alba v. Espinosa*,⁶⁸ the Court held that:

⁶⁶ 697 Phil. 74 (2012).

⁶⁷ Id. at 92-93.

⁶⁸ 816 Phil. 694 (2017).

Time and again, the Court has emphasized that “the test of independent contractorship is whether one claiming to be an independent contractor has contracted to do the work according to his own methods and without being subject to the control of the employer, except only as to the results of the work.”⁶⁹

The burden to hurdle this test is cast upon the contractor.⁷⁰ In cases where the principal also claims that the contractor is a legitimate contractor, as in this case, said principal similarly bears the burden of proving that supposed status.⁷¹

To show that RMPC had substantial capital or investment, RNB submitted RMPC’s Audited Financial Statements. The Court agrees with the CA that such documents cannot be given much credence. As aptly observed by the CA:

An examination of the AFS shows that RMPC does not have sufficient working capital. Even though its assets reached ₱10,316,724.00 in 2007, it drastically decreased in 2008 to ₱1,446,397.00. Worse, RMPC incurred a balance of ₱9,288,038.92 for the advances as of 2009 and even had to sell the sewing machines, the tools of its trade, to RNB as partial payment of its debt. While the DOLE may have found that the capital and/or investments in tools and equipment of RMPC are sufficient for an independent contractor, this does not mean that such capital and/or investments are likewise sufficient to maintain an independent contracting business.⁷²

Indeed, the peculiarity of this drastic and substantial deterioration of RNB's assets over a very short period of time, taken together with its overwhelming debts/liabilities, militates against its purported substantial capitalization to further or maintain its contracting business.

Going now to the tasks performed by Desacada, *et al.*, RNB admits that they were engaged as sewers, trimmers, reviser, quality control staff, and sewing mechanic, which, by their nature, are inherently related to and necessary in its business as a manufacturer of garments. It was established that they were made to work inside the premises of RNB using its fabrics and sewing accessories, and had to accomplish their tasks within a specific period of completion, in accordance with the specifications, correct patterns, and quantity dictated by RNB. These circumstances undoubtedly show that RNB has the power of control over Desacada, *et al.* in the performance of their work. It bears stressing that the power of control merely calls for its

⁶⁹ *Id.* at 706-707, citing *Polyfoam-RGC International Corporation v. Concepcion*, 687 Phil. 137, 148 (2012).

⁷⁰ See *Diamond Farms, Inc. v. Southern Philippines Federation of Labor (SPFL)-Workers Solidarity of DARBMUPCO/Diamond-SPFL*, 778 Phil. 72 (2016).

⁷¹ See *Garden of Memories Park and Life Plan, Inc. v. National Labor Relations Commission*, 681 Phil. 299 (2012).

⁷² *Rollo* (G.R. No. 236331), p. 62.

existence and not necessarily the exercise thereof.⁷³ As found by the CA, there is dearth of evidence showing that it was RMPC that established Desacada, *et al.*'s working procedure/method, supervised their work or evaluated their performance.⁷⁴

*Employer-Employee relationship
between RNB and Desacada, et al.*

In *Allied Banking Corporation v. Calumpang*,⁷⁵ the Court emphasized that:

A finding that a contractor is a labor-only contractor, as opposed to permissible job contracting, is equivalent to declaring that there is an employer-employee relationship between the principal and the employees of the supposed contractor, and the labor-only contractor is considered as a mere agent of the principal, the real employer.⁷⁶

In this case, RNB is the principal employer of Desacada, *et al.* and RMPC is a labor-only contractor. Accordingly, RNB is solidarily liable with RMPC for the rightful claims of the Desacada, *et al.*⁷⁷

Propriety of dismissal

The Labor Code places the burden of proving that the termination of an employee was for a just or authorized cause upon the employer.⁷⁸ If the employer fails to meet this burden, the conclusion would be that the dismissal was unjustified and, thus, illegal.⁷⁹

In this case, the records fully disclose that Desacada, *et al.*, were eventually separated, hence dismissed, from employment by reason of the alleged business losses suffered by RNB, as well as the abolition of its sewing line. However, as unanimously found by the LA, the NLRC, and the CA, RNB failed to prove said claims as would authorize their dismissal under the Labor Code. Equally tainting their dismissal with illegality is RNB's failure to inform Desacada, *et al.* of the status of their employment, and their eventual separation from employment. They were miserably left hanging. No notices of termination were given to them by RNB, clearly on the premise that they were not its employees.

⁷³ *Almeda v. Asahi Glass Philippines, Inc.*, 586 Phil. 103, 113 (2008).

⁷⁴ *Rollo* (G.R. No. 236331), p. 63.

⁷⁵ 823 Phil. 1143 (2018).

⁷⁶ *Id.* at 1157-1158.

⁷⁷ See *San Miguel Corporation v. MAERC Integrated Services, Inc.*, 453 Phil. 543 (2003).

⁷⁸ Article 277 (renumbered to Article 292 pursuant to DOLE Department Advisory No. 01, Series of 2015) of the Labor Code.

⁷⁹ See *Nissan Motors Phils. Inc. v. Angelo*, 673 Phil. 150 (2011).

Thus, the CA did not err in affirming the twin findings of the NLRC and the LA that Desacada, *et al.* were illegally dismissed by RNB from employment.

Lastly, there is merit in RNB's argument that the CA erred in affirming the solidary liability of Sy for the monetary claims of Desacada, *et al.*

In labor cases, corporate officers are solidarily liable with the corporation for the termination of employment of employees only if such is done with malice or in bad faith.⁸⁰ In this case, there being no proof or finding by the LA, the NLRC, and the CA that Sy was guilty of malice and bad faith in Desacada, *et al.*'s dismissal, he, as its President, cannot be held solidarily liable with RNB.⁸¹ Accordingly, only RNB and RMPC shall be held jointly and severally liable for the monetary award decreed by the NLRC. Pursuant to the ruling in *Nacar v. Gallery Frames*,⁸² the said monetary award shall earn legal interest of 12% *per annum* from 19 October 2011, the date of illegal dismissal, until 30 June 2013, and six percent (6%) from 01 July 2013 until full satisfaction of the award. The total amount of the foregoing shall, in turn, earn interest at the rate of six percent (6%) *per annum* from finality of this Decision until full payment.⁸³

WHEREFORE, the petition in G.R. No. 236331 is **PARTLY GRANTED**, only insofar as the pronouncement of the solidary liability of Robert Sy, President of RNB Garments Philippines, Inc., is concerned. Accordingly, the Decision dated 26 May 2017 and the Resolution dated 28 December 2017 of the Court of Appeals in CA-G.R. SP Nos. 137376 and 138083 are hereby **AFFIRMED** with **MODIFICATION** in that: (1) the solidary liability of Robert Sy is deleted, and (2) RNB Garments Philippines, Inc. and Ramrol Multi-Purpose Cooperative are jointly and severally liable for the monetary award decreed in the Resolution dated 30 April 2014 of the National Labor Relations Commission. The said monetary award shall earn legal interest of 12% *per annum* from 19 October 2011 until 30 June 2013, and six percent (6%) from 01 July 2013 until full satisfaction of the award. The total amount of the foregoing shall, in turn, earn interest at the rate of six percent (6%) *per annum* from finality of this Decision until full payment.

The petition in G.R. No. 236332 is **DENIED**.


⁸⁰ See *David v. National Federation of Labor Unions*, 604 Phil. 31, 41 (2009).

⁸¹ See *Alba v. Yupangco*, 636 Phil. 514 (2010).

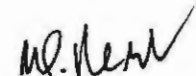
⁸² 716 Phil. 267 (2013). Consequently, the twelve percent (12%) *per annum* legal interest shall apply only until 30 June 2013. Come 01 July 2013 the new rate of six percent (6%) *per annum* shall be the prevailing rate of interest *when applicable*.


⁸³ *Id.* at 281.


SO ORDERED.


EDGARDO L. DELOS SANTOS
Associate Justice

WE CONCUR:


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson

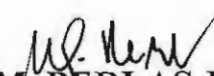

RAMON PAUL L. HERNANDO
Associate Justice


HENRI JEAN PAUL B. INTING
Associate Justice

(On Leave)
PRISCILLA J. BALTAZAR-PADILLA
Associate Justice

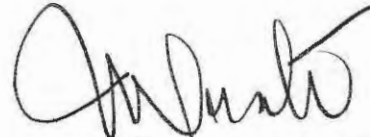
ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.



DIOSDADO M. PERALTA
Chief Justice