Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

WILFREDO C. ADOR, KING RYAN C. AZARCON, ENRICO C. BACUNAWA, JOVY R. CALDERON, GREGORIO C. CELIS, JR., ROWALLY F. CUARESMA, ARLY L. ESTORNINOS, EDWARD L. ESTORNINOS, MARK G. MARAMBA, ROLLY P. PALENCIA, and AMADO B. ROSALES, JR., Petitioners,	**G.R. No. 265600** Present: CAGUIOA, *Acting C.J., Chairperson,* INTING, GAERLAN, DIMAAMPAO, and SINGH, *JJ.*
-versus-	
T. OSADA LOGISTICS AND SERVICES*/ OSADA TRANSPORT/ TAKEHITO OSADA and ROWENA OSADA, Respondents.	**Promulgated:** FEB 24 2026 MisPDCBatt

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DECISION

SINGH, *J.*:

Before the Court is a Petition for Review on *Certiorari*[1] (**Petition**) under Rule 45 of the Rules of Court filed by petitioners Wilfredo C. Ador, King Ryan C. Azarcon, Enrico C. Bacunawa, Jovy R. Calderon (**Jovy**), Gregorio C. Celis, Jr., Rowally F. Cuaresma, Arly L. Estorninos, Edward L. Estorninos, Mark G. Maramba, Rolly P. Palencia, and Amado B. Rosales, Jr. (**petitioners**) assailing the Decision,[2] dated August 16, 2022, and the

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* Also referred to as T. LOGISTIC SERVICES and T. LOGISTICS SERVICES in some parts of the *rollo*.

[1] *Rollo*, pp. 12–36.

[2] *Id.* at 61–75. Penned by Associate Justice Jennifer Joy C. Ong and concurred in by Associate Justices Ramon R. Garcia and Geraldine C. Fiel-Macaraig of the Sixth Division, Court of Appeals, Manila.

Resolution,[3] dated January 24, 2023, of the Court of Appeals (**CA**) in CA-G.R. SP No. 165232. The CA affirmed the Decision,[4] dated July 31, 2019, of the National Labor Relations Commission (**NLRC**) in NLRC LAC CN. 06-002091-19(4)/ NLRC NCR Case Nos. 06-09623-18, 06-09998-18, and 06-10689-18, reversing the Labor Arbiter's Decision[5] declaring their dismissal illegal, with corresponding monetary awards.

The Facts

The petitioners were engaged to perform delivery services in connection with the online retail operations of Lazada E-Services Philippines, Inc. (**Lazada**). On April 18, 2018, except for Jovy, the petitioners were allegedly hired by respondent T. Osada Logistics and Services (**T. Logistics**), a sole proprietorship registered on April 13, 2018 in the name of Rowena Osada (**Rowena**) and engaged in delivery and transport services, to work as delivery riders for T. Logistics' Lazada account. Each rider utilized his own motorcycle to pick up merchandise from Lazada's warehouse and deliver the packages to Lazada's customers. The petitioners aver that they were directly under the supervision and control of T. Logistics' Operations Manager Ruel G. Pullan (**Ruel**), who oversaw the Lazada deliveries. They were paid per delivery or according to a "Rate Matrix" set by T. Logistics, and they had no participation in setting these rates. On the other hand, Osada Transport is a separate sole proprietorship, likewise registered in Rowena's name, engaged in taxi operations.[6]

Jovy's engagement began earlier and involved Osada Transport. In August 2017, Jovy worked as a stay-in taxi driver for Osada Transport, compensated on a "boundary" system, i.e., remitting a fixed daily fee to the vehicle owner and keeping the excess. By January 2018, Jovy was assigned as a dispatcher/collector for the taxi operations of Osada Transport. Jovy earned the trust of management and even attended management meetings. When Rowena later obtained the Lazada delivery account for T. Logistics, Jovy helped recruit other petitioners as riders for Lazada's delivery needs.[7]

According to the petitioners, the trouble came to a head in early May 2018. They allege that on or about May 4, 2018, Ruel summarily told the riders to stop reporting for work effective May 7, 2018. In other words, after only a couple of weeks on the job, the petitioners (except Jovy) were verbally informed that there would be no more delivery assignments for them and that

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3 *Id.* at 77–79.

4 *Id.* at 106–120. Penned by Presiding Commissioner Julia Cecily Coching Sosito and concurred in by Commissioners Erlinda T. Agus and Dominador B. Medroso, Jr. of the Second Division, National Labor Relations Commission, Quezon City.

5 *Id.* at 288–311. Penned by Labor Arbiter Nicolas B. Nicolas of the National Capital Region Arbitration Branch, National Labor Relations Commission, Quezon City.

6 *Id.* at 62–64.

7 *Id.*

they should no longer report starting May 7. For his part, Jovy asserts that a few weeks later, on May 28, 2018, he too was summarily dismissed from his work as dispatcher and collector, through a verbal instruction relayed by management.

The petitioners insist that these directives were clear acts of termination. They were given no further work, no written notices, and no valid reason. Despite their pleas to be allowed to continue working, the respondents ignored them and refused to give them any deliveries or assignments. Other riders were deployed to cover the routes previously handled by the petitioners, leaving them with no work to perform. Consequently, the petitioners contend that they had been illegally dismissed from employment without just cause, without notice or hearing, and in bad faith. They also claim that they were not paid various labor standard benefits during their work, such as 13th month pay, service incentive leave pay, holiday pay and premiums, rest day pay, and other contributions (Social Security System [SSS], PhilHealth, Pag-IBIG).[8] Furthermore, they aver that the manner of their dismissal caused them hardship and anguish, prompting claims for moral and exemplary damages and attorney's fees. By May and June 2018, the petitioners filed separate but subsequently consolidated complaints before the Labor Arbiter of the NLRC in Quezon City, impleading respondents and initially, Lazada and its personnel, Rosalinda Mendoza (**Rosalinda**). The claims against Lazada and Rosalinda were later dismissed, leaving the controversy as between petitioners and respondents.[9]

The respondents, on the other hand, flatly deny that any illegal dismissal took place. In their Position Paper, the respondents maintained that no employer-employee relationship ever existed between them and the rider-petitioners. The respondents characterize the rider-petitioners as independent contractors, who allegedly decided to stop reporting for work due to a misunderstanding regarding their working arrangement and compensation. The respondents claim that they did not terminate the riders and, hence, no illegal dismissal could have occurred.[10]

As to Jovy, the respondents acknowledge that he worked as a taxi driver and later as dispatcher and collector for the taxi operations of Osada Transport from 2017 to early 2018. The respondents insists, however, that Jovy was never terminated. Instead, they claim that after a management meeting on May 12, 2018, where Jovy's proposal to oversee the Lazada delivery operations was not accepted, Jovy walked out and stopped coming to work out of resentment. The respondents add that Jovy continued to receive salary during his absence and was given a raise. They belatedly accused him of serious misconduct, alleging that he failed to remit certain "boundary" collections

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8 *Id.* at 15.
9 *Id.* at 131–135.
10 *Id.* at 155.

from taxi drivers, implying dishonesty on his part, and argued that he had abandoned his job.[11]

With respect to the rider-petitioners, the respondents further claim that there could have been no illegal dismissal because the riders were never employees to begin with. The respondents assert that it was the riders who effectively ended their engagement by ceasing to report for work.[12]

The petitioners, in reply, vehemently denied the respondents' version of events. They emphasized that the respondents treated them as employees in every respect, regardless of the "independent contractor" label the respondents attempted to attach to the riders. The petitioners also denied any abandonment, pointing out that they were abruptly told to stop reporting for work and were thereafter given no assignments. They likewise stressed that the respondents did not comply with the requirements of due process before ending their employment.[13]

The Ruling of the Labor Arbiter

After the submission of position papers and evidence, Labor Arbiter Nicolas B. Nicolas rendered a Decision,[14] dated February 15, 2019, in favor of the petitioners. The Labor Arbiter found that an employer-employee relationship existed between the petitioners and respondent Rowena, doing business under the names T. Osada Logistics and Services and Osada Transport. The Labor Arbiter further held that the petitioners were illegally dismissed and granted monetary awards.

The dispositive portion of the Labor Arbiter's Decision reads:

> **WHEREFORE,** premises considered, complainants are declared to have been illegally dismissed. Accordingly, respondent Rowena Osada is hereby ordered to pay them:
>
> 1. Backwages from the time they were illegally dismissed up to the finality of this decision;
>
> 2. Separation pay of one-month pay for every year of service from their engagement up to the finality of this Decision; and
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> 3. Attorney's fees equivalent to ten percent of their respective awards.
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> The complaint of Wilfredo Ador against Lazada is considered withdrawn. The complaint of the other complainants against Lazada E-

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11 *Id.* at 150–153.
12 *Id.* at 153–156.
13 *Id.* at 24–30.
14 *Id.* at 288–311.

> Services Philippines, Inc. and Rosalinda Mendoza is dismissed for lack of merit.
>
> Other claims are denied for lack of substantiation.
>
> **SO ORDERED.**[15] (Emphasis in the original)

In essence, the Labor Arbiter held that the petitioners were regular employees of the respondents, not independent contractors, and that they had been terminated without just cause and without due process. Given the strained relations and the time that had elapsed, the Labor Arbiter awarded separation pay in lieu of reinstatement, computed at one month per year of service, along with full backwages and 10% attorney's fees. The Labor Arbiter, however, dismissed the complaints against Lazada and its personnel, Rosalinda, for lack of merit, effectively finding that Lazada was not the petitioners' employer. Other monetary claims for various benefits were likewise denied for insufficiency of evidence. No moral or exemplary damages were granted, presumably for lack of specific proof of malice or bad faith beyond the illegality of the dismissal.[16]

The respondents appealed the Labor Arbiter's Decision to the NLRC and posted a bond. They argued that the Labor Arbiter erred in finding an employer-employee relationship and illegal dismissal.

The Ruling of the NLRC

In a Decision,[17] dated July 31, 2019, the NLRC reversed the Labor Arbiter. The NLRC found that the petitioners had failed to prove that they were actually dismissed from employment, effectively crediting the respondents' version that no termination occurred. Accordingly, the NLRC ordered the petitioners to return to work and directed the respondents to accept them, subject to certain conditions, thus:

> **WHEREFORE,** the appeal is GRANTED. The Motion to Reduce Bond is likewise GRANTED.
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> The decision is REVERSED and SET ASIDE, and a new one issued ORDERING complainants to return to work within five [] days from receipt hereof without backwages or separation pay. Failure to report within the period granted would be construed as abandonment of work.
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> Respondent Osada Transport/Rowena Osada is ORDERED to accept Calderon to his former position or a similar position without loss of seniority rights.

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15 *Id.* at 311.
16 *Id.* at 304–311.
17 *Id.* at 106–120.

> T. Logistics Services/Rowena Osada is ORDERED to accept the complainant-riders to their former positions upon returning to work.
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> Respondents' refusal to accept them shall be construed as an act of illegal dismissal.
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> The awards of backwages, separation pay and attorney's fees are DELETED for lack of merit.
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> **SO ORDERED.**[18] (Emphasis in the original)

The NLRC concluded that the petitioners had not been illegally terminated. It reasoned that there was no clear proof of a dismissal, since the petitioners admitted they received no written notice of termination and the respondents likewise did not send notice directing them to return to work. The NLRC gave weight to the *Sinumpaang Salaysay* executed by Ruel, which was belatedly submitted by the respondents. In that affidavit, Ruel purportedly detailed circumstances indicating that the petitioners stopped reporting due to a misunderstanding rather than a firing. Notably, the petitioners did not object to the belated submission of Ruel's affidavit and did not immediately counter it with their own sworn statements, which the NLRC took as implied admission of Ruel's account.[19]

Based on the record, the NLRC believed that Jovy became upset after failing to secure the managerial role he wanted, and instigated the filing of the complaints in sympathy with him. The NLRC characterized the situation as one where neither an overt act of dismissal by the employer nor an intent to abandon by the employees was conclusively shown. In such cases, where there is no dismissal to speak of, the NLRC pointed out that the proper remedy is reinstatement without backwages. Accordingly, the NLRC's disposition allowed the petitioners to return to their former jobs, but denied them any backwages or separation pay on the ground that no illegal dismissal had occurred. The NLRC warned the petitioners that failure to report back would amount to abandonment, and conversely warned the respondents that refusal to re-engage the petitioners would be deemed an illegal dismissal. The petitioners' monetary awards were deleted, including attorney's fees.[20]

The petitioners moved for partial reconsideration, but the NLRC denied reconsideration in a Resolution, dated December 27, 2019.[21]

Unsatisfied, the petitioners filed a special civil action for *Certiorari*[22] with the CA, imputing grave abuse of discretion to the NLRC Second Division. Petitioners argued that the NLRC acted capriciously in reversing the

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18 *Id.* at 119.
19 *Id.* at 116–117.
20 *Id.* at 116–119.
21 *Id.* at 67.
22 *Id.* at 80–104.

Labor Arbiter's Decision despite substantial evidence of illegal dismissal on record, and likewise erred in deleting the separation pay, backwages, and attorney's fees which the Labor Arbiter had rightly awarded. They maintained that the NLRC ignored or misappreciated evidence that the petitioners were verbally told to stop working, an act which, in the petitioners' view, clearly constituted dismissal even if done without formal papers. The petitioners reiterated that they never abandoned their jobs and that the NLRC itself had affirmed their status as regular employees. Being employees, the petitioners argued, they could not lawfully be removed except for just or authorized causes under the Labor Code, and only after observance of due process. They emphasized that all dismissals must satisfy both substantive and procedural due process, a constitutional and statutory guarantee of security of tenure.[23]

In this case, the petitioners pointed out that the respondents never afforded them written notice of any infraction or any opportunity to be heard. In fact, the respondents never articulated any legitimate cause for terminating the riders, aside from the unfounded claim of abandonment which is belied by the petitioners' immediate filing of the complaints. Thus, the petitioners asserted that their removal was patently without just cause and without due process, rendering the termination doubly illegal. They cited jurisprudence holding that an employer's mere directive to stop working, without more, is a blatant act of illegal dismissal, as the Court recognized in *Mark Roche International v. NLRC*[24] where workers were "simply told . . . that there was no more work for them."[25] In fine, the petitioners prayed that the CA nullify the NLRC Decision and reinstate the Labor Arbiter's finding of illegal dismissal, along with all corresponding monetary awards.[26]

The Ruling of the CA

In its Decision,[27] dated August 16, 2022, the CA dismissed the Petition for *Certiorari*. The CA held that the petitioners failed to demonstrate any grave abuse of discretion on the NLRC's part. It found the NLRC's conclusions to be supported by the evidence on record. The CA agreed that the petitioners had not sufficiently proven an overt act of dismissal by the employer, and thus it was not unreasonable for the NLRC to rule that no illegal dismissal took place. The CA gave deference to the labor tribunal's factual findings, particularly its reliance on Ruel's affidavit and the lack of documentary evidence of termination. It affirmed the NLRC's July 31, 2019 Decision and December 27, 2019 Resolution, which reversed the Labor Arbiter's Decision. In effect, the CA upheld that the petitioners were not

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23 *Id.* at 87–92.
24 372 Phil. 238 (1999) [Per J. Bellosillo, Second Division].
25 *Id.* at 246.
26 *Rollo*, pp. 93–94.
27 *Id.* at 61–75.

illegally dismissed, and consequently sustained the deletion of separation pay, backwages, and attorney's fees.[28]

The dispositive portion of the CA Decision reads:

> **WHEREFORE**, premises considered, the Petition for *Certiorari* is hereby **DISMISSED**. The Decision[,] dated 31 July 2019[,] and the Resolution[,] dated [December 27, 2019,] of the National Labor Relations Commission Second Division in NLRC LAC No. 06-002091-19(4) / NLRC Case Nos. 06-09623-18, 06-09998-18, and 06-10689-18 are **AFFIRMED**.
>
> **SO ORDERED**.[29] (Emphasis in the original)

The petitioners' Motion for Reconsideration was denied by the CA in a Resolution, dated January 24, 2023.

Hence, the petitioners elevated the matter to this Court *via* the present Petition for Review on *Certiorari*.

The Issues

First, did an employer–employee relationship exist between the petitioners and the respondents, or were the petitioners mere independent contractors?

Second, were the petitioners illegally dismissed from employment? If not, did they abandon their work or voluntarily resign?

Finally, are the petitioners entitled to the reliefs they seek, and if so, to what extent?

The Ruling of the Court

The Court finds the Petition with merit.

The petitioners were employees of T. Logistics and Osada Transport, not independent contractors

At the outset, the Court resolves the threshold question of whether petitioners were employees of respondents or merely independent contractors.

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[28] *Id.* at 70–74.
[29] *Id.* at 74.

This inquiry is crucial because if no employment relationship ever existed, the petitioners cannot claim illegal dismissal nor seek the remedies under the Labor Code.

To recall, the Labor Arbiter held that the petitioners were regular employees of the respondents. The NLRC, while reversing the Labor Arbiter on the conclusion of illegal dismissal, nonetheless categorically recognized the existence of an employer-employee relationship when it ordered the petitioners to return to work. The CA likewise sustained the NLRC and rejected the respondents' theory that the petitioners were independent contractors. Moreover, the respondents did not timely challenge the labor tribunals' uniform finding on employment status. Nonetheless, because the respondents persistently deny being the petitioners' employer, and because the nature of the petitioners' engagement is integral to determining the parties' rights and liabilities, the Court shall address the issue.

Under Philippine law, the existence of an employer-employee relationship is determined by the "four-fold test," which considers: (a) the employer's selection and engagement of the employee; (b) the payment of wages; (c) the power to dismiss; and (d) the power to control the employee's conduct. The power of control is the most significant factor in the four-fold test.[30]

In addition, Philippine jurisprudence has employed an "economic reality" or dependency test to supplement the control test, examining the nature of the work and the worker's economic dependence on the purported employer.[31] In *Francisco v. National Labor Relations Commission*,[32] the Court explained the import of this test:

> Thus, the determination of the relationship between employer and employee depends upon the circumstances of the whole economic activity, such as: *(1) the extent to which the services performed are an integral part of the employer's business; (2) the extent of the worker's investment in equipment and facilities; (3) the nature and degree of control exercised by the employer; (4) the worker's opportunity for profit and loss; (5) the amount of initiative, skill, judgment or foresight required for the success of the claimed independent enterprise; (6) the permanency and duration of the relationship between the worker and the employer; and (7) the degree of dependency of the worker upon the employer for his continued employment in that line of business.*
>
> The proper standard of economic dependence is whether the worker is dependent on the alleged employer for his continued employment in that line of business. In the United States, the touchstone of economic reality in analyzing possible employment relationships for purposes of the Federal

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30 *Ditiangkin v. Lazada E-Services Philippines, Inc.*, 930 Phil. 250, 268 (2022) [Per J. Leonen, Second Division].

31 *Id.* at 269.

32 532 Phil. 399 (2006) [Per J. Ynares-Santiago, First Division].

> Labor Standards Act is dependency. By analogy, the benchmark of economic reality in analyzing possible employment relationships for purposes of the Labor Code ought to be the economic dependence of the worker on his employer.[33] (Emphasis supplied, citations omitted)

The Court bears in mind that when the status of one's employment is in dispute, the employer bears the burden of proving that the worker was an independent contractor rather than a regular employee.[34] This burden flows from the constitutional and statutory bias in favor of labor, and the presumption that labor contracts are covered by security of tenure, unless clearly shown otherwise. In *Rivera v. Genesis Transport Service, Inc.*:[35]

> It is the policy of the state to assure the right of workers to "security of tenure." The guarantee is an act of social justice. When a person has no property, his job may possibly be his only possession or means of livelihood. Therefore, he should be protected against any arbitrary deprivation of his job. Article 280 of the Labor Code has construed security of tenure as meaning that "the employer shall not terminate the services of an employee except for a just cause or when authorized by" the code. Dismissal is not justified for being arbitrary where the workers were denied due process and a clear denial of due process, or constitutional right must be safeguarded against at all times[.][36]

Applying the four-fold test to the present case, the Court finds that all the elements of an employer-employee relationship are present between petitioners and respondents:

a. Selection and Hiring: T. Logistics recruited and engaged the services of the rider-petitioners for the Lazada delivery operations. It is undisputed that Rowena registered T. Logistics and obtained the Lazada delivery engagement around April 2018. She accepted Jovy's recommendation of the rider-petitioners and brought them into the enterprise as delivery riders. The fact that Jovy referred his co-petitioners does not negate that the actual hiring authority rested with the respondents through T. Logistics. The rider-petitioners were not performing work on their own behalf or holding themselves out to the public as independent couriers. Rather, they were specifically enlisted to perform T. Logistics' contractual obligation to Lazada. Notably, the rider-petitioners had to report to the respondents' designated Operations Manager, Ruel, and to the Lazada hub at appointed times, indicating they were *de facto* incorporated into the respondents' workforce, not merely one-time contractors.

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33 *Id.* at 408–409.

34 *Ditiangkin v. Lazada E-Services Philippines, Inc.*, 930 Phil. 250 (2022) [Per J. Leonen, Second Division].

35 765 Phil. 544 (2015) [Per J. Leonen, Second Division].

36 *Id.* at 553–554, *citing Rance v. National Labor Relations Commission*, 246 Phil. 287, 292–293 (1988) [Per J. Paras, Second Division].

As to Jovy, the respondents themselves admit that he was engaged by Osada Transport first as a taxi driver, and later as dispatcher and collector for its taxi operations. His assignment was made by management, and his duties were performed continuously and personally, showing selection and engagement by the employer.

b. Payment of Wages: The rider-petitioners were compensated for their work by T. Logistics. Although the respondents attempted to couch the compensation as contractual rates in a "Rate Matrix," what is critical is that rider-petitioners did not bill Lazada or the package recipients for their services. They were paid by T. Logistics or through T. Logistics' accounting for the deliveries they performed. The petitioners initially alleged a rate of around PHP 1,200.00 per day, as was the case in the Lazada riders' contract, though the respondents claim it varied per delivery. Either way, this element is satisfied because the rider-petitioners received remuneration from the respondents for the work done, which is the hallmark of the wage aspect of employment. The respondents' control over the rates and the fact that the rider-petitioners looked to the respondents for payment underscore the employment arrangement.

As to Jovy, the respondents admit that he was compensated on a boundary system as taxi driver, and later received a fixed salary as dispatcher and collector for Osada Transport. In either arrangement, he was remunerated by the respondents in exchange for services rendered.

c. Power of Dismissal: The power to terminate the relationship was evidently held by the respondents. It was the respondents' Operations Manager, Ruel, who told the rider-petitioners to stop reporting for work, an act tantamount to termination. The respondents' own theories of abandonment and serious misconduct likewise presuppose that they possessed the authority to discipline and dismiss the petitioners. Significantly, as observed by the CA, the Rate Matrix itself states that the respondents may hold the riders liable for losses, delays, or dereliction of duty. This feature of the Rate Matrix reflects not an arms-length contractor arrangement, but a disciplinary framework consistent with employment. The NLRC's subsequent directive for the petitioners to return to work was an order of the labor tribunal, not a management instruction, and it underscores that the continuation of the petitioners' work depended on the respondents' willingness to deploy them for the Lazada account. Had the petitioners truly been independent contractors, the respondents would have had no practical ability to unilaterally bar them from the Lazada hub or to discontinue giving them delivery assignments incurring contractual and legal consequences; contractors typically could seek work elsewhere. Instead, the petitioners were dependent on the respondents for the continuity of work, and the respondents in fact exercised the ultimate power to disengage. This satisfies the power of dismissal element.

d. Control over Conduct (Control Test): Most tellingly, the respondents exercised control over the means and methods by which the rider-petitioners carried out their deliveries. While the rider-petitioners owned their motorcycles, the respondents determined where and when they would report, which packages they would deliver, what routes or areas to cover, and what performance standards to observe (timeliness, completeness of deliveries, etc.). The respondents' Operations Manager, Ruel, supervised the dispatch of items and was the one who relayed instructions. For example, he was able to order the rider-petitioners to cease working altogether, which he did effective May 7, 2018. The presence of an operations manager coordinating the rider-petitioners' work is indicative of the control characteristic of an employer-employee setup. Additionally, the respondents imposed certain requirements incidental to the work under their auspices. The riders could not arbitrarily refuse deliveries or dictate the terms of service. They had to follow the sequence and schedules given by management. The Rate Matrix likewise contemplated sanctions and accountability, allowing the respondents to hold riders liable for losses, delays, or dereliction of duty. This level of control is far beyond what would exist in a mere independent contractor relationship. In fact, the integration of the rider-petitioners' work into T. Logistics' business was complete. They were performing a function that was integral to T. Logistics' very business purpose.

As to Jovy, his work as dispatcher and collector for Osada Transport required him to follow management instructions on dispatching units, collecting boundary remittances, and turning over collections. His tasks were supervised and evaluated by the respondents, further demonstrating control.

The Court has noted that when the workers' tasks are clearly integrated into the principal business of the company, and the workers are economically dependent on that company, an employment relationship is more readily found.[37] Here, delivering Lazada's products was the core service T. Logistics provided. Without riders like the petitioners, T. Logistics' contract with Lazada could not be fulfilled. The petitioners likewise depended on that engagement for their livelihood. These facts strongly establish an employer-employee relationship under the economic reality test as well.

The respondents' characterization of the petitioners as independent contractors is not supported by the realities on the ground. It appears to be a self-serving label designed to avoid the obligations of an employer. The Court has consistently held that the parties' designation in a contract is not dispositive of the relationship, especially where the elements of employment are otherwise demonstrated by evidence. Even if the petitioners ostensibly signed any document professing that "no employer-employee relationship exists," such stipulation will be void for being against public policy if the

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[37] *Ditiangkin v. Lazada E-Services Philippines, Inc.*, 930 Phil. 250, 275 (2022) [Per J. Leonen, Second Division].

actual work arrangement refutes it. The law looks at the facts and will not be bound by secret disclaimers or waivers in an adhesion contract. Protection to labor prevails over contractual labels.[38]

In sum, the Court finds that the rider-petitioners were regular employees of T. Logistics, and that Jovy was a regular employee of Osada Transport as dispatcher and collector. Their tasks were necessary or desirable in the usual business of the respective enterprises. They performed work under the control and supervision of the respondents' management on a continuing basis, and they did not engage in a distinct and independent business for themselves. Rather, they served exclusively the respondents' business, drawing wages therefrom. The labor tribunals' conclusion on this point, that the petitioners were employees, is well supported and, in any event, now conclusive, respondents having failed to timely challenge it. Consequently, petitioners are entitled to the protective mantle of our labor laws, including the guarantees of security of tenure under Article 294[39] of the Labor Code and Article XIII, Section 3[40] of the 1987 Constitution.

As employees, petitioners could only be dismissed for just or authorized causes as provided by law, and only with due notice and hearing.

The petitioners were illegally dismissed; no abandonment or voluntary resignation occurred

Having established the employer-employee relationship, the subsequent issue is whether the petitioners were illegally dismissed or whether, as the respondents claim, the petitioners voluntarily left their work through abandonment or resignation. To resolve this, the Court must determine (a) whether the petitioners were in fact dismissed from

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38 *Id.* at 277.

39 Art. 294. [279] *Security of Tenure.* – In cases of regular employment, the employer shall not terminate the services of an employee except for a just cause or when authorized by this Title. An employee who is unjustly dismissed from work shall be entitled to reinstatement without loss of seniority rights and other privileges and to his full backwages, inclusive of allowances, and to his other benefits or their monetary equivalent computed from the time his compensation was withheld from him up to the time of his actual reinstatement.

40 Section 3. The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.

It shall guarantee the rights of all workers to self-organizations, and peaceful concerted activities, including the right to strike in accordance with law. They shall be entitled to security of tenure, humane conditions of work, and a living wage. They shall also participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

The State shall promote the principle of shared responsibility between workers and employers and the preferential use of voluntary modes in settling disputes, including conciliation, and shall enforce their mutual compliance therewith to foster industrial peace.

The State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth.

employment, and (b) if so, whether the dismissal was lawful, i.e., for a just or authorized cause and after observing procedural due process.

a. Fact of Dismissal

A dismissal need not be in writing to be legally cognizable. A manager's oral directive terminating an employee's services is just as effective, and if unwarranted, just as illegal, as a formal notice of termination. What the law abhors is a dismissal made without lawful cause or without due process, however manifested.

In this case, the petitioners consistently alleged that the respondents' Operations Manager, Ruel, explicitly told the rider-petitioners to no longer report for work effective May 7, 2018, and that Jovy was later told on May 28, 2018 to stop reporting for his work as dispatcher and collector.[41] That statement was a categorical off-loading of the workers, a notice that their services were no longer desired. It was not a mere request for clarification or a temporary suspension; it was an unequivocal severance directive. The petitioners attested that after this, they were given no further assignments and effectively stranded with no work. When they pleaded to be allowed back, they were ignored, and other riders took over their duties.[42] These allegations, notably, were made under oath and remained consistent and unshaken throughout the proceedings.

The respondents, in contrast, provided no substantial evidence to directly refute these specific claims. They relied mainly on their denials and presented no witness other than the belated affidavit attributed to Ruel, which states that petitioners were not dismissed. They also point to their allegations of Jovy's supposed misconduct in failing to remit boundary collections.

The Court finds these defenses unavailing. The affidavit is self-serving and was executed only after the filing of the complaints. It is also belied by the respondents' failure to present contemporaneous records showing that the petitioners were required to return to work, that they were placed under disciplinary investigation, or that they were formally charged with abandonment or misconduct at the time the alleged incidents occurred.

The NLRC and CA discounted the petitioners' account primarily due to the absence of a written notice of termination and because of Ruel's contrary affidavit. The Court finds, however, that the totality of circumstances

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41 *Rollo*, p. 27.
42 *Id.*

strongly favors the petitioners' position that they were constructively, if not formally, dismissed.

It is uncontested that after May 2018, the petitioners never actually worked again for the respondents. If, as the respondents contend, the petitioners had not been dismissed, one would expect them to show some earnest effort to direct the petitioners back to work, to issue written notices requiring them to report, or to initiate disciplinary proceedings for unauthorized absences. Yet, the records are bereft of any contemporaneous return-to-work directives or notices of abandonment. The respondents even admitted that they did not send any return-to-work letters or otherwise reach out to the petitioners to inquire why they stopped reporting.[43] This silence, in the face of an asserted voluntary departure, weighs against the respondents. In fact, the respondents' stance even before the Labor Arbiter was that the petitioners were not their employees at all, suggesting that the respondents had no intention of treating the petitioners as part of their workforce after May 2018. The Ruel affidavit on which the NLRC relied describes Jovy's disappointment and the petitioners' supposed boycott but tellingly does not claim that Ruel or respondents ever asked the riders to return or continue working. Instead, the respondents essentially let the petitioners go and, when haled to court, conveniently labeled it as abandonment. Such inaction by the employer is inconsistent with a genuine desire to retain the workers and is more consistent with the petitioners' claim that the respondents had ended their employment, hence saw no need to call them back.

Moreover, the petitioners took immediate action that is fundamentally inconsistent with voluntarily quitting or abandonment: they filed labor complaints for illegal dismissal barely a few weeks after the stoppage of work. It is well-settled that the filing of an illegal dismissal complaint negates any intent to abandon one's job. An employee who truly abandons his or her work would not bother to initiate legal action, especially not promptly.[44]

As the Court held in *Villar v. National Labor Relations Commission*:[45]

> It is clear from the records that sometime in August 1994, immediately after petitioners supposedly 'refused to work' having lost earlier in the certification election, several complaints for illegal dismissal against HI-TECH were filed by petitioners. These are sufficient proofs that they were never guilty of leaving their jobs. The concept of abandonment of work is inconsistent with the immediate filing of complaints for illegal

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43 *Id.* at 306.

44 *Hantex Trading Co., Inc. v. Court of Appeals*, 438 Phil. 737, 744 (2002) [Per J. Bellosillo, Second Division].

45 387 Phil. 706 (2000) [Per J. Bellosillo, Second Division].

> dismissal. An employee who took steps to protest his layoff could not by any logic be said to have abandoned his work.[46]

Abandonment is a matter of intention and cannot lightly be presumed from certain equivocal acts. For abandonment to exist, it is essential: (a) that the employee must have failed to report for work or must have been absent without valid or justifiable reason; and (b) that there must have been a clear intention to sever the employer-employee relationship manifested by some overt acts—the second element is the more determinative factor. Mere absence of the employee is not sufficient. The burden of proof is on the employer to show a clear and deliberate intent on the part of the employee to discontinue employment without any intention of returning.[47] Here, the prompt resort to legal remedy strongly indicates that the petitioners perceived that they had been terminated and sought redress for it. This undercuts the respondents' theory that the petitioners simply left in a huff or without cause.

To accept the respondents' narrative, the Court would have to believe that all 10 delivery riders, *en masse*, decided to throw away their new jobs, jobs they had just secured through Jovy's efforts, after only two weeks, and that they did so for no apparent reason other than solidarity with Jovy's personal grievance. This narrative strains credulity. It is uncommon for a group of workers to "abandon" stable jobs abruptly without some precipitating act by the employer. The more credible scenario, and the one supported by the petitioners' detailed affidavits, is that the riders ceased working because they were told by management to stop.

Jovy's case in particular does not support abandonment and shows an overt act of dismissal. The respondents concede that after the May 12, 2018 meeting, Jovy no longer performed work for them. Yet, instead of issuing written directives requiring him to report back or initiating a formal investigation for abandonment, the respondents merely raised, as a litigation stance, that he walked out and later committed misconduct. At no point did they formally charge or discipline him strongly implying that, by that time, the employment relationship had effectively ended from the their perspective. Indeed, the respondents' claim that Jovy "continued to receive his salary" during absences,[48] only to later cut him off, suggests an effort to paper over the termination until the Lazada project could proceed without him. In any event, by the end of May 2018, Jovy too was unquestionably not working and was not being utilized by the respondents. The petitioners' testimony is that Ruel verbally informed Jovy on May 28, 2018 that his services were terminated, a claim the respondents did not specifically rebut, relying instead on a general denial and accusations of abandonment. More importantly, Jovy filed a complaint for illegal dismissal within a reasonable period after he

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46 *Id.* at 714.

47 *Hantex Trading Co., Inc. v. Court of Appeals*, 438 Phil. 737, 745 (2002) [Per J. Bellosillo, Second Division].

48 *Rollo*, p. 16.

stopped working. This act is incompatible with an intention to abandon employment.

It bears emphasis that the respondents never issued any written notice of resignation or abandonment against the petitioners. If the petitioners had truly left voluntarily, it was incumbent on the employer, after some absence, to issue a return-to-work order and to comply with the due process requirements for abandonment, including proper notice and an opportunity to be heard. The respondents' failure to do so further supports the conclusion that the petitioners were dismissed.

To reiterate, the mere failure to report for a short period, without more, does not constitute resignation or abandonment, especially when immediately followed by a legal complaint. Abandonment, as a just cause for termination, requires clear and deliberate intent to sever the employer-employee relationship. The employer must prove two elements: (1) the employee's failure to report for work or absence without valid reason, and (2) a clear intention to discontinue employment.[49]

In the case at bar, while the respondents may point to the petitioners' non-attendance after May 7, 2018, they utterly failed to demonstrate an intent to abandon on the petitioners' part. On the contrary, the evidence, especially the filing of the complaints and the petitioners' prior pleas for reemployment, evinces that the petitioners wanted to keep their jobs. The element of deliberate intent to desert one's employment is simply not present here.

The Court thus holds that the petitioners have adequately proven the fact of their dismissal. When Ruel and respondents told the petitioners not to report for work and proceeded to deprive them of any assignments, that was a constructive act of dismissal. The law does not require a formal termination letter where management's intent to terminate is made clear by its acts. The petitioners' direct account of being "simply told . . . there was no more work for them" is the best evidence of their termination, and respondents' failure to specifically controvert that account means it stands unrebutted. Indeed, under the Rules of Court, which may be applied suppletorily, an allegation not specifically denied is deemed admitted.[50] The respondents' generalized denial and reliance on an after-the-fact affidavit is insufficient to overcome the petitioners' positive and categorical statements.

The Court notes that the NLRC gave weight to Ruel's affidavit mainly because petitioners did not object to its belated submission. However, absence of objection to admissibility is not equivalent to acceptance of the truth of its contents. The petitioner consistently countered the substance of that affidavit

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49 *Borja v. Minoza*, 812 Phil. 133, 146–147 (2017) [Per J. Perlas-Bernabe, First Division].

50 RULES OF COURT, Rule 8, sec. 11.

by maintaining that they were told not to work and by highlighting the respondents' failure to refute their version in timely fashion. Given this, the Court finds that the NLRC and the CA erred in holding that the petitioners failed to prove dismissal. The records, properly appreciated, show that the petitioners were indeed terminated from employment by the respondents' overt acts.

b. Legality of Dismissal

Having found that the petitioners were dismissed, the Court now determines whether the dismissal was for a valid cause and effected with due process.

The law, through Article 294 of the Labor Code, guarantees that an employee shall not be terminated from employment without just or authorized cause and without observance of the proper procedure. Just causes for dismissal, such as serious misconduct, gross neglect, fraud, insubordination, etc., are exhaustively enumerated in Article 297[51] of the Labor Code, while authorized causes, such as redundancy, retrenchment, closure, disease, are in Article 298[52] and Article 299.[53] The employer bears the burden of proving that the dismissal was for a lawful cause; failure to do so means the dismissal is unjustified and therefore illegal.[54] Even if a valid reason exists, the employer must also comply with procedural due process, including the twin-notice requirement—a written notice stating the cause and an opportunity to be heard, followed by a notice of termination—for a just cause dismissal under

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51 Art. 297. [282] *Termination by Employer.* – An employer may terminate an employment for any of the following causes:
(a) Serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work;
(b) Gross and habitual neglect by the employee of his duties;
(c) Fraud or willful breach by the employee of the trust reposed in him by his employer or duly authorized representative;
(d) Commission of a crime or offense by the employee against the person of his employer or any immediate member of his family or his duly authorized representatives; and
(e) Other causes analogous to the foregoing.

52 Art. 298. [283] *Closure of Establishment and Reduction of Personnel.* – The employer may also terminate the employment of any employee due to the installation of labor-saving devices, redundancy, retrenchment to prevent losses or the closing or cessation of operation of the establishment or undertaking unless the closing is for the purpose of circumventing the provisions of this Title, by serving a written notice on the workers and the Ministry of Labor and Employment at least one [] month before the intended date thereof. In case of termination due to the installation of labor-saving devices or redundancy, the worker affected thereby shall be entitled to a separation pay equivalent to at least his one [] month pay or to at least one [] month pay for every year of service, whichever is higher. In case of retrenchment to prevent losses and in cases of closures or cessation of operations of establishment or undertaking not due to serious business losses or financial reverses, the separation pay shall be equivalent to one [] month pay or at least one -half [] month pay for every year of service, whichever is higher. A fraction of at least six [] months shall be considered one [] whole year.

53 Art. 299. [284] *Disease as Ground for Termination.* – An employer may terminate the services of an employee who has been found to be suffering from any disease and whose continued employment is prohibited by law or is prejudicial to his health as well as to the health of his co-employees: Provided, That he is paid separation pay equivalent to at least one [] month salary or to one-half [] month salary for every year of service, whichever is greater, a fraction of at least six [] months being considered as one [] whole year.

54 *Alps Transportation v. Rodriguez*, 711 Phil. 122, 131 (2013) [Per C.J. Sereno, First Division].

Article 292(b)[55] of the Labor Code.[56] Failure on either substantive or procedural due process renders the dismissal illegal or at least defective, with corresponding consequences under jurisprudence.

In illegal dismissal cases, two separate inquiries are thus conducted: (1) whether the employer has established a just or authorized cause for termination (substantive due process); and (2) whether the employer observed the proper dismissal procedure (procedural due process).[57] The violation of either aspect renders the dismissal defective, though the consequences differ: a lack of valid cause makes the dismissal outright illegal, entitling the employee to reinstatement and full backwages, whereas a valid dismissal without proper notice entitles the employee to nominal damages for the procedural lapse.[58]

In the present case, the respondents failed to demonstrate any lawful cause for terminating the petitioners. Throughout the proceedings, the respondents never pointed to any specific just cause under Article 297 for dismissing the petitioners. No allegation was made that the petitioners committed misconduct in their short stint, nor that they were negligent or disobedient, nor that their roles were redundant or the business was suffering losses. At most, the respondents claimed that the petitioners abandoned work, or that Jovy was guilty of misconduct. As shown, these claims were unsubstantiated.

The respondents' primary stance was denial of any dismissal at all; thus, they did not even attempt to propose a cause for dismissal. The belated accusation that Jovy had misappropriated some boundary collections could, if true, potentially amount to serious misconduct or breach of trust, but significantly, the respondents did not pursue this as a ground for dismissal in the legally prescribed manner. The respondents did not serve Jovy a show-cause notice or accord him a hearing on that accusation, nor did they cite it as

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55 Art. 292. [277] *Miscellaneous Provisions.* –
(a) . . .
(b) Subject to the constitutional right of workers to security of tenure and their right to be protected against dismissal except for a just and authorized cause and without prejudice to the requirement of notice under Article 283 of this Code, 226 the employer shall furnish the worker whose employment is sought to be terminated a written notice containing a statement of the causes for termination and shall afford the latter ample opportunity to be heard and to defend himself with the assistance of his representative if he so desires in accordance with company rules and regulations promulgated pursuant to guidelines set by the Department of Labor and Employment. Any decision taken by the employer shall be without prejudice to the right of the worker to contest the validity or legality of his dismissal by filing a complaint with the regional branch of the National Labor Relations Commission. The burden of proving that the termination was for a valid or authorized cause shall rest on the employer. The Secretary of the Department of Labor and Employment may suspend the effects of the termination pending resolution of the dispute in the event of a *prima facie* finding by the appropriate official of the Department of Labor and Employment before whom such dispute is pending that the termination may cause a serious labor dispute or is in implementation of a mass lay-off.

56 *Sang-an v. Equator Knights Detective and Security Agency, Inc.*, 703 Phil. 492, 502 (2013) [Per J. Brion, Second Division].

57 *Id.* at 500.

58 *See Agabon v. NLRC*, 485 Phil. 248, 288 (2004) [Per J. Ynares-Santiago, *En Banc*].

a reason when they stopped giving him work. Raising it after the fact, in retaliation to his complaint, does not exonerate the respondents. As the Court has stressed: an employer's case succeeds or fails on the strength of its evidence and not on the weakness of the employee's defense; if doubt exists, it must be resolved in favor of labor.[59]

In *Agusan Del Norte Electric Cooperative, Inc. v. Cagampang*,[60] the Court held:

> In termination cases, the burden of proof rests upon the employer to show that the dismissal is for just and valid cause; failure to do so would necessarily mean that the dismissal was illegal. The employer's case succeeds or fails on the strength of its evidence and not on the weakness of the employee's defense. If doubt exists between the evidence presented by the employer and the employee, the scales of justice must be tilted in favor of the latter. Moreover, the quantum of proof required in determining the legality of an employee's dismissal is only substantial evidence. Substantial evidence is more than a mere scintilla of evidence or relevant evidence as a reasonable mind might accept as adequate to support a conclusion, even if other minds, equally reasonable, might conceivably opine otherwise.[61]

Here, the respondents have shown no competent evidence of a valid reason to dismiss the petitioners. Even assuming *arguendo* that the petitioners had refused to work because of a misunderstanding, the respondents' proper recourse was to initiate disciplinary proceedings for insubordination or absence without leave, not to acquiesce in their absence and later claim they abandoned work. But the respondents neither conducted an investigation nor served notices as required. There was a complete absence of procedural due process. The petitioners were never notified in writing of any charge or ground for termination, and never given the chance to explain their side, as mandated by law. The termination was done stealthily, a verbal edict delivered on the field, with no paper trail, precisely to leave the workers empty-handed of proof. This tactic cannot be countenanced. It is the duty of the employer to give written notices; the absence of such notices is a glaring procedural defect making the dismissal unlawful on that score alone.

In sum, the respondents terminated the petitioners' employment without just cause and without due process. The dismissal was therefore illegal. It violated the petitioners' constitutional right to security of tenure and statutory rights under the Labor Code. As the Court reiterated in *Distribution & Control Products, Inc. v. Santos*,[62] our Constitution, labor statutes, and

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59 *Distribution & Control Products, Inc. v. Santos*, 813 Phil. 423, 433 (2017) [Per J. Peralta, Second Division].

60 589 Phil. 306 (2008) [Per J. Quisumbing, Second Division].

61 *Id.* at 313, *citing PLDT Company, Inc. v. Tiamson*, 511 Phil. 384, 394–395 (2005) [Per J. Callejo, Sr., Second Division].

62 813 Phil. 423 (2017) [Per J. Peralta, Second Division].

jurisprudence uniformly guarantee that no employee shall be dismissed except for a just or authorized cause and only after due process is observed.[63]

Further, in *Brown Madonna Press, Inc. v. Casas*,[64] the Court elucidated:

> In determining whether an employee's dismissal had been legal, the inquiry focuses on whether the dismissal violated his right to substantial and procedural due process. An employee's right not to be dismissed without just or authorized cause as provided by law, is covered by his right to substantial due process. Compliance with procedure provided in the Labor Code, on the other hand, constitutes the procedural due process right of an employee.
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> The violation of either the substantial due process right or the procedural due process right of an employee produces different results. Termination without a just or authorized cause renders the dismissal invalid, and entitles the employee to reinstatement without loss of seniority rights and other privileges and full backwages, inclusive of allowances, and other benefits or their monetary equivalent computed from the time the compensation was not paid up to the time of actual reinstatement.
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> An employee's removal for just or authorized cause but without complying with the proper procedure, on the other hand, does not invalidate the dismissal. It obligates the erring employer to pay nominal damages to the employee, as penalty for not complying with the procedural requirements of due process.
>
> Thus, two separate inquiries must be made in resolving illegal dismissal cases: first, whether the dismissal had been made in accordance with the procedure set in the Labor Code; and second, whether the dismissal had been for just or authorized cause.[65]

The respondents fell woefully short of this standard. By unjustly and abruptly excluding the petitioners from work, the respondents transgressed the law. The CA erred in affirming the NLRC's contrary conclusion. The petitioners' dismissal, having been effected without lawful grounds and without the mandated procedure, is indubitably illegal.

The Court also categorically rejects the respondents' defense of abandonment. Not only did the respondents fail to prove the two essential elements of abandonment. i.e., clear absence and deliberate intent to sever ties, but the petitioners' actions flatly contradict any claim of abandonment.

The Court has consistently held that the filing of a complaint for illegal dismissal is inconsistent with abandonment of work. In *Hantex Trading Co. v. Court of Appeals*,[66] the Court ruled that an employee who takes steps to

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63 *Id.* at 432.
64 759 Phil. 479 (2015) [Per J. Brion, Second Division].
65 *Id.* at 496–497.
66 438 Phil. 737 (2002) [Per J. Bellosillo, Second Division].

protest his dismissal cannot be deemed to have abandoned his job. In this case, petitioners clearly manifested their desire to continue working by seeking reinstatement in their complaints and contesting their removal. Abandonment is a matter of intention, and here the only intent shown by petitioners was to return to work or be compensated for being kept from work. Conversely, it was respondents who displayed an intent to terminate by failing to communicate any willingness to retain petitioners. Thus, the defense of abandonment is not only unproven; it is patently unfounded.

Finally, it is worth noting that even the NLRC recognized that if there was in truth no dismissal and no abandonment, the proper course was to allow petitioners back to work. The NLRC's order effectively treated the situation as a mere misunderstanding, a scenario akin to *Capili v. NLRC*[67] where a temporary rupture in working relations was resolved by reinstatement without backwages. However, unlike *Capili*, where both parties misapprehended the situation and no dismissal actually occurred, in this case the Court finds that respondents' actions amounted to a deliberate dismissal. This is not a mutual mistake or a strike; it is an employer's willful decision to drop its workers, even if done verbally. Therefore, the *Capili* formula of reinstatement without backwages, which is appropriate when neither side is at fault and no actual termination took place does not apply. Here, there was a wrongful dismissal to speak of, thus, the full arsenal of remedies for illegal dismissal comes into play.

Remedies and disposition

Having determined that the petitioners were employees who were illegally dismissed, the law entitles them to specific reliefs. Under Article 294 of the Labor Code, an employee unjustly dismissed from work is entitled to reinstatement without loss of seniority rights, and to full backwages computed from the time of dismissal up to the time of actual reinstatement. This statutory relief is self-executing and requires no proof of damage; it is a make-whole remedy designed to restore the employee to the *status quo* had there been no illegal firing. Jurisprudence has firmly upheld that reinstatement and backwages are the normal consequences of an illegal dismissal.[68] In *Golden Ace Builders v. Talde*,[69] the Court ruled:

> The basis for the payment of backwages is different from that for the award of separation pay. Separation pay is granted where reinstatement is no longer advisable because of strained relations between the employee and the employer. Backwages represent compensation that should have been earned but were not collected because of the unjust dismissal. The basis for computing backwages is usually the length of the employee's

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67 337 Phil. 210 (1997) [Per J. Bellosillo, First Division].
68 *Aliling v. Feliciano*, 686 Phil. 889, 916–917 (2012) [Per J. Velasco, Jr., Third Division].
69 634 Phil. 364 (2010) [Per J. Carpio-Morales, First Division].

service while that for separation pay is the actual period when the employee was unlawfully prevented from working.

As to how both awards should be computed, *Macasero v. Southern Industrial Gases Philippines* instructs:

> [T]he award of separation pay is inconsistent with a finding that there was no illegal dismissal, for under Article 279 of the Labor Code and as held in a catena of cases, an employee who is dismissed without just cause and without due process is entitled to backwages and reinstatement or payment of separation pay in lieu thereof:
>
> *Thus, an illegally dismissed employee is entitled to two reliefs: backwages and reinstatement. The two reliefs provided are separate and distinct. In instances where reinstatement is no longer feasible because of strained relations between the employee and the employer, separation pay is granted. In effect, an illegally dismissed employee is entitled to either reinstatement, if viable, or separation pay if reinstatement is no longer viable, and backwages.*
>
> The normal consequences of respondents' illegal dismissal, then, are reinstatement without loss of seniority rights, and payment of backwages computed from the time compensation was withheld up to the date of actual reinstatement. Where reinstatement is no longer viable as an option, separation pay equivalent to one [] month salary for every year of service should be awarded as an alternative. The payment of separation pay is in addition to payment of backwages.[70] (Emphasis supplied)

Reinstatement is the preferred primary remedy, as it affirmatively restores the employee to his job. However, courts recognize exceptions where reinstatement may no longer be feasible or desirable. For instance, if strained relations between the employer and employee would likely undermine a harmonious reinstatement, or if the position no longer exists or the employer's business has since closed, the law allows the grant of separation pay in lieu of reinstatement. In addition, if an illegally dismissed employee chooses not to be reinstated, the Court may opt for an award of separation pay instead, to terminate the already soured relations and avoid further conflict.[71] In such cases, separation pay is generally computed at one month's salary for every year of service, with a fraction of at least six months counted as one whole year. This formula is in line with the policy of equitable restitution, albeit not expressly provided in Article 294, which assumes reinstatement. The Court emphasizes that separation pay in lieu of reinstatement is only available because there was an illegal dismissal in the first place. The award is fundamentally a substitute for reinstatement, premised on the dismissal's illegality and the impracticality of return. Where no dismissal has occurred, separation pay would have no legal basis. As the Court held in *Capili*, the

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[70] *Id.* at 369–370.

[71] *Capili v. NLRC*, 337 Phil. 210, 215 (1997) [Per J. Bellosillo, First Division].

Court cannot grant separation pay in a case of mere misunderstanding absent a termination.[72] But here, given the Court found a true illegal dismissal, separation pay may indeed be awarded as an alternative relief if warranted by circumstances.

In the present case, the records show that the petitioners did not insist on reinstatement and, in their complaints, indicated "No Reinstatement," thereby seeking separation pay as their principal relief. The CA likewise noted this circumstance. Even assuming that reinstatement was originally contemplated, the relationship between the parties had by then become strained.

The Court notes that several years have passed since the petitioners were terminated in 2018. During this period, litigation has undoubtedly exacerbated tensions. The respondents have accused Jovy of dishonesty and have maintained that petitioners should not be considered their employees. The petitioners, on the other hand, have charged the respondents with bad faith and illegal conduct. Under these circumstances, a return to the workplace might no longer be realistically beneficial or even desired by the parties. The work involved daily coordination and trust, and the controversy has persisted for years. There is a strong likelihood that industrial harmony cannot be restored at the workplace, given the mutual distrust that has ensued. The doctrine of strained relations may justify an award of separation pay in lieu of compelling reinstatement, not as a ground for denying relief, but as a means to finally dispense with further bitterness.

Accordingly, the Court deems it proper to order separation pay for each petitioner, in lieu of reinstatement. The separation pay shall be one month's pay for every year of service, with a fraction of at least six months considered as one whole year. Given the petitioners' relatively short tenures, for those who worked less than six months, a separation pay of one-half month's salary is appropriate as a minimum, while those who exceeded six months, e.g., Jovy's roughly nine months of service from August 2017 to May 2018, shall be counted as one year. In no case shall the petitioners receive less than the equivalent of one-half month pay by way of separation pay, to serve as a measure of recompense for the loss of employment. If the petitioners have already received separation pay pursuant to the NLRC's previous order, such amount shall be credited, but since the Court is now recognizing an outright illegal dismissal, the computation here shall prevail if more favorable.

In addition to separation pay, the petitioners are entitled to full backwages. Backwages consist of the salaries and typical allowances the employees would have earned had they not been illegally dismissed, from the date of dismissal up to the finality of this judgment. This amount shall be

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[72] *Id.* at 216.

computed on the basis of their latest salary rates or average earnings, including regular allowances or salary adjustments, if any. Since the petitioners were on a daily rate or per delivery basis, the Labor Arbiter or NLRC on remand should determine a just approximation of their average daily pay and multiply it by the number of work days for the pertinent period. Any earnings that the petitioners may have obtained elsewhere during the interim are generally not deducted from backwages in illegal dismissal cases, as backwages are granted in full without mitigation. The Court also makes clear that since we are awarding separation pay in lieu of reinstatement, the backwages shall be computed up to the finality of this Decision. This is in line with the rule that when reinstatement is no longer ordered, backwages accrue as if reinstatement was being deferred until final resolution.[73]

On top of backwages, the petitioners may have claims for certain unpaid regular allowances or benefits during their employment, such as 13th month pay for 2018, holiday pay, Service Incentive Leave pay, etc. The Labor Arbiter found those claims unsubstantiated. Given the petitioners' very brief service, any such benefits would be minimal. Nonetheless, pro-rata 13th month pay for 2018 (January to May) and any wage differentials mandated by law should be included in the backwages computation if not yet paid. If the petitioners contributed to SSS or similar contributions during their employment, the employer should remit any due counterpart contributions up to the time of dismissal.

The petitioners also prayed for moral and exemplary damages. In illegal dismissal cases, moral damages may be awarded if the employer's act of dismissal was attended by bad faith, malice or fraud, or constituted an oppressive or abusive exercise of right.[74] Exemplary damages may be granted if the dismissal was effected in a wanton, reckless or malevolent manner, to serve as a warning to others.[75] In the present case, while the Court has found the dismissal to be illegal, the Court must evaluate if it was done in a manner that merits damages beyond the normative remedies of backwages and separation pay. The record does reflect a certain high-handedness on the respondents' part as the petitioners were summarily told to stop working, without consideration of their welfare, possibly as retaliation for Jovy's assertiveness. This could be viewed as oppressive. However, aside from the act of illegal dismissal itself, the petitioners did not present specific evidence of harassment or actions causing them humiliation beyond the economic hardship naturally resulting from job loss.

Philippine jurisprudence holds that not every case of illegal dismissal warrants moral damages, especially if no independent evidence of bad faith or malice is shown on the employer's part.[76] Here, the respondents' liability

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73 *See Dumapis v. Lepanto Consolidated Mining*, 884 Phil. 156 (2020) [Per J. Lazaro-Javier, *En Banc*].
74 *Montinola v. Philippine Airlines*, 742 Phil. 487, 505–506 (2014) [Per J. Leonen, Second Division].
75 *Id.* at 510–511.
76 *Primero v. Intermediate Appellate Court*, 240 Phil. 412, 420–421 (1987) [Per J. Narvasa, First Division].

can be adequately addressed by the restitution of the petitioners' wages and the payment of statutory relief. The Court finds that the award of moral and exemplary damages is not sufficiently warranted in the absence of proof of any additional wanton or malicious conduct accompanying the dismissal. It appears that the motive for the petitioners' termination was grounded in a business decision, albeit a misguided and unlawful one, to remove a perceived troublemaker and those associated with him. While that decision was wrongful and in breach of labor rights, it does not necessarily evince the kind of malice or bad faith that our law contemplates for moral damages, which usually involves intent to injure or an arrogant disregard of the employee's rights beyond the act of dismissal itself. The Court therefore denies the claim for moral and exemplary damages for lack of factual basis.

Lastly, the petitioners are entitled to attorney's fees. Article 111[77] of the Labor Code and prevailing jurisprudence permit the grant of attorney's fees up to 10% of the total monetary award in cases of illegal withholding of wages or where the employee is forced to litigate to recover what is justly due. The Labor Arbiter awarded 10% attorney's fees, and rightly so, because the petitioners were compelled to seek counsel and engage in protracted litigation to obtain relief. The Court thus reinstates the award of attorney's fees equivalent to 10% of the total judgment award for each petitioner.

The Court also clarifies the extent of the respondents' liability. T. Logistics and Osada Transport are sole proprietorships registered in the name of Rowena. A sole proprietorship has no juridical personality separate and distinct from its owner. Therefore, Rowena, as employer, is personally liable for the judgment obligations to petitioners. She cannot evade liability by hiding behind the business name. In line with the Court's ruling in *Stanley Fine Furniture v. Gallano*,[78] the single proprietress is treated as one and the same as the business for purposes of satisfying any judgment in favor of employees.[79]

Respondent Takehito Osada (**Takehito**) was impleaded as Rowena's spouse and was described as participating in management. However, mere participation in management does not, by itself, make one an employer in a sole proprietorship, nor does it justify a finding of personal and solidary liability. In labor cases, personal liability of corporate officers, agents, or representatives is exceptional and must be anchored on a clear showing of malice or bad faith, or on proof that the individual directly participated in

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77 Art. 111. *Attorney's Fees.* – (a) In cases of unlawful withholding of wages, the culpable party may be assessed attorney's fees equivalent to ten percent of the amount of wages recovered.

(b) It shall be unlawful for any person to demand or accept, in any judicial or administrative proceedings for the recovery of wages, attorney's fees which exceed ten percent of the amount of wages recovered.

78 748 Phil. 624 (2014) [Per J. Leonen, Second Division].

79 *Id.* at 635–636.

patently unlawful acts leading to the illegal dismissal.[80] Here, there is no sufficient showing that Takehito personally committed or directed the illegal dismissal with malice or bad faith. Thus, the Court finds no basis to hold him personally and solidarily liable for the monetary awards. This is without prejudice to the application of the rules on property relations between spouses. Under Articles 94[81] and 121[82] of the Family Code, the absolute community or conjugal partnership property may answer for obligations incurred during the marriage in the pursuit of a profession, occupation, or business, and if the community or partnership property is insufficient, the spouses may be held solidarily liable with their separate properties.[83]

For clarity, the Court holds Rowena, as the owner-proprietor of T. Logistics and Osada Transport, directly and primarily liable for the monetary awards to petitioners, in her capacity as employer.

All amounts due shall earn legal interest at the rate of 6% per annum from the finality of this Decision until full payment, conformably with prevailing rules on money judgments.

Given that the computation of the petitioners' backwages and separation pay involves detailed factual determinations, the Court deems it prudent to remand the case to the Labor Arbiter for the proper computation of the awards due to each petitioner. The Labor Arbiter shall, with dispatch, recompute the individual amounts of backwages, inclusive of 13th month differentials and other regular benefits from dismissal to finality, and separation pay, plus attorney's fees. The respondents are ordered to immediately satisfy such judgment once computed, subject to the usual post-judgment processes for enforcement.

Conclusion

In closing, the Court emphasizes that the right of workers to security of tenure is a fundamental guarantee enshrined in our Constitution and labor laws. Employers who attempt to sidestep this guarantee by misclassifying employees as contractors or by dispensing with them sans cause or process do

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80 *Polymer Rubber Corporation v. Salamuding*, 715 Phil. 141, 150 (2013) [Per J. Reyes, First Division]. *See also Mandaue Dinghow Dimsum House, Co., Inc. v. NLRC*, 571 Phil. 108, 121 (2008) [Per J. Nachura, Third Division].

81 Art. 94. The absolute community of property shall be liable for: . . .

. . . .

If the community property is insufficient to cover the foregoing liabilities, except those falling under paragraph (9), *the spouses shall be solidarily liable for the unpaid balance with their separate properties.* (Emphasis supplied)

82 Art. 121. The conjugal partnership shall be liable for: . . .

. . . .

If the conjugal partnership is insufficient to cover the foregoing liabilities, *the spouses shall be solidarily liable for the unpaid balance with their separate properties.* (Emphasis supplied)

83 FAMILY CODE, arts. 94 &121.

so at their peril. The petitioners in this case were rank-and-file workers, delivery riders, who sought only to earn an honest living under the direction of respondents. They were deprived of their livelihood on a whim, without any semblance of due process, and then made to endure years of litigation to uphold their rights. Such conduct by an employer is precisely what our labor laws and social justice principles abhor. The Court, as the constitutionally mandated guardian of labor rights, will not hesitate to strike down illicit schemes that derogate workers' security of tenure and to rectify the wrongs committed.

The Court commends the Labor Arbiter's initial discernment of the truth of the petitioners' plight, and the Court reverses the rulings of the NLRC and CA that failed to give full effect to the evidence of illegal dismissal. The petitioners are to be granted the full reliefs provided by law to make them whole. Let this Decision serve as a reminder that expediency or personal pique can never justify the illegal dismissal of employees, and that the law will promptly come to the succor of the disadvantaged in keeping with the State's commitment to afford protection to labor.

ACCORDINGLY, the Petition for Review on *Certiorari* is **GRANTED**. The Decision, dated August 16, 2022, and the Resolution, dated January 24, 2023, of the Court of Appeals in CA-G.R. SP No. 165232 are **REVERSED**. The Court declares that petitioners Wilfredo C. Ador, King Ryan C. Azarcon, Enrico C. Bacunawa, Jovy R. Calderon, Gregorio C. Celis, Jr., Rowally F. Cuaresma, Arly L. Estorninos, Edward L. Estorninos, Mark G. Maramba, Rolly P. Palencia, and Amado B. Rosales, Jr., were illegally dismissed by respondent Rowena Osada, doing business under the names T. Osada Logistics and Services and Osada Transport.

Respondent Rowena Osada, doing business under the names T. Osada Logistics and Services and Osada Transport is **ORDERED** as follows:

1. **PAY** petitioners Wilfredo C. Ador, King Ryan C. Azarcon, Enrico C. Bacunawa, Jovy R. Calderon, Gregorio C. Celis, Jr., Rowally F. Cuaresma, Arly L. Estorninos, Edward L. Estorninos, Mark G. Maramba, Rolly P. Palencia, and Amado B. Rosales, Jr. **SEPARATION PAY** in lieu of reinstatement, equivalent to one month's salary for every year of service, with a fraction of at least six months considered as one whole year; provided, that petitioners who rendered less than six months of service shall receive separation pay equivalent to one-half month's salary.

2. **PAY** petitioners Wilfredo C. Ador, King Ryan C. Azarcon, Enrico C. Bacunawa, Jovy R. Calderon, Gregorio C. Celis, Jr., Rowally F. Cuaresma, Arly L. Estorninos, Edward L. Estorninos, Mark G.

Maramba, Rolly P. Palencia, and Amado B. Rosales, Jr. their accrued **FULL BACKWAGES**, inclusive of regular allowances and benefits or their monetary equivalents, computed from the date of their dismissal (May 7, 2018 for the rider-petitioners and May 28, 2018 for Jovy R. Calderon) up to the date of finality of this Decision.

3. **PAY ATTORNEY'S FEES** equivalent to 10% of the total monetary award due to petitioners Wilfredo C. Ador, King Ryan C. Azarcon, Enrico C. Bacunawa, Jovy R. Calderon, Gregorio C. Celis, Jr., Rowally F. Cuaresma, Arly L. Estorninos, Edward L. Estorninos, Mark G. Maramba, Rolly P. Palencia, and Amado B. Rosales, Jr.

All monetary awards shall earn legal interest at 6% per annum from the date of finality of this Decision until full payment.

The records of this case are **REMANDED** to the Labor Arbiter for immediate computation of the above awards due to petitioners Wilfredo C. Ador, King Ryan C. Azarcon, Enrico C. Bacunawa, Jovy R. Calderon, Gregorio C. Celis, Jr., Rowally F. Cuaresma, Arly L. Estorninos, Edward L. Estorninos, Mark G. Maramba, Rolly P. Palencia, and Amado B. Rosales, Jr. This computation shall be completed and submitted to the National Labor Relations Commission for prompt entry of judgment within 30 days from the Labor Arbiter's receipt of this Decision. Thereafter, respondent Rowena Osada, doing business under the names T. Osada Logistics and Services and Osada Transport, is **DIRECTED** to satisfy the judgment without delay, subject to the applicable rules on execution and on the liability of community or conjugal partnership property.

All other claims of petitioners Wilfredo C. Ador, King Ryan C. Azarcon, Enrico C. Bacunawa, Jovy R. Calderon, Gregorio C. Celis, Jr., Rowally F. Cuaresma, Arly L. Estorninos, Edward L. Estorninos, Mark G. Maramba, Rolly P. Palencia, and Amado B. Rosales, Jr. are **DENIED** for lack of merit.

SO ORDERED.

MARIA FILOMENA D. SINGH
Associate Justice

WE CONCUR:

ALFREDO BENJAMIN S. CAGUIOA
Acting Chief Justice

HENRI JEAN PAUL B. INTING
Associate Justice

SAMUEL H. GAERLAN
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

CERTIFICATION

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

ALFREDO BENJAMIN S. CAGUIOA
Acting Chief Justice
Per Special Order No. 3266
dated February 20, 2026