Republic of the Philippines
Supreme Court
Baguio City

THIRD DIVISION

RICHARD N. WAHING, RONALD L. CALAGO and PABLO P. MAIT, Petitioners,	**G.R. No. 219755** Present:
-versus-	LEONEN, *J.*, *Chairperson*, LAZARO-JAVIER, LOPEZ, M., LOPEZ, J., and KHO, JR., *JJ.*
SPOUSES AMADOR DAGUIO and ESING DAGUIO, Respondents.	**Promulgated:** April 18, 2022 MisOCBatt

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DECISION

LEONEN, *J.*:

The Court of Appeals has sufficient discretion to rule upon all relevant matters of a case, including substantive issues, in pursuit of the case's "just and complete resolution[.]"[1] However, while the Court of Appeals validly considered the case's facts, its denial of the employer-employee relationship merits reversal.

As rubber tree tappers, Richard N. Wahing (Wahing), Ronald L. Calago (Calago), and Pablo P. Mait (Mait) (collectively, Wahing et al.) were placed under the operational and economic control of Amador Daguio and Esing Daguio (the Daguio Spouses), which created an employer-employee relationship between them and rendered Wahing et al.'s dismissal from work illegal.

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[1] *Heirs of Loyola v. Court of Appeals*, 803 Phil. 143 (2017) [Per J. Leonen, Second Division].

This Court resolves a Petition for Review on Certiorari assailing the Court of Appeals Decision[2] and Resolution[3] setting aside the National Labor Relations Commission's Decision to remand an illegal dismissal complaint for further reception of evidence.[4] Instead of ruling on the procedural issues raised before it, the Court of Appeals decided the case on the merits and dismissed the complaint for illegal dismissal upon finding that there was no employer-employee relationship between the parties.[5]

Wahing et al. worked as rubber tree tappers for the Daguio Spouses until Mait was ordered to "stop tapping the rubber tree" on October 15, 2006. On February 6, 2007, Wahing and Calago were similarly ordered to stop working on the Daguio Spouses' trees.[6]

Wahing et al. then filed a complaint for illegal dismissal, reinstatement or separation pay, underpayment of wages, labor standards benefits, damages, and attorney's fees. However, the Labor Arbiter dismissed the complaint "after finding that the relationship between [the parties] was that of a landlord and tenant and not of employer-employee."[7]

Thereafter, Wahing et al. appealed the Labor Arbiter's ruling before the National Labor Relations Commission which then vacated and set aside their complaint's dismissal and ordered the Labor Arbiter to decide the complaint on the merits.[8]

When the Labor Arbiter ordered the parties to submit their respective position papers, only Wahing et al. were able to file theirs, despite the Daguio Spouses being sent several notices to do so. Thus, the Labor Arbiter's September 28, 2010 Decision ruled that Wahing et al. were illegally dismissed from employment. The Labor Arbiter then ordered the Daguio Spouses to pay Wahing et al. a total monetary award of ₱777,090.52.[9]

Afterwards, the Daguio Spouses appealed the Labor Arbiter's findings to the National Labor Relations Commission, arguing that they neither received the Labor Arbiter's Orders to submit their position paper nor Wahing

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2 *Rollo*, at 38–45. The January 23, 2015 Decision in CA-G.R. SP No. 04746-MIN was penned by Associate Justice Edward B. Contreras and concurred in by Associate Justices Edgardo T. Lloren and Rafael Antonio M. Santos of the Court of Appeals, Twenty-Third Division, Cagayan De Oro City.

3 Id. at 47–48. The July 7, 2015 Resolution in CA-G.R. SP No. 04746 was penned by Associate Justice Edgardo T. Lloren and concurred in by Associate Justices Rafael Antonio M. Santos and Ronaldo B. Martin of the Court of Appeals, Special Former Twenty-Third Division, Cagayan De Oro City.

4 Id. at 48.

5 Id. at 44.

6 Id. at 39.

7 Id.

8 Id.

9 Id. at 39–40.

et al.'s position paper.[10] The Daguio Spouses also moved to have their appeal bond reduced, which was partially granted, subject to an additional posting of ₱50,000.00 in cash or surety, as appeal bond.[11] In view of the Daguio Spouses' appeal, the National Labor Relations Commission issued an August 24, 2011 Resolution, ordering the case remanded once more for reception of the Daguio Spouses' evidence. The dispositive portion reads:

> WHEREFORE, the Decision dated September 28, 2010 is hereby SET ASIDE. Let the records of the case be REMANDED to the Executive Labor Arbiter a quo for appropriate action and to dispose of the case on the merits.
>
> SO ORDERED.[12]

Wahing et al. then moved for the reconsideration of the August 24, 2011 Resolution, but were denied relief. Thus, they filed a Petition for Certiorari before the Court of Appeals, arguing that: (1) the National Labor Relations Commission had no jurisdiction to render the assailed Resolution because the Daguio Spouses failed to perfect their appeal; and (2) that contrary to the assailed Resolution, the Labor Arbiter respected the Daguio Spouses' right of due process by giving them adequate time and notice to submit their evidence, which they allegedly disregarded.[13]

Instead of ruling on the procedural defects raised in the Petition for Certiorari, the Court of Appeals decided the case on the merits because the case had already been remanded multiple times and the parties' evidence had already been attached to the pleadings made part of the record. It found that the Daguio Spouses' evidence adequately refuted the existence of an employer-employee relationship, while Wahing et al. merely relied on procedural technicalities and "self-serving allegations."[14]

Further, since Wahing et al. failed to overcome their burden of proving the existence of the employer-employee relationship, the Court of Appeals found that they could not have been illegally dismissed from employment. Thus, the dispositive portion from the Court of Appeals January 23, 2015 Decision reads:

> WHEREFORE, premises considered, the assailed Resolution dated August 24, 2011 of the National Labor Relations Commission, Eighth Division, Cagayan De Oro City is hereby REVERSED and SET ASIDE. Petitioner's Complaint for illegal dismissal, reinstatement or separation pay, underpayment of wages, premium pay for holiday, holiday pay, rest day pay, service inventive leave pay, vacation/sick leave pay, 13th month pay, moral

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10 Id. at 40.
11 Id. at 85.
12 Id. at 40.
13 Id. at 41.
14 Id. at 42.

and exemplary damages and attorney's fees is hereby DISMISSED for lack of basis.

SO ORDERED.[15]

Wahing et al. then moved for the reconsideration of the Court of Appeals' Decision but were again denied relief.[16]

Thus, Wahing et al. filed a Petition for Review on Certiorari before this Court, which argues that the Court of Appeals committed grave error when it ruled on the merits of the case despite these issues never being raised in their Petition for Certiorari.

Petitioners Wahing et al. contend that there was no basis to appreciate respondents Daguio Spouses' evidence since they repeatedly failed to submit their position paper before the Labor Arbiter despite numerous notices. Petitioners also assert that, in any event, the National Labor Relations Commission had no jurisdiction to remand the case again to the Labor Arbiter for reception of respondents' evidence because the latter failed to submit the required surety bond to perfect their appeal. Thus, petitioners conclude that the Labor Arbiter's decision finding for their illegal dismissal should have been deemed final.[17]

On substantive matters, petitioners contest the Court of Appeals' finding that they failed to establish the existence of an employer-employee relationship with respondents. Petitioners cite their co-workers' supporting affidavits, which allegedly establish their employment relationship with respondents. Petitioners also contest the Court of Appeals' reliance on *Lirio v. Genovia*[18] in justifying the Court of Appeals' review of the facts establishing an employer-employee relationship. According to petitioners, their Petition for Certiorari before the Court of Appeals, unlike the petition in *Lirio*, never placed the existence of the employer-employee relationship in issue. Thus, it was improper for the Court of Appeals to rule on an issue which was never raised by the parties.[19]

In their Comment, respondents argued that the Court of Appeals properly resolved the case on the merits, because petitioners allegedly raised issues on: (1) the timeliness of respondents' appeal before the National Labor Relations Commission; (2) the propriety of resolving the issues without allowing respondents to present their evidence; and (3) petitioner's right to be paid "holiday pay, premium pay for holiday, rest day pay[,] and etc." Respondents also insist that the Court of Appeals' ruling on the merits is

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15 Id. at 44.
16 Id. at 47–48.
17 Id. at 29.
18 677 Phil. 134 (2011) [Per J. Peralta, Third Division].
19 *Rollo*, pp. 30–32.

consistent with the parties' right to speedy disposition of cases.[20]

On the timeliness of their appeal, respondents argue that they satisfied the requirement of bond posting when they complied with the order partially granting their Motion to Reduce Bond.[21] Finally, in support of the Court of Appeals' reliance on *Lirio*, respondents argue that the Court of Appeals was well within its authority to "review the finding of facts of the NLRC and the evidence of the parties" in determining grave abuse of discretion.[22]

In their Reply, petitioners argued that respondents' motion to reduce their appeal bond failed to satisfy the legal standards for substantial compliance. Not only did respondents allegedly fail to post the required 10% of the monetary award appealed from, but they also failed to establish a meritorious ground for leniency in complying with procedural rules. According to petitioners, respondents falsely claimed that they were denied due process since they either failed or refused to submit their evidence and position paper despite due and repeated notice.[23] In any event, petitioners contend that *Lirio* does not apply to their case, and reiterate that it was improper for the Court of Appeals to rule on the merits of the case when the same were never raised in their Petition for Certiorari.[24]

The issue to be resolved by this Court is whether or not the Court of Appeals gravely erred in resolving issues which were not raised on appeal by the petitioners. Subsumed under this is the issue of whether or not petitioners were respondents' employees.

We grant the Petition.

While the Court of Appeals correctly delved into the case's merits, it erroneously ruled that the parties did not have an employer-employee relationship.

I

The Court of Appeals has the authority to review and decide the case on the merits, consistent with the principle of judicial economy and in avoidance of "dispensing piecemeal justice[.]"[25]

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20 Id. at 73.
21 Id. at 74.
22 Id. at 73.
23 Id. at 109–111.
24 Id. at 112–113.
25 *Catholic Bishop of Balanga v. Court of Appeals*, 332 Phil. 206, 217 (1996) [Per J. Hermosisima, Jr., First Division].

In *Heirs of Loyola v. Court of Appeals*,[26] the Court of Appeals decided a case on the merits even when the petition for certiorari that raised the case for review questioned only the propriety of the case's dismissal on procedural grounds. The petitioners in *Heirs of Loyola* argued that since substantive issues were never raised in their petition for certiorari, the Court of Appeals gravely abused its discretion in ruling on the same. Citing *Catholic Bishop of Balanga v. Court of Appeals*,[27] *Heirs of Loyola* discussed the scope of issues that the Court of Appeals may validly undertake on review:

> *As a general rule, only matters assigned as errors in the appeal may be resolved.* Rule 51, Section 8 of the Rules of Court provides:
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> > SECTION 8. *Questions that May Be Decided.* — No error which does not affect the jurisdiction over the subject matter or the validity of the judgment appealed from or the proceedings therein will be considered unless stated in the assignment of errors, or closely related to or dependent on an assigned error and properly argued in the brief, save as the court may pass upon plain errors and clerical errors.
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> *This provision likewise states that the Court of Appeals may review errors that are not assigned but are closely related to or dependent on an assigned error.* The Court of Appeals is allowed discretion if it "finds that their consideration is necessary in arriving at a complete and just resolution of the case."
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> Jurisprudence has established several exceptions to this rule. These exceptions are enumerated in *Catholic Bishop of Balanga v. Court of Appeals*:
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> > True, the appealing party is legally required to indicate in his brief an assignment of errors, and only those assigned shall be considered by the appellate court in deciding the case. However, equally settled in jurisprudence is the exception to this general rule.
> >
> > > "*. . . Roscoe Pound states that 'according to Ulpian in Justinian's Digest, appeals are necessary to correct the unfairness or unskillfulness of whose who judge.*['] *Pound comments that 'the purpose of review is prevention quite as much as correction of mistakes. The possibility of review by another tribunal, especially a bench of judges . . . is an important check upon tribunals of first instance. It is a preventive of unfairness. It is also a stimulus to care and thoroughness as not to make mistakes.*['] *Pound adds that 'review involves matters of concern both to the parties to the case and to the public. . . . It is of public concern that full justice be done*

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[26] *Heirs of Loyola v. Court of Appeals*, 803 Phil. 143 (2017) [Per J. Leonen, Second Division].

[27] *Catholic Bishop of Balanga v. Court of Appeals*, 332 Phil. 206 (1996) [Per J. Hermosisima, Jr., First Division].

> *to [e]very one.*[‘] *This judicial injunction would best be fulfilled and the interest of full justice would best be served if it should be maintained that . . . appeal brings before the reviewing court the totality of the controversy resolved in the questioned judgment and order apart from the fact that such full-scale review by appeal is expressly granted as a matter of right and therefore of due process by the Rules of Court.*"

Guided by the foregoing precepts, we have ruled in a number of cases that the appellate court is accorded a broad discretionary power to waive the lack of proper assignment of errors and to consider errors not assigned. It is clothed with ample authority to review rulings even if they are not assigned as errors in the appeal. Inasmuch as the Court of Appeals may consider grounds other than those touched upon in the decision of the trial court and uphold the same on the basis of such other grounds, the Court of Appeals may, with no less authority, reverse the decision of the trial court on the basis of grounds other than those raised as errors on appeal. We have applied this rule, as a matter of exception, in the following instances:

> (1) Grounds not assigned as errors but affecting jurisdiction over the subject matter;
> (2) Matters not assigned as errors on appeal but are evidently plain or clerical errors within contemplation of law;
> (3) *Matters not assigned as errors on appeal but consideration of which is necessary in arriving at a just decision and complete resolution of the case or to serve the interest of justice or to avoid dispensing piecemeal justice*;
> (4) *Matters not specifically assigned as errors on appeal but raised in the trial court and are matters of record having some bearing on the issue submitted which the parties failed to raise or which the lower court ignored*;
> (5) Matters not assigned as errors on appeal but closely related to an error assigned; and
> (6) Matters not assigned as errors on appeal but upon which the determination of a question properly assigned, is dependent.

Thus, the Court of Appeals has the discretion to consider the issue and address the matter where its ruling is necessary (a) to arrive at a just and complete resolution of the case; (b) to serve the interest of justice; or (c) *to avoid dispensing piecemeal justice.* This is consistent with its authority to review the totality of the controversy brought on appeal.[28] (Emphasis in the original, citations omitted)

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28 *Heirs of Loyola v. Court of Appeals*, 803 Phil. 143, 154-156 (2017) [Per J. Leonen, Second Division].

Thus, while petitioners here are correct that the Court of Appeals should generally review only the issues raised in the parties' pleadings, the Court of Appeals may review the case "in its entire context" to ensure its effective resolution, and to ensure the least cost to the judiciary and to the party litigants.[29]

Petitioners insist that procedural defects in respondents' appeal before the National Labor Relations Commission, such as respondents' alleged failure to post the full appeal bond required by the rules, should have barred the case's remand for receipt of respondent's evidence. However, *Tres Reyes v. Maxim's Tea House*[30] provides guidance on the extent to which procedural rules may determine outcomes before the labor tribunals:

> *In labor cases, rules of procedure should not be applied in a very rigid and technical sense.* They are merely tools designed to facilitate the attainment of justice, and where their strict application would result in the frustration rather than promotion of substantial justice, technicalities must be avoided. *Technicalities should not be permitted to stand in the way of equitably and completely resolving the rights and obligations of the parties.* Where the ends of substantial justice shall be better served, the application of technical rules of procedure may be relaxed.[31] (Emphasis supplied, citations omitted)

In view of the case's prolonged litigation, which stood to take even longer with the Commission's order of a second remand to the Labor Arbiter, the Court of Appeals properly took notice of both parties' evidence in order to resolve the case on the merits.

II

As to petitioners' contentions regarding the posting of an appeal bond, *Tres Reyes* also deems this requirement as a procedural matter that may be relaxed in pursuit of substantial justice.[32] Further, *Turks Shawarma Company v. Fajaron*[33] discusses when compliance with the appeal bond requirement may be given leniency:

> "It is clear from both the Labor Code and the NLRC Rules of Procedure that there is legislative and administrative intent to strictly apply the appeal bond requirement, and the Court should give utmost regard to this intention." The posting of cash or surety bond is therefore mandatory and jurisdictional; failure to comply with this requirement renders the

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29 Id. at 157.
30 446 Phil. 389 (2003) [Per J. Quisimbing, Second Division].
31 Id. at 400.
32 Id.
33 803 Phil. 315 (2017) [Per J. Del Castillo, First Division].

> decision of the Labor Arbiter final and executory. This indispensable requisite for the perfection of an appeal "is to assure the workers that if they finally prevail in the case[,] the monetary award will be given to them upon the dismissal of the employer's appeal [and] is further meant to discourage employers from using the appeal to delay or evade payment of their obligations to the employees."
>
> *However, the Court, in special and justified circumstances, has relaxed the requirement of posting a supersedeas bond for the perfection of an appeal on technical considerations to give way to equity and justice.* Thus, under Section 6 of Rule VI of the 2005 NLRC Revised Rules of Procedure, *the reduction of the appeal bond is allowed, subject to the following conditions: (1) the motion to reduce the bond shall be based on meritorious grounds; and (2) a reasonable amount in relation to the monetary award is posted by the appellant. Compliance with these two conditions will stop the running of the period to perfect an appeal.*[34] (Emphasis supplied, citations omitted)

Petitioners themselves recognize that the National Labor Relations Commission granted respondents' Motion to Reduce Appeal Bond,[35] and that respondents "submitted their compliance . . . by posting an additional bond of Php 50,000.00."[36] We find no issue with respondents' compliance with the statutory requirement.

The Court of Appeals validly decided the issues based on the arguments and evidence provided by both parties, which is more consistent with "a just and complete resolution of the case[.]"[37]

III

Having resolved the propriety of the Court of Appeals' decision on the merits, this Court is now tasked with reviewing whether there was an employer-employee relationship between the parties. While this would entail a factual review, which is generally beyond the scope of a Rule 45 petition, the lower tribunals' conflicting prior findings on the existence of an employer-employee relationship gives basis for review.[38]

Contrary to the Court of Appeals' findings, respondents employed petitioners as farm workers and are, thus, subject to the rules governing an employer-employee relationship. *Consulta v. Court of Appeals*,[39] citing *Viaña v. Al-Lagadan*,[40] discusses the four-fold test for determining the existence of the employer-employee relationship:

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34 Id. at 324–325.
35 *Rollo*, p. 19, par. 33.
36 Id., par. 35.
37 *Heirs of Loyola v. Court of Appeals*, 803 Phil. 143, 156 (2017) [Per J. Leonen, Second Division].
38 *Pascual v. Burgos*, 776 Phil. 167, 182–183 (2016) [Per J. Leonen, Second Division].
39 493 Phil. 842 (2005) [Per J. Carpio, First Division].
40 99 Phil. 408 (1956) [Per J. Concepcion, En Banc].

> In *Viaña v. Al-Lagadan,* the Court first laid down the four-fold test to determine the existence of an employer-employee relationship. The four elements of an employer-employee relationship, which have since been adopted in subsequent jurisprudence, are (1) the power to hire; (2) the payment of wages; (3) the power to dismiss; and (4) the power to control. *The power to control is the most important of the four elements.*[41] (Emphasis supplied, citations omitted)

Respondents consistently argued before the labor tribunals that petitioners were not their employees because the latter "only share[d] in the proceeds"[42] of rubber sales from their tapping activities instead of earning wages. Respondents also deny exercising control over the means and methods of petitioners' work as rubber tappers. *De Los Reyes v. Espineli*[43] discusses that such a relationship may be classified as agricultural tenancy instead of agricultural employment:

> We are here primarily interested in *the basic differences between a farm employer-farm worker relationship and an agricultural sharehold tenancy relationship.* Both, of course, are leases, but there the similarity ends. *In the former, the lease is one of labor, with the agricultural laborer as the lessor of his services, and the farm employer as the lessee thereof. In the latter, it is the landowner who is the lessor, and the sharehold tenant is the lessee of agricultural land.* As lessee he has possession of the leased premises. But the relationship is more than a mere lease. It is a special kind of lease, the law referring to it as a "joint undertaking." For this reason, not only the tenancy laws are applicable, but also, in a suppletory way, the law on leases, the customs of the place and the civil code provisions on partnership. The share tenant works for that joint venture. *The agricultural laborer works for the farm employer, and for his labor he receives a salary or wage, regardless of whether the employer makes a profit. On the other hand, the share tenant participates in the agricultural produce. His share is necessarily dependent on the amount of the harvest.*[44] (Emphasis supplied, citations omitted)

De Los Reyes then teaches that the existence of agricultural employment may be determined by the same four elements of: "(1) the selection and engagement of the employee; (2) the payment of wages; (3) the power of dismissal; and (4) the employer's power to control the employee's conduct."[45] Thus, *De Los Reyes* examined the following circumstances in determining the existence of an employment relationship:

> *Since the relationship between farm employer and agricultural laborer is that of employer and employee, the decisive factor is the control exercised by the former over the latter. On the other hand, the landholder*

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41 *Consulta v. Court of Appeals*, 493 Phil. 842, 847 (2005) [Per J. Carpio, First Division].
42 *Rollo*, p. 42.
43 141 Phil. 247 (1969) [Per J. Castro, En Banc].
44 Id. at 255–256.
45 *De Los Reyes v. Espineli*, 141 Phil. 247, 254 (1969) [Per J. Castro, En Banc].

> *has the "right to require the tenant to follow those proven farm practices which have been found to contribute towards increased agricultural production and to use fertilizer of the kind or kinds shown by proven farm practices to be adapted to the requirements of the land."* This is but the right of a partner to protect his interest, not the control exercised by an employer. If landholder and tenant disagree as to farm practices, the former may not dismiss the latter. It is the court that shall settle the conflict according to the best interests of both parties.
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> The record is devoid of evidentiary support for the notion that the respondents are farm laborers. *They do not observe set hours of work. The petitioner has not laid down regulations under which they are supposed to do their work.* The argument tendered is that they are guards. However, it does not appear that they are under obligation to report for duty to the petitioner or his agent. *They do not work in shifts. Nor has the petitioner prescribed the manner by which the respondents were and are to perform their duties as guards. We do not find here that degree of control and supervision evincive of an employer-employee relationship.*[46] (Emphasis supplied, citations omitted)

Both parties submitted testimonial evidence in support of their respective positions on the existence of the employer-employee relationship. Petitioners submitted testimonies from their co-workers detailing: (1) their daily wages for their required hours of work; (2) respondents' constant supervision of their workers during work hours; and (3) the possibility of dismissal from work for failing to serve three consecutive work days.[47] On the other hand, respondents submitted the testimonies of their "former caretaker," a local rubber merchant, and several local government officials, who all testified that petitioners "only share[d] in the proceeds" of rubber sales and were not engaged as agricultural employees.[48]

From the foregoing, there is sufficient corroborating testimony to support petitioners' claim that they served as employees on respondents' rubber plantation. Testimonies from petitioners' colleagues, who were similarly asked to leave the plantation,[49] illustrate that they: (1) were required to work at set hours per day; (2) were paid a set rate per day of work; (3) worked under the respondents' constant supervision; and (4) could be dismissed for violating the work standards set by respondents.

As to the element of control, rubber tapping does not lend itself to the usual standard of assessing an employer's control over the "means and methods" of an employee's work. As discussed in the Court of Appeals Decision, petitioners' work only required the collection of "rubber lumps from the '*bagol*' or small containers attached to the trunk" and their placement in another container.[50] The activity may be better assessed for employer control

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46 Id. at 256–257.
47 *Rollo*, p. 25.
48 Id. at 42.
49 Id. at 25.
50 Id. at 44.

through an alternative test, as provided by *Francisco v. National Labor Relations Commission*[51]:

> *There are instances when, aside from the employer's power to control the employee with respect to the means and methods by which the work is to be accomplished, economic realities of the employment relations help provide a comprehensive analysis of the true classification of the individual, whether as employee, independent contractor, corporate officer or some other capacity.*
>
> The better approach would therefore be to adopt a *two-tiered test involving: (1) the putative employer's power to control the employee with respect to the means and methods by which the work is to be accomplished; and (2) the underlying economic realities of the activity or relationship.*
>
> *This two-tiered test would provide us with a framework of analysis, which would take into consideration the totality of circumstances surrounding the true nature of the relationship between the parties.* This is especially appropriate in this case where there is no written agreement or terms of reference to base the relationship on; and due to the complexity of the relationship based on the various positions and responsibilities given to the worker over the period of the latter's employment.[52] (Emphasis supplied)

The "economic reality" test discussed in *Francisco* requires proof of the "the totality of economic circumstances of the worker[,]"[53] in order to determine the existence of an employer-employee relationship:

> 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 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.*[54] (Emphasis supplied, citations omitted)

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51 532 Phil. 399 (2006) [Per J. Ynares-Santiago, First Division].
52 Id. at 407–408.
53 Id. at 408.
54 Id. at 408–409.

Here, the testimonies submitted by petitioners establish the totality of economic circumstances required by *Francisco*'s economic reality test. Petitioners perform services integral to respondents' business of running a rubber plantation. While there was no proof on record of petitioners' investment in their own work tools and facilities, the simplicity of the physical labor involved in their work renders this element inconclusive.

Likewise, the lack of proof of other plantations willing to employ petitioners cannot discount the proof presented that: (1) respondents exercised control over petitioners by constantly supervising them during their required work hours; (2) petitioners had no opportunity to exercise initiative or control their own profit or loss from their work, as they were paid a set daily wage; and (3) petitioners could be dismissed for repeatedly violating their required daily work engagements.

The foregoing circumstances, when applied to the two-tier test in *Francisco*, show that respondents exercised control over petitioners' hours, means, and methods of work. Petitioners were also shown to be economically dependent upon respondents for their livelihood. Thus, there exists an employer-employee relationship between the parties.

In any event, both parties offered the same type of evidence in support of their respective claims. Respondents' controverting testimonial evidence, sourced from a "former caretaker"[55] and several local government officials, is of equal weight with petitioners' evidence, at best. When the evidence between employer and laborer are of equal weight, the scales must tip in favor of labor, consistent with *Philippine National Bank v. Bulatao*[56]:

> Moreover, jurisprudence states that "[w]hen the evidence of the employer and the employee are in equipoise, doubts are resolved in favor of labor. This is in line with the policy of the State to afford greater protection to labor."[57] (Citation omitted)

Affording protection to labor and construing doubt in favor of the laborer are not only statutorily required under the Labor Code,[58] but are also consistent with the "social justice suppositions underlying labor laws[.]"[59]:

> Our laws on labor, foremost of which is the Labor Code, are pieces of social legislation. They have been adopted pursuant to the constitutional recognition of "labor as a primary social economic force" and to the

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55 *Rollo*, p. 42.

56 G.R. No. 200972, December 11, 2019, <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/65954> [Per J. Hernando, Second Division].

57 Id.

58 LABOR CODE, art. 4.

59 *Rivera v. Genesis Transport Service, Inc.*, 765 Phil. 544 (2015) [Per J. Leonen, Second Division].

> constitutional mandates for the state to "protect the rights of workers and promote their welfare" and for Congress to "give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, [and] reduce social, economic, and political inequalities."
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> They are means for effecting social justice, i.e., the "humanization of laws and the equalization of social and economic forces by the State so that justice in the rational and objectively secular conception may at least be approximated."
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> Article XIII, Section 3 of the 1987 Constitution guarantees the right of workers to security of tenure. "One's employment, profession, trade or calling is a "property right," of which a worker may be deprived only upon compliance with due process requirements:
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> > It is the policy of the state to assure the right of workers to "security of tenure" (Article XIII, Sec. 3 of the New Constitution, Section 9, Article II of the 1973 Constitution). 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.
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> Conformably, liberal construction of Labor Code provisions in favor of workers is stipulated by Article 4 of the Labor Code:
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> > Art. 4. Construction in favor of labor. All doubts in the implementation and interpretation of the provisions of this Code, including its implementing rules and regulations, shall be resolved in favor of labor.[60] (Citations omitted)

Social justice requires consideration for labor due to their disadvantaged position. The Court of Appeals should not have placed such an onerous evidentiary burden on petitioners given the evidence already on record. Both parties submitted competing testimonial evidence, giving sufficient basis to apply the principle of equipoise and rule in favor of labor.

In view of the employer-employee relationship between the parties, respondents illegally terminated petitioners' employment by ordering them to stop their work without just or authorized cause. Petitioners are entitled to reinstatement, and the payment of back wages and labor standards benefits from the time of their dismissal from employment until the finality of this

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60 *Rivera v. Genesis Transport Service, Inc.*, 765 Phil. 544 (2015) [Per J. Leonen, Second Division].

Decision.[61] Should reinstatement be impossible or impractical due to strained relations between the parties,[62] respondents shall pay petitioners separation pay. Attorney's fees of ten percent (10%) of the total monetary award are warranted in view of the litigation costs incurred by Petitioners as a result of their illegal dismissal. However, there is no basis for an award of moral or exemplary damages as there is no proof of malice, fraud or bad faith in respondents' actions.[63]

WHEREFORE, the Petition for Review on Certiorari is **GRANTED**. The Court of Appeals' January 23, 2015 Decision, and its July 7, 2015 Resolution, are hereby **REVERSED** and **SET ASIDE**.

The September 28, 2010 Decision of the Labor Arbiter finding the existence of the employer-employee relationship and petitioners' illegal dismissal, and awarding back wages and other benefits is hereby **REINSTATED**, subject to the possibility of reinstatement in lieu of separation pay. Petitioners are likewise entitled to Attorney's Fees at the rate of ten percent (10%) of the entire monetary award.

SO ORDERED.

MARVIC M.V.F. LEONEN
Associate Justice

WE CONCUR:

AMY C. LAZARO-JAVIER
Associate Justice

MARIO V. LOPEZ
Associate Justice

JHOSEP Y. LOPEZ
Associate Justice

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61 *Hubilla v. HSY Marketing Ltd., Co.*, G.R. No. 207354, January 10, 2018 <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/63843> [Per J. Leonen, Third Division].

62 *Kingsize Manufacturing Corp. v. National Labor Relations Commission*, 308 Phil. 367 (1994) [Per J. Mendoza, Second Division].

63 *Rivera v. Genesis Transport Service, Inc.*, 765 Phil. 544 (2015) [Per J. Leonen, Second Division].

ANTONIO T. KHO, JR.
Associate Justice

ATTESTATION

I attest 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.

MARVIC M.V.F. LEONEN
Associate Justice
Chairperson

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 case was assigned to the writer of the opinion of the Court's Division.

ALEXANDER G. GESMUNDO
Chief Justice