



Republic of the Philippines  
Supreme Court  
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **October 14, 2020** which reads as follows:*

**“G.R. No. 248491 – GLOBAL SKILLS PROVIDERS MULTI-PURPOSE COOPERATIVE vs. VIRGILIO ANCHETA**

Petitioner Global Skills Providers Multi-Purpose Cooperative assails the Decision<sup>1</sup> dated May 30, 2018 and Resolution<sup>2</sup> dated July 22, 2019 of the Court of Appeals in CA-G.R. SP No. 146600 declaring petitioner as a mere labor-only contractor and respondent Virgilio Ancheta as Global City’s employee.

**Antecedents**

By Complaint<sup>3</sup> dated February 12, 2014, Virgilio Ancheta and nineteen (19) others<sup>4</sup> filed a case for illegal dismissal and other monetary claims<sup>5</sup> against Global City Car Lease and Transport Corporation, Global Skills Providers Multi-Purpose Cooperative, Felomina Zuño, and Noel Ignacio. They essentially alleged:

On different dates, they were hired by Global City to perform different tasks,<sup>6</sup> as follows:

- over – eighteen (18) pages ...  
**148-A**

<sup>1</sup> Penned by Associate Justice Elihu A. Ybanez and concurred in by Associate Justice Rosmari D. Carandang (now a member of this Court) and Pedro B. Corales, all members of the Third Division, *rollo*, Volume I, pp. 34-54.

<sup>2</sup> *Id.* at 55-60.

<sup>3</sup> *Id.* at 61-62.

<sup>4</sup> Federico Ordina Ong, Florentino P. Rodilla, Jr., Jourdan SJ Espiritu, Danilo Ariza, Jesus Flordelito Orfanel Alarcon, Jenny Moral Mindo, Marcelino Reginio Gumban, Jimmy Cruz Fuentes, Clarito Quilatan Aranda, Leo Debuyan Corpin, Edwin Caraan Enguancho, Isidro Organo Carmona, Jr., Quits Joy Mangahas Lumbad, Lyndon Alejo Timuat, Alfredo Halili Beron, Jr., Menandro Linatoc Nantes, Ferdinand Yap Nolloedo, Arman Delino Pauya, and Romeo T. Gonzales, Jr., *rollo*, Volume II, p. 649.

<sup>5</sup> Underpayment and non-payment of overtime pay, non-payment of holiday pay, non-payment of holiday premium, non-payment of service incentive leave, non-payment of 13<sup>th</sup> month pay, non-payment of separation pay, illegal deduction, damages, and attorney’s fees, *id.*

<sup>6</sup> *Rollo*, Volume I, pp. 230-248.

<b>Name</b>	<b>Date Hired</b>	<b>Task</b>
Federico Ordina Ong	October 1, 2008 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Florentino P. Rodilla, Jr.	October 1, 2008 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Quits Joy Mangahas Lumbad	October 1, 2008 (Global City)	Driver/Chauffeur then Dispatcher
Isidro Organo Carmona, Jr.	October 30, 2008 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Leo Debuyan Corpin <sup>7</sup>	November 2008	Driver/Chauffeur
Jenny Moral Mindo	December 8, 2008 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Menandro Linatoc Nantes	November 24, 2008 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Jourdan SJ Espiritu	March 22, 2009 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur

- over -

**148-A**

<sup>7</sup> The Position Paper did not narrate complainant Corpin's employment particulars. Thus, the disposition was based on his complaint form, *rollo*, Volume II, p. 651)

Ferdinand Yap Nolloo	March 2009 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Danilo Ariza	July 1, 2009 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Alfredo Halili Beron, Jr.	July 2009 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Romeo T. Gonzales	September 2009 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Jimmy Cruz Fuentes	March 26, 2010 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Clarito Quilatan Aranda	September 11, 2010 to September 31, 2011 (Global Skills); October 2011 to December 2013 (Global City)	Driver/Chauffeur
Arman Delino Pauya	September 2011 (Global Skills)	Driver/Chauffeur
Lyndon Alejo Timuat	October 1, 2011 (Global Skills)	Driver/Chauffeur
<b>Virgilio Ancheta</b>	<b>December 16, 2011 (Global Skills)</b>	<b>Driver/Chauffeur</b>
Edwin Caraan Enguancho	January 2012 (Global Skills)	Driver/Chauffeur

Complainants **Ong, Rodilla, Carmona, Jr., Mindo, Nantes, Espiritu, Nollado, Ariza, Beron, Jr., Gonzales, Jr., Fuentes, and Aranda** alleged that Global City directly engaged them to transport Philippine Airlines' (PAL) employees to and from the airport. On September 31, 2011, they were forced to join Global Skills or run the risk of being dismissed; and their earned salary, cash bond, and other benefits, forfeited. Despite their forced transfer to Global Skills, however, they continued to perform their respective usual tasks at Global City.<sup>8</sup>

Complainants **Pauya, Timuat, Ancheta, and Enguancho**, on the other hand, averred that they too were hired by Global City on condition that they join Global Skills.<sup>9</sup>

Meanwhile, complainant **Lumbad** remained with Global City from engagement to dismissal.

They performed acts necessary and desirable to Global City's principal business and trade of car rental and transport. They worked twelve (12) hours a day, six (6) days a week with daily four (4) hours of overtime. Despite rendering four (4) hours of overtime, most<sup>10</sup> of them were only paid for two and a half hours (2 ½) while the others,<sup>11</sup> for only three (3) hours.

Between December 15 to 18, 2013, they were successively barred from performing their duties, except for complainant Espiritu who was dismissed on July 31, 2013. They were no longer given any work schedule. They demanded an explanation but it all fell on deaf ears. Eventually, they demanded to be given their final pay and other benefits. The same were paid them but not after they signed several documents. Complainant Gumban's refusal to sign the documents resulted in the forfeiture of his final pay and other monetary benefits.

**Global Skills** and Felomina Zuño<sup>12</sup> countered that it was a cooperative duly registered with the Cooperative Development Authority (CDA). It was a holder of Certificate of Registration No. NCR-QCFO-7493-0912-101<sup>13</sup> issued pursuant to D.O. No. 18-A.<sup>14</sup>

- over -

**148-A**

<sup>8</sup> NLRC Decision, p. 4; *rollo*, Volume II, pp. 727-728.

<sup>9</sup> *Id.* at 728.

<sup>10</sup> Federico Ordina Ong, Menandro Linatoc Nantes, Florentino P. Rodilla, Jr., Danilo Ariza, Ferdinand Yap Nollado, Jenny Moral Mindo, Clarito Quilatan Aranda, Jimmy Cruz Fuentes, Jourdan SJ Espiritu, Isidro Organo Carmona, Jr., Romeo T. Gonzales, Quits Joy Mangahas Lumbad, and Alfredo Halili Beron, Jr.

<sup>11</sup> Arman Delino Pauya, Virgilio Ancheta, Edwin Caraan Enguancho, and Lyndon Alejo Timuat.

<sup>12</sup> *Rollo*, Volume I, 68-79.

<sup>13</sup> *Id.* at 434.

<sup>14</sup> Rules Implementing Articles 106 to 109 of the Labor Code, as Amended, DOLE Department Order No. 18-A-11, November 14, 2011.

Complainants were cooperative members who were assigned at Global City based on the Contract of Service dated September 23, 2011 between Global Skills and Global City. Complainants' daily task was to fetch PAL's pilots from their home and drop them off at the airport, and *vice versa*.

Complainants' twelve (12) hour shift included eight (8) hours of regular work, three (3) hours of overtime pay, and one (1) hour meal period. They were mandated to observe one (1) hour meal period between 12 noon and 2 o'clock in the afternoon to maintain mental alertness. It denied complainants' claim for other statutory benefits because the 13<sup>th</sup> month pay was already equivalent to the cooperative's version of year end incentives while the Service Incentive Leave, to the cooperative's version of Mid-Year Incentives. Complainants' claims for actual and exemplary damages should be denied for lack of basis.

**Global City** and Manuel M. Ignacio,<sup>15</sup> on the other hand, averred that on October 2008, PAL engaged it as "Service Provider" for three (3) years (until September 30, 2011) for cabin crew pick-up and drop-off services. As a result, it engaged complainants as drivers based on the Project Employment Contract (coterminous with its contract with PAL) which was clearly explained to them at the start of their engagement.

On September 24, 2011, PAL laid off 2,600 ground crew to save on operating costs and to retain the jobs of its remaining employees. It informed complainants that their employment will be terminated upon the expiration of its contract with PAL on September 30, 2011. Complainants were then given their final pay and other monetary benefits as soon as they signed the corresponding Release, Waiver, and Quitclaim. It denied having engaged the services of complainants Fuentes, **Ancheta**, Gumban, and Enguancho because they were actually engaged by Global Skills.

Even applying the four-fold test, no employer-employee relationship existed between Global City and complainants:

**First.** Global City was no longer complainants' employer in view of the expiration of their employment contract on September 30, 2011. By October 2011, complainants were already affiliated with Global Skills;

**Second.** Global Skills paid complainants' wages;

- over -

148-A

---

<sup>15</sup> *Rollo*, Volume I, pp. 129-142.

**Third.** Global City had no power to dismiss complainants; and

**Fourth.** Global City had no power of control over the means and methods by which complainants accomplished their tasks.

In its Motion to Reopen Case and Admit Additional Evidence,<sup>16</sup> Global City submitted Global Skills' audited financial statements showing that the latter had a paid-up capital of ₱3,221,500.00 and ₱3,795,000.00 for the years 2013 and 2014, respectively. Too, Global Skills had respective assets worth ₱59,160,487.00 and ₱68,434,266.00 for the years 2013 and 2014.

### **The Labor Arbiter's Ruling**

By Decision<sup>17</sup> dated September 30, 2015, Labor Arbiter Fedriel S. Panganiban dismissed the complaints, thus:

**WHEREFORE**, all the foregoing considered, judgment is hereby rendered dismissing the complaint[s] against Global City Car Lease Transport Corporation for lack of merit, and the complaints against Global Skills Providers Multi-Purpose Cooperative for lack of jurisdiction.

The complaint of Marcelino R. Gumban and Jesus Alarcon is dismissed without prejudice.

**SO ORDERED.**<sup>18</sup>

According to the labor arbiter, complainants<sup>19</sup> were indeed Global City's employees from 2008 to 2011 pursuant to the fixed term employment contract. There was no dismissal in 2011 to speak of but only expiration of the contract. Complainants were duly informed of the duration of respective employment contracts with Global City right at the start of their engagement. When Global City was granted a new service agreement with PAL, it engaged Global Skills to provide the required manpower for a fixed period.

As borne by the records, Global Skills was engaged in permissible job contracting. It carried on an independent business, had

- over -

**148-A**

---

<sup>16</sup> *Id.* at 482-486.

<sup>17</sup> *Rollo*, Volume II, pp. 648-666.

<sup>18</sup> *Id.* at 666.

<sup>19</sup> The Labor Arbiter noted that while complainant Corpin verified the Position Paper, it did not contain any attendant circumstances surrounding his case against Global Skills and Global City. Thus, the disposition of Corpin's case was based on the complaint form. Meanwhile, Marcelino Reginio Gumban's and Jesus Flordelito Orfanel Alarcon's complaint were dismissed for failure to prosecute.

reputable and well known clients, and had a paid up capital of ₱3,221,500.00 and ₱3,795,000.00 in 2013 and 2014, respectively. Global Skills determined the nature and extent of complainants' work, exercised direct control and supervision over them, paid their salaries, and possessed the power to hire and fire. No employer-employee relationship, therefore, was established when complainants rendered services to Global City.

There was no constructive dismissal to speak of as between Global Skills and complainants because as cooperative members, they are deemed co-owners of the cooperative itself. As such, their relationship was governed by co-ownership, negating the alleged existence of employer-employee relationship between them. Thus, the absence of employer-employee relationship between Global Skills and complainants divested the NLRC of jurisdiction over the case.

### **The National Labor Relations Commission's (NLRC) Ruling**

On appeal, the NLRC reversed. It ruled that only Ong, Mindo, Espiritu, Ariza, Aranda, Carmona, Jr., Corpin, Rodilla, Gonzales, Jr., Lumbad, Pauya, and **Ancheta** verified and certified the Memorandum of Appeal, rendering the Labor Arbiter's decision final as to the others.

As for **Ancheta**, the NLRC held that he was **Global Skills'** employee, not of **Global City**. According to the NLRC, **Global Skills** was a legitimate labor contractor because it possessed substantial capital and exercised control over its employees. It did not give credence to Ancheta's claim of illegal dismissal because he was found to have voluntarily severed his employment when he signed his withdrawal of membership from the cooperative. His overtime pay was fully paid. Ancheta, nevertheless, was entitled to service incentive leave pay. Finally, his claim for illegal deduction for cooperative shares was negated by his withdrawal of membership.

Ancheta, Global City, and Global Skills, respectively, moved for partial reconsideration<sup>20</sup> but were denied under Resolution dated April 29, 2016.<sup>21</sup> On October 13, 2016, Global City and Ong, Rodilla, Ariza, Mindo, Aranda, Espiritu, Carmona, Jr., Gonzales, Jr., Lumbad, and Corpin executed a compromise agreement in full settlement of the NLRC's monetary award.<sup>22</sup>

- over -

148-A

---

<sup>20</sup> *Rollo*, Volume II, pp. 762-768.

<sup>21</sup> *Rollo*, Volume I, p. 43.

<sup>22</sup> *Rollo*, Volume II, pp. 643-647.

### The Proceedings before the Court of Appeals

Ancheta insisted that he was a regular employee of Global City; he was constructively dismissed when he was not given any work schedule; Global Skills was a labor-only contractor; he was directly under Global City's control and supervision. It was Global City which issued his work schedule and vehicle or security passes. He sought full backwages, separation pay, in lieu of reinstatement, damages, and attorney's fees.<sup>23</sup>

Global Skills,<sup>24</sup> on the other hand, maintained that it was a legitimate job contractor. It essentially reiterated its arguments in the proceedings *a quo*. For the year 2015, it had a total asset of ₱94,237,891.00 and a paid-up capital of ₱29,263,335.00. Although Ancheta was its employee, he was not constructively dismissed for he voluntarily severed his employment.

Global City, on the other hand, no longer appealed from the NLRC's ruling nor filed its comment on Ancheta's petition for *certiorari*.

### The Court of Appeals' Ruling

By its assailed Decision<sup>25</sup> dated May 30, 2018, the Court of Appeals granted Ancheta's petition,<sup>26</sup> *viz.*:

**WHEREFORE**, the instant petition is hereby **GRANTED**. The Decision dated 29 December 2015 by the Fifth Division of the National Labor Relations Commission (NLRC) in NLRC NCR Case Nos. 02-0153314 (NLRC LAC Case No. 11-003190-15), 01-01601-14, and 02-02020-14 as well as the Resolution promulgated on 29 April 2016 denying the Motion for Partial Reconsideration thereof are hereby **ANNULLED** and **SET ASIDE**. The case is hereby **REMANDED** to the NLRC for the determination of the full backwages and separation pay due petitioner Ancheta in accordance with this Decision.

x x x x

- over -

148-A

<sup>23</sup> *Rollo*, Volume I, pp. 43-44.

<sup>24</sup> *Id.* at 44-45.

<sup>25</sup> *Supra*, note 1.

<sup>26</sup> But dismissed the petition as regards Pauya for his failure to sign the verification and certification, thus:

x x x x

However, the instant petition is hereby **DISMISSED** insofar as petitioner Pauya is concerned due to his failure to sign the Verification and Certification as mandated by Sections 4 and 5, Rule 7 of the Revised Rules of Court.

x x x x



**SO ORDERED.**

According to the Court of Appeals, Global City failed to discharge its burden of proving that Global Skills was a legitimate job contractor. Global Skills did not possess either substantial capital or investment when it entered into contractual relation with Global City on September 23, 2011. The audited financial statements only proved Global Skills' sufficient capitalization for the years 2013 to 2015 but not for the year 2011 when it entered into the Contract of Service with Global City. Worse, Global Skills was not able to show that it owned tools, equipment, and machineries necessary to its status as contractor.

Global Skills' DOLE Certificate of Registration under Department Order No. 18-A was only issued on September 25, 2012 or a year after Global City and Global Skills entered into a Contract of Service and Ancheta got deployed to Global City. Record did not show that Global Skills was already registered as legitimate job contractor at the time Ancheta was deployed to Global City on December 16, 2011.

As a consequence of Global Skills' status as a labor only contractor, Ancheta was deemed to be Global City's employee.

At any rate, Ancheta's main duty was necessary and directly related to Global City's line of business. Too, Global City had the power of control over him in the performance of his work. He reported at Global City's premises six (6) days a week and drove Global City's vehicle to transport its clients based on the fixed schedule arranged by Global City itself. Global Skills' allegation that it designated its own representative to oversee its employees' performance was unsubstantiated.

Lastly, Ancheta was illegally dismissed when Global Skills terminated his services on the pretext that the service contract between Global Skills and Global City got terminated. Termination of service contract between these two is not a valid or just cause for termination of Ancheta's employment. Worse, neither Global City nor Global Skills complied with the procedural due process of notice and hearing.

Global City was held solidarily liable with Global Skills for Ancheta's backwages and reinstatement, or separation pay equivalent to one (1) month pay for every year of service if reinstatement was no longer feasible.

**The Present Petition**

- over -

148-A



Petitioner now seeks affirmative relief from the Court. It essentially reiterates its arguments before the tribunals below.

It asserts that it is a legitimate job contractor. Department Order No. 18-02, the prevailing issuance when Global City and Global Skills entered into a service contract, did not cover cooperatives. Only Department Order No. 18-A<sup>27</sup> required the cooperatives' registration as legitimate job contractors. Global Skills' registration and renewal as contractor under Department Order No. 18-A and Department Order No. 174-17<sup>28</sup> cured whatever inadvertence it may have committed under Department Order No. 18-02.

At any rate, it complied with the substantial capital requirement under Department Order No. 18-A and with all the employees' rights and benefits under Labor Laws. It has a reputable list of clients. Too, Ancheta was not illegally dismissed because he voluntarily severed his employment relation with Global Skills when he withdrew his cooperative membership on December 16, 2013.

### **Ruling**

The Court resolves to **DENY** the petition for failure to sufficiently show that the Court of Appeals committed reversible error in rendering its assailed dispositions as to warrant the exercise of the Court's discretionary appellate jurisdiction.

***Global Skills was not registered as a legitimate job contractor when it entered into a contractual relation with Global City.***

At the time Global Skills and Global City executed the Contract of Service on September 23, 2011, Department Order No. 18-02 governed the registration of legitimate job contractors. Section 11 thereof provided that a contractor's failure to register as a legitimate contractor shall give rise to the presumption that it is engaged in labor-only contracting, thus:

**SECTION 11. *Registration of Contractors or Subcontractors.*** — Consistent with the authority of the Secretary of Labor and Employment to restrict or prohibit the contracting out

- over -

**148-A**

---

<sup>27</sup> Rules Implementing Articles 106 to 109 of the Labor Code, as Amended, DOLE Department Order No. 18-A-11, November 14, 2011.

<sup>28</sup> Rules Implementing Articles 106 to 109 of the Labor Code, as Amended, DOLE Department Order No. 174-17, March 16, 2017.

of labor through appropriate regulations, a registration system to govern contracting arrangements and to be implemented by the Regional Offices is hereby established.

The registration of contractors and subcontractors shall be necessary for purposes of establishing an effective labor market information and monitoring.

***Failure to register shall give rise to the presumption that the contractor is engaged in labor-only contracting.***<sup>29</sup> (Emphases supplied)

Here, records are bereft of any showing that at the time Global Skills engaged Ancheta's services on December 16, 2011, it had a validly existing registration as a legitimate job-contractor under Department Order No. 1802. Although it was able to eventually submit its subsequent registration as such, the same became effective only on September 26, 2012 which means that at the time it engaged Ancheta's services, it was not yet a duly registered legitimate job-contractor.

In *Manila Memorial Park Cemetery, Inc. v. Lluz*,<sup>30</sup> the Court held that failure to register as a contractor gives rise to a presumption that one is engaged in labor-only contracting unless the contractor overcomes the burden of proving that it has substantial capital, investment, tools and the like.

***Global Skills is not a legitimate job contractor***

Aside from its lack of registration as a legitimate independent job contractor at the time it engaged Ancheta's services, Global Skills also lacked substantial capital or investment, nay, tools and equipment of its own to be able to carry a distinct and independent business free from the principal's control. Too, there is absolutely no mention of any agreement between Global Skills and the principal assuring the contractual employees' entitlement to all labor and occupational safety and health standards, free exercise of the right to self-organization, security of tenure, and social welfare benefits.<sup>31</sup>

In fine, Global Skills was a labor-only contractor pursuant to Section 5 of Department Order No. 18-02, viz.:

- over -

**148-A**

<sup>29</sup> Rules Implementing Articles 106 to 109 of the Labor Code, as Amended, DOLE Order No. 18-02, February 21, 2002.

<sup>30</sup> 780 Phil. 425, 438 (2016).

<sup>31</sup> See *Mago, et al. v. Sun Power Manufacturing Limited*, 824 Phil. 464, 476 (2018).

**SECTION 5. *Prohibition against labor-only contracting.***

— Labor-only contracting is hereby declared prohibited. For this purpose, labor-only contracting shall refer to an arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job, work or service for a principal, and any of the following elements are present:

i) The contractor or subcontractor does not have substantial capital or investment which relates to the job, work or service to be performed and the employees recruited, supplied or placed by such contractor or subcontractor are performing activities which are directly related to the main business of the principal; or

ii) the contractor does not exercise the right to control over the performance of the work of the contractual employee.

The foregoing provisions shall be without prejudice to the application of Article 248 (c) of the Labor Code, as amended.

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

The "right to control" shall refer to the right reserved to the person for whom the services of the contractual workers are performed, to determine not only the end to be achieved, but also the manner and means to be used in reaching that end.<sup>32</sup>

Notably, paragraph 3 of the Contract of Service between Global Skills and Global City states:

**3. CAPITALIZATION, TOOLS, EQUIPMENT, PREMISES:**

Consistent with its status as a legitimate independent COOPERATIVE, the COOPERATIVE hereby warrants that it possesses substantial capital and investments in the form of tools and equipment necessary to carry out its obligations under this Agreement. COMPANY shall allow COOPERATIVE the use of its tools, equipment and premises whenever necessary. Compensation for such use shall be agreed upon and shall be treated as part of the consideration to be paid by COMPANY to the COOPERATIVE.<sup>33</sup>

- over -

148-A

<sup>32</sup> Rules Implementing Articles 106 to 109 of the Labor Code, as Amended, DOLE Order No. 18-02, February 21, 2002.

<sup>33</sup> *Rollo*, p. 81.

Global Skills and Global City agreed in writing that the latter's tools and equipment shall be used by the former in transporting PAL's pilots and crew simply because Global Skills does not have tools and equipment of its own. In other words, were it not for Global City's tools and equipment, Global Skills would in no way be able to carry out an independent business. Global Skills' lack of investment in the form of tools and equipment was further bolstered by Ancheta and his co-complainants' claim that in performing their tasks, they drove Global City's vehicles which fact neither Global City nor Global Skills denied.

More, there is no showing that Global Skills possessed substantial capital at the time it entered into a service contract with Global City and engaged the services of Ancheta. Global City offered in evidence Global Skills' audited financial statements showing that for the years 2013 and 2014, Global Skills had a paid-up capital of ₱3,221,500.00 and ₱3,795,000.00, respectively. But records are bereft of Global Skills' financial status in 2011 when it entered into a service contract with Global City.

In *Alilin, e al. v. Petron Corp.*,<sup>34</sup> the Court found that RDG was a labor-only contractor because while Petron was able to establish that RDG was financially capable as a legitimate contractor at the time of the execution of the service contract in 2000, it nevertheless failed to establish the financial capability of RDG at the time petitioners actually started to work for Petron in 1968, 1979, 1981, 1987, 1990, 1992 and 1993.

Similarly, in *7K Corp. v. National Labor Relations Commission*,<sup>35</sup> the Court held that the presumption that Universal was a labor-only contractor was not overturned for there was no proof at all to prove that Universal had substantial capital, investment, or assets to perform the work contracted for. Thus, petitioner *7K Corp.*, the principal employer, was held solidarily liable with Universal, the labor-only contractor, for the employees' rightful claims.

***Cooperatives are covered by Department  
Order No. 18-02***

Petitioner Global Skills further argues that cooperatives like itself are not covered by Department Order No. 18-02.

Section 12 of Department Order No. 18-02 speaks for itself:

- over -

148-A

---

<sup>34</sup> 735 Phil. 509, 525-526 (2014).

<sup>35</sup> 537 Phil. 664, 679 (2006).

**SECTION 12. Requirements for Registration.** — A contractor or subcontractor shall be listed in the registry of contractors and subcontractors upon completion of an application form to be provided by the DOLE. The applicant contractor or subcontractor shall provide in the application form the following information:

(a) The name and business address of the applicant and the area or areas where it seeks to operate;

(b) The names and addresses of officers, if the applicant is a corporation, partnership, *cooperative* or union;

(c) The nature of the applicant's business and the industry or industries where the applicant seeks to operate;

(d) The number of regular workers; the list of clients, if any; the number of personnel assigned to each client, if any and the services provided to the client;

(e) The description of the phases of the contract and the number of employees covered in each phase where appropriate; and

(f) A copy of audited financial statements if the applicant is a corporation, partnership, *cooperative* or a union, or copy of the latest ITR if the applicant is a sole proprietorship.

The application shall be supported by:

(a) A certified copy of a certificate of registration of firm or business name from the Securities and Exchange Commission (SEC), Department of Trade and Industry (DTI), *Cooperative Development Authority (CDA)*, or from the DOLE if the applicant is a union; and

(b) A certified copy of the license or business permit issued by the local government unit or units where the contractor or subcontractor operates.

The application shall be verified and shall include an undertaking that the contractor or subcontractor shall abide by all applicable labor laws and regulations.<sup>36</sup>

So must it be.

In retrospect, Global Skills is a labor-only contractor, not a legitimate contractor as it claims to be. Consequently, it is solidarily

- over -

148-A

---

<sup>36</sup> Rules Implementing Articles 106 to 109 of the Labor Code, as Amended, DOLE Order No. 18-02, February 21, 2002

liable with Global City for Ancheta's monetary claims flowing from the illegal termination of his employment.

***Ancheta was illegally dismissed***

For a valid dismissal of an employee, both substantial and procedural due process must be observed by the employer. The right of an employee against termination of employment without just or authorized cause pertains to substantial due process. On the other hand, the employee's right to the twin requirements of notice and hearing pertains to procedural due process.<sup>37</sup> The employer must therefore furnish the employee with two (2) written notices before termination of employment may be effected: (1) the first appraises the employee of the particular acts or omissions for which his or her dismissal is sought; and (2) the second informs the employee of the employer's decision to dismiss him or her.<sup>38</sup>

Ancheta claims to have been directly hired by Global City on condition that he join Global Skills. Both assert though that he actually resigned from the cooperative. The fact however that Ancheta immediately filed the complaint for illegal dismissal after Global City or Global Skills stopped giving him any assignment negates his so called resignation. *Grande v. Philippine Nautical Training College*<sup>39</sup> held that voluntary resignation is difficult to reconcile with the filing of a complaint for illegal dismissal. The filing of the complaint belies the employer's claim that the employee voluntarily resigned.

Suffice it to state that both Global City and Global Skills have not denied the fact that no just or authorized cause exists to warrant the termination of Ancheta's employment: nor the fact that Ancheta had never been served with any notice of infraction, much less, a notice of hearing thereon. Nor was he served a notice of termination whether verbally or in writing. In fine, Ancheta was illegally dismissed, for which both Global City and Global Skills are liable in *solidum*.

***Monetary Awards***

- over -

148-A

---

<sup>37</sup> See *Slord Development Corp. v. Noya*, G.R. No. 232687, February 4, 2019.

<sup>38</sup> See *Distribution & Control Products, Inc. v. Santos*, 813 Phil. 423, 436 (2017).

<sup>39</sup> 806 Phil. 601, 616 (2017).

The Court of Appeals correctly awarded Ancheta full backwages pursuant to Article 294<sup>40</sup> of the Labor Code computed from December 2013 until finality of this Resolution. Separation pay was correctly awarded also since Ancheta no longer prayed for reinstatement and considering as well the length of time that has passed since the filing of the case – six (6) years and seven (7) months from February 2014.<sup>41</sup>

In addition, the Court deems it proper to award moral and exemplary damages, and attorney's fees. Moral damages are awarded to an illegally dismissed or suspended employee when the employer acted in bad faith or fraud, or in such manner oppressive to labor or contrary to morals, good customs or public policy.<sup>42</sup> Exemplary damages<sup>43</sup> should also be granted to serve as deterrent against or as negative incentive to curb socially deleterious actions.<sup>44</sup>

Considering the manner by which Ancheta's services were terminated (*i.e.*, suddenly he was not given any work, sans any explanation at all), coupled with the fact that he was not afforded substantive and procedural due process, the award of moral and exemplary damages in the amount of ₱50,000.00 each is warranted.

The grant of ten percent (10%) attorney's fees is also justified because Ancheta was forced to litigate and consequently incur expenses to protect his rights and interests.<sup>45</sup>

Lastly, the monetary awards shall earn six percent (6%) interest *per annum* from date of finality of this Resolution until full payment.<sup>46</sup>

- over -

148-A

---

<sup>40</sup> ARTICLE 294. [279] Security of Tenure. 228 — 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. (Labor Code of the Philippines, Presidential Decree No. 442, Amended & Renumbered, July 21, 2015).

<sup>41</sup> See *Daguinod v. Southgate Foods, Inc.*, G.R. No. 227795, February 20, 2019.

<sup>42</sup> See *Leo's Restaurant and Bar Café v. Densing*, 797 Phil. 7432, 761 (2016)

<sup>43</sup> **Article 2229.** Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

<sup>44</sup> See *Magsaysay Maritime Corp. v. Chin, Jr.*, 731 Phil. 614, 608 (2014).

<sup>44</sup> **Article 2229.** Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

<sup>44</sup> See *Magsaysay Maritime Corp. v. Chin, Jr.*, 731 Phil. 614, 608 (2014).

<sup>45</sup> See *Gopio v. Bautista*, G.R. No. 205953, June 6, 2018, 864 SCRA 463.

<sup>46</sup> See *Nacar v. Gallery Frames*, 716 Phil. 267, 283 (2013).



**ACCORDINGLY**, the petition is **DENIED** and the Decision dated May 30, 2018 and Resolution dated July 22, 2019 of the Court of Appeals in CA-G.R. SP No. 146600 are **AFFIRMED with MODIFICATION**.

**Global Skills and Global City** are **SOLIDARILY LIABLE** to **Virgilio Ancheta** for the following:

- 1) **FULL BACKWAGES** inclusive of allowances and other benefits in their monetary equivalent reckoned from his illegal dismissal until the finality of this Resolution;
- 2) **SEPARATION PAY** in lieu of reinstatement reckoned from December 2013 until the finality of this Resolution;
- 3) **MORAL DAMAGES** of ₱50,000.00;
- 4) **EXEMPLARY DAMAGES** of ₱50,000.00; and
- 5) **ATTORNEY'S FEES** of ten percent (10%) of the monetary award.

The monetary award shall earn six percent (6%) interest *per annum* from finality of this Resolution until fully paid.

**SO ORDERED.**” *Rosario, J., designated Member per Special Order No. 2794 dated October 9, 2020.*

**By authority of the Court:**

  
**LIBRADA C. BUENA**  
Division Clerk of Court

by:

**MARIA TERESA B. SIBULO**  
Deputy Division Clerk of Court  
**148-A**

MANCOL CORTEZ & ESTRADA  
LAW OFFICE  
Counsel for Petitioner  
Unit 405, Corporate 101 Building  
101 Mother Ignacia Street  
Brgy South Triangle  
1103 Quezon City

Court of Appeals (x)  
Manila  
(CA-G.R. SP No. 146600)

Atty. Pericleo L. Solis, Jr.  
Counsel for Respondent  
Suite B, 2<sup>nd</sup> Floor, Overland Parking  
Building, 245 Banawe Street cor.  
Quezon Avenue, 1100 Quezon City

Atty. Julius Babista  
Counsel for Respondent  
2<sup>nd</sup> Floor, Ford Global City Building  
Crescent Park West, Rizal Drive  
Bonifacio Global City  
1630 Taguig City

NATIONAL LABOR RELATIONS  
COMMISSION  
PPSTA Building, Banawe Street  
1100 Quezon City  
(NLRC LAC No. 11-003190-15)  
NLRC NCR Case Nos. 02-01533-14  
& 02-02020-14)

Public Information Office (x)  
Library Services (x)  
Supreme Court  
(For uploading pursuant to A.M.  
No. 12-7-1-SC)

Judgment Division (x)  
Supreme Court

**148-A**

UR