Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

AVELINO S. ALILIN, TEODORO CALESA, CHARLIE HINDANG, EUTIQUIO GINDANG, ALLAN SUNGAHID, MAXIMO LEE, JOSE G. MORATO, REX GABILAN, AND EUGEMA L. LAURENTE,
Petitioners,

- versus -

PETRON CORPORATION,
Respondent.

G.R. No. 177592

Present:

CARPIO, *Chairperson,*
BRION,
DEL CASTILLO,
PEREZ, *and*
PERLAS-BERNABE, *JJ.*

Promulgated:
JUN 09 2014

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DECISION

DEL CASTILLO, *J.*:

A contractor is presumed to be a labor-only contractor, unless it proves that it has the substantial capital, investment, tools and the like. However, where the principal is the one claiming that the contractor is a legitimate contractor, the burden of proving the supposed status of the contractor rests on the principal.[1]

This Petition for Review on *Certiorari*[2] assails the Decision[3] dated May 10, 2006 of the Court of Appeals (CA) in CA-G.R. SP No. 01291 which granted the Petition for *Certiorari* filed therewith, reversed and set aside the February 18, 2005 Decision[4] and August 24, 2005 Resolution[5] of the National Labor Relations Commission (NLRC) in NLRC Case No. V-000481-2003 and dismissed the

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[1] *Garden of Memories Park and Life Plan, Inc. v. National Labor Relations Commission,* G.R. No. 160278, February 8, 2012, 665 SCRA 293, 306.

[2] *Rollo,* pp. 8-41.

[3] CA *rollo,* pp. 362-374; penned by Associate Justice Enrico A. Lanzanas and concurred in by Associate Justices Pampio A. Abarintos and Apolinario D. Bruselas, Jr.

[4] NLRC records, pp. 443-449; penned by Presiding Commissioner Gerardo C. Nograles and concurred in by Commissioners Oscar S. Uy and Aurelio D. Menzon.

[5] Id. at 522-524.

Complaint for illegal dismissal filed by petitioners Avelino Alilin (Alilin), Teodoro Calesa (Calesa), Charlie Hindang (Hindang), Eutiquio Gindang (Gindang), Allan Sungahid (Sungahid), Maximo Lee (Lee), Jose G. Morato (Morato), Rex Gabilan (Gabilan) and Eugema L. Laurente (Laurente) against respondent Petron Corporation (Petron). Also assailed in this Petition is the CA Resolution[6] dated March 30, 2007 which denied petitioners' Motion for Reconsideration[7] and Supplemental Motion for Reconsideration.[8]

Factual Antecedents

Petron is a domestic corporation engaged in the oil business. It owns several bulk plants in the country for receiving, storing and distributing its petroleum products.

In 1968, Romualdo D. Gindang Contractor, which was owned and operated by Romualdo D. Gindang (Romualdo), started recruiting laborers for fielding to Petron's Mandaue Bulk Plant. When Romualdo died in 1989, his son Romeo D. Gindang (Romeo), through Romeo D. Gindang Services (RDG), took over the business and continued to provide manpower services to Petron. Petitioners were among those recruited by Romualdo D. Gindang Contractor and RDG to work in the premises of the said bulk plant, with the corresponding dates of hiring and work duties, to wit:

Employees	**Date of Hiring**	**Duties**
Eutiquio Gindang	1968	utility/tanker receiver/barge loader/warehouseman/mixer
Eugema L. Laurente	June 1979	telephone operator/order taker
Teodoro Calesa	August 1, 1981	utility/tanker receiver/barge loader/sounder/gauger
Rex Gabilan	July 1, 1987	warehouseman/forklift driver/ tanker receiver/barge loader
Charlie T. Hindang	September 18, 1990	utility/tanker receiver/barge loader/sounder/gauger
Allan P. Sungahid	September 18, 1990	filler/sealer/painter/tanker receiver/utility
Maximo S. Lee	September 18, 1990	gasul filler/painter/utility
Avelino S. Alilin	July 16, 1992	carpenter/driver
Jose Gerry M. Morato	March 16, 1993	cylinder checker/tanker receiver/ grass cutter/janitor/utility

On June 1, 2000, Petron and RDG entered into a Contract for Services[9] for the period from June 1, 2000 to May 31, 2002, whereby RDG undertook to

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6 CA *rollo*, pp. 440-441; penned by Associate Justice Pampio A. Abarintos and concurred in by Associate Justices Priscilla Baltazar-Padilla and Stephen C. Cruz.

7 Id. at 398-406.

8 Id. at 391-394.

9 NLRC records, pp. 103-117.

provide Petron with janitorial, maintenance, tanker receiving, packaging and other utility services in its Mandaue Bulk Plant. This contract was extended on July 31, 2002 and further extended until September 30, 2002. Upon expiration thereof, no further renewal of the service contract was done.

Proceedings before the Labor Arbiter

Alleging that they were barred from continuing their services on October 16, 2002, petitioners Alilin, Calesa, Hindang, Gindang, Sungahid, Lee, Morato and Gabilan filed a Complaint[10] for illegal dismissal, underpayment of wages, damages and attorney's fees against Petron and RDG on November 12, 2002. Petitioner Laurente filed another Complaint[11] for illegal dismissal, underpayment of wages, non-payment of overtime pay, holiday pay, premium pay for holiday, rest day, 13th month pay, service incentive leave pay, allowances, separation pay, retirement benefits, damages and attorney's fees against Petron and RDG. The said complaints were later consolidated.

Petitioners did not deny that RDG hired them and paid their salaries. They, however, claimed that the latter is a labor-only contractor, which merely acted as an agent of Petron, their true employer. They asseverated that their jobs, which are directly related to Petron's business, entailed them to work inside the premises of Petron using the required equipment and tools furnished by it and that they were subject to Petron's supervision. Claiming to be regular employees, petitioners thus asserted that their dismissal allegedly in view of the expiration of the service contract between Petron and RDG is illegal.

RDG corroborated petitioners' claim that they are regular employees of Petron. It alleged that Petron directly supervised their activities; they performed jobs necessary and desirable to Petron's business; Petron provided petitioners with supplies, tools and equipment used in their jobs; and that petitioners' workplace since the start of their employment was at Petron's bulk plant in Mandaue City. RDG denied liability over petitioners' claim of illegal dismissal and further argued that Petron cannot capitalize on the service contract to escape liability.

Petron, on the other hand, maintained that RDG is an independent contractor and the real employer of the petitioners. It was RDG which hired and selected petitioners, paid their salaries and wages, and directly supervised their work. Attesting to these were two former employees of RDG and Petron's Mandaue Terminal Superintendent whose joint affidavit[12] and affidavit,[13] respectively, were submitted by Petron. Anent its allegation that RDG is an

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10 Id. at 1-8.
11 Id. at 17-18.
12 Joint Affidavit of Policarpio Gallardo, Jr. and Vic Mart Lopez dated March 10, 2003, id. at 168-169.
13 Affidavit of Rolando B. Salonga dated March 3, 2003, id. at 170-171.

independent contractor, Petron presented the following documents: (1) RDG's Certificate of Registration issued by the Department of Labor and Employment (DOLE) on December 27, 2000;[14] (2) RDG's Certificate of Registration of Business Name issued by the Department of Trade and Industry (DTI) on August 18, 2000;[15] (3) Contractor's Pre-Qualification Statement;[16] (4) Conflict of Interest Statement signed by Romeo Gindang as manager of RDG;[17] (5) RDG's Audited Financial Statements for the years 1998[18] 1999[19] and 2000;[20] (6) RDG's Mayor's Permit for the years 2000[21] and 2001;[22] (7) RDG's Certificate of Accreditation issued by DTI in October 1991;[23] (8) performance bond[24] and insurance policy[25] posted to insure against liabilities; (9) Social Security System (SSS) Online Inquiry System Employee Contributions and Employee Static Information;[26] and, (10) Romeo's affidavit[27] stating that he had paid the salaries of his employees assigned to Petron for the period of November 4, 2001 to December 31, 2001. Petron argued that with the expiration of the service contract it entered with RDG, petitioners' term of employment has concomitantly ended. And not being the employer, Petron cannot be held liable for petitioners' claim of illegal dismissal.

In a Decision[28] dated June 12, 2003, the Labor Arbiter ruled that petitioners are regular employees of Petron. It found that their jobs were directly related to Petron's business operations; they worked under the supervision of Petron's foreman and supervisor; and they were using Petron's tools and equipment in the performance of their works. The Labor Arbiter also found that Petron merely utilized RDG in its attempt to hide the existence of employee-employer relationship between it and petitioners and avoid liability under labor laws. And there being no showing that petitioners' dismissal was for just or authorized cause, the Labor Arbiter declared them to have been illegally dismissed. Petron was thus held solidarily liable with Romeo for the payment of petitioners' separation pay (in lieu of reinstatement due to strained relations with Petron) fixed at one month pay for every year of service and backwages computed on the basis of the last salary rate at the time of dismissal. The dispositive portion of the Decision reads:

> WHEREFORE, premises considered, judgment is hereby rendered ordering the respondents Petron Corporation and Romeo Gindang to pay the complainants as follows:

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14 Id. at 118.
15 Id. at 119.
16 Id. at 127-128.
17 Id. at 129-130.
18 Id. at 247-252.
19 Id. at 140-145.
20 Id. at 131-136.
21 Id. at 138.
22 Id. at 137.
23 Id. at 147.
24 Id. at 148-149.
25 Id. at 150-153.
26 Id. at 155-158.
27 Id. at 123.
28 Id. at 279-287; penned by Labor Arbiter Ernesto F. Carreon.

1.	Teodoro Calesa	₱ 136,890.00
2.	Eutiquio Gindang	₱ 202,800.00
3.	Charlie T. Gindang	₱ 91,260.00
4.	Allan P. Sungahid	₱ 91,260.00
5.	Jose Gerry Morato	₱ 76,050.00
6.	Avelino A. Alilin	₱ 95,680.00
7.	Rex S. Gabilan	₱ 106,470.00
8.	Maximo S. Lee	₱ 91,260.00
9.	Eugema Minao Laurente	₱ 150,800.00
	Total award	₱1,042,470.00

The other claims are dismissed for lack of merit.

SO ORDERED.[29]

Proceedings before the National Labor Relations Commission

Petron continued to insist that there is no employer-employee relationship between it and petitioners. The NLRC, however, was not convinced. In its Decision[30] of February 18, 2005, the NLRC ruled that petitioners are Petron's regular employees because they are performing job assignments which are germane to its main business. Thus:

> WHEREFORE, premises considered, the Decision of the Labor Arbiter is hereby affirmed. It is understood that the grant of backwages shall be until finality of the Decision.
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> The appeal of respondent Petron Corporation is hereby DISMISSED for lack of merit.
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> SO ORDERED.[31]

The NLRC also denied Petron's Motion for Reconsideration in its Resolution[32] of August 24, 2005.

Proceedings before the Court of Appeals

Petron filed a Petition for *Certiorari* with prayer for the issuance of a temporary restraining order or writ of injunction before the CA. The said court resolved to grant the injunction.[33] Hence, a Writ of Preliminary Injunction[34] to

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29 Id. at 286-287.
30 Id. at 443-449.
31 Id. at 448-449.
32 Id. at 522-524.
33 CA Resolution dated February 3, 2006, CA *rollo*, pp. 277-279.
34 Id. at 304-305.

restrain the implementation of the February 18, 2005 Decision and August 24, 2005 Resolution of the NLRC was issued on March 3, 2006.

In a Decision[35] dated May 10, 2006, the CA found no employer-employee relationship between the parties. According to it, the records of the case do not show that petitioners were directly hired, selected or employed by Petron; that their wages and other wage related benefits were paid by the said company; and that Petron controlled the manner by which they carried out their tasks. On the other hand, RDG was shown to be responsible for paying petitioners' wages. In fact, SSS records show that RDG is their employer and actually the one remitting their contributions thereto. Also, two former employees of RDG who were likewise assigned in the Mandaue Bulk Plant confirmed by way of a joint affidavit that it was Romeo and his brother Alejandre Gindang who supervised their work, not Petron's foreman or supervisor. This was even corroborated by the Terminal Superintendent of the Mandaue Bulk Plant.

The CA also found RDG to be an independent labor contractor with sufficient capitalization and investment as shown by its financial statement for year-end 2000. In addition, the works for which RDG was contracted to provide were menial which were neither directly related nor sensitive and critical to Petron's principal business. The CA disposed of the case as follows:

> WHEREFORE, the Petition is GRANTED. The February 18, 2005 Decision and the August 24, 2005 Resolution of the Fourth Division of the National Labor Relations Commission in *NLRC Case No. V-000481-2003*, entitled "*Teodoro Calesa et al. vs. Petron Corporation and R.D. Gindang Services*", having been rendered with grave abuse of discretion amounting to excess of jurisdiction, are hereby REVERSED and SET ASIDE and a NEW ONE is entered DISMISSING private respondents' complaint against petitioner. It is so ordered.[36]

Petitioners filed a Motion for Reconsideration[37] insisting that Petron illegally dismissed them; that RDG is a labor-only contractor; and that they performed jobs which are sensitive to Petron's business operations. To support these, they attached to their Supplemental Motion for Reconsideration[38] Affidavits[39] of former employees of Petron attesting to the fact that their jobs were critical to Petron's business operations and that they were carried out under the control of a Petron employee.

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35 Id. at 362-374.
36 Id. at 373.
37 Id. at 398-406.
38 Id. at 391-394.
39 Affidavit of Balbino S. Daniot dated July 21, 2006 and Affidavit of Ma. Elsie Butlig dated July 21, 2006, id. at 395-396 and 397, respectively.

Petitioners' motions were, however, denied by the CA in a Resolution[40] dated March 30, 2007.

Hence, this Petition.

Issue

The primary issue to be resolved in this case is whether RDG is a legitimate job contractor. Upon such finding hinges the determination of whether an employer-employee relationship exists between the parties as to make Petron liable for petitioners' dismissal.

Our Ruling

The Petition is impressed with merit.

The conflicting findings of the Labor Arbiter and the NLRC on one hand, and of the CA on the other, constrains the Court to review the factual issues involved in this case.

As a general rule, the Court does not review errors that raise factual questions.[41] Nonetheless, while it is true that the determination of whether an employer-employee relationship existed between the parties basically involves a question of fact, the conflicting findings of the Labor Arbiter and the NLRC on one hand, and of the CA on the other, constrains the Court to review and re-evaluate such factual findings.[42]

Labor-only contracting, distinguished from permissible job contracting.

The prevailing rule on labor-only contracting at the time Petron and RDG entered into the Contract for Services in June 2000 is DOLE Department Order No. 10, series of 1997,[43] the pertinent provision of which reads:

Section 4. x x x

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40 Id. at 440-441.
41 *Javier v. Fly Ace Corporation*, G.R. No. 192558, February 15, 2012, 666 SCRA 382, 394-395.
42 Id. at 394-395.
43 Amending the Rules Implementing Books III and VI of the Labor Code, as amended.

x x x x

(f) *"Labor-only contracting"* prohibited under this Rule is an arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job, work or service for a principal and the following elements are present:

(i) The contractor or subcontractor does not have substantial capital or investment to actually perform the job, work or service under its own account and responsibility; and

(ii) 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.

x x x x

Section 6. *Permissible contracting or subcontracting*. - Subject to the conditions set forth in Section 3 (d) and (e) and Section 5 hereof, the principal may engage the services of a contractor or subcontractor for the performance of any of the following:

(a) Works or services temporarily or occasionally needed to meet abnormal increase in the demand of products or services, provided that the normal production capacity or regular workforce of the principal cannot reasonably cope with such demands;

(b) Works or services temporarily or occasionally needed by the principal for undertakings requiring expert or highly technical personnel to improve the management or operations of an enterprise;

(c) Services temporarily needed for the introduction or promotion of new products, only for the duration of the introductory or promotional period;

(d) Works or services not directly related or not integral to the main business or operation of the principal, including casual work, janitorial, security, landscaping, and messengerial services, and work not related to manufacturing processes in manufacturing establishments;

(e) Services involving the public display of manufacturers' products which do not involve the act of selling or issuance of receipts or invoices;

(f) Specialized works involving the use of some particular, unusual or peculiar skills, expertise, tools or equipment the performance of which is beyond the competence of the regular workforce or production capacity of the principal; and

(g) Unless a reliever system is in place among the regular workforce, substitute services for absent regular employees, provided that the period of service shall be coextensive with the period of absence and the same is made clear to the substitute employee at the time of engagement. The phrase *"absent regular employees"* includes those who are serving suspensions or other disciplinary measures not amounting to termination of employment meted out by the principal, but excludes those on strike where all the formal requisites for the legality of the strike have been *prima facie* complied with based on the records filed with the National Conciliation and Mediation Board.

"Permissible job contracting or subcontracting refers to an arrangement whereby a principal agrees to farm out with a contractor or subcontractor the performance of a specific job, work, or service within a definite or predetermined period, regardless of whether such job, work or, service is to be performed or completed within or outside the premises of the principal. Under this arrangement, the following conditions must be met: (a) the contractor carries on a distinct and independent business and undertakes the contract work on his account under his own responsibility according to his own manner and method, free from the control and direction of his employer or principal in all matters connected with the performance of his work except as to the results thereof; (b) the contractor has substantial capital or investment; and (c) the agreement between the principal and contractor or subcontractor assures the contractual employees' entitlement to all labor and occupational safety and health standards, free exercise of the right to self-organization, security of tenure, and social welfare benefits."[44] Labor-only contracting, on the other hand, is a prohibited act, defined as "supplying workers to an employer who does not have substantial capital or investment in the form of tools, equipment, machineries, work premises, among others, and the workers recruited and placed by such person are performing activities which are directly related to the principal business of such employer."[45] "[I]n distinguishing between prohibited labor-only contracting and permissible job contracting, the totality of the facts and the surrounding circumstances of the case shall be considered."[46]

Generally, the contractor is presumed to be a labor-only contractor, unless such contractor overcomes the burden of proving that it has the substantial capital, investment, tools and the like. However, where the principal is the one claiming that the contractor is a legitimate contractor, as in the present case, said principal has the burden of proving that supposed status.[47] It is thus incumbent upon Petron, and not upon petitioners as Petron insists, [48] to prove that RDG is an independent contractor.

Petron failed to discharge the burden of proving that RDG is a legitimate contractor. Hence, the presumption that RDG is a labor-only contractor stands.

Here, the audited financial statements and other financial documents of RDG for the years 1999 to 2001 establish that it does have sufficient working capital to meet the requirements of its service contract. In fact, the financial evaluation conducted by Petron of RDG's financial statements for years 1998-2000 showed RDG to have a maximum financial capability of Php4.807 Million

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44 *Gallego v. Bayer Philippines, Inc.*, 612 Phil. 250, 261-262 (2009).

45 *Digital Telecommunications Philippines, Inc. v. Digitel Employees Union (DEU)*, G.R. Nos. 184903-04, October 10, 2012, 683 SCRA 466, 477.

46 *Babas v. Lorenzo Shipping Corporation*, G.R. No. 186091, December 15, 2010, 638 SCRA 735, 745.

47 *Garden of Memories Park and Life Plan, Inc. v. National Labor Relations Commission*, supra note 1.

48 *7K Corporation v. National Labor Relations Commission*, 537 Phil. 664, 678-679 (2006).

as of December 1998,[49] and Php1.611 Million as of December 2000.[50] Petron was able to establish RDG's sufficient capitalization when it entered into the service contract in 2000. The Court stresses though that this determination of RDG's status as an independent contractor is only with respect to its financial capability for the period covered by the financial and other documents presented. In other words, the evidence adduced merely proves that RDG was financially qualified as a legitimate contractor but only with respect to its last service contract with Petron in the year 2000.

As may be recalled, petitioners have rendered work for Petron for a long period of time even before the service contract was executed in 2000. The respective dates on which petitioners claim to have started working for Petron, as well as the fact that they have rendered continuous service to it until October 16, 2002, when they were prevented from entering the premises of Petron's Mandaue Bulk Plant, were not at all disputed by Petron. In fact, Petron even recognized that some of the petitioners were initially fielded by Romualdo Gindang, the father of Romeo, through RDG's precursor, Romualdo D. Gindang Contractor, while the others were provided by Romeo himself when he took over the business of his father in 1989. Hence, 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 when petitioners actually started to work for Petron in 1968, 1979, 1981, 1987, 1990, 1992 and 1993.

Sections 8 and 9, Rule VIII, Book III[51] of the implementing rules of the Labor Code, in force since 1976 and prior to DOLE Department Order No. 10,

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49 NLRC records, pp. 245-246.

50 Id. at 232-233.

51 Sec. 8. *Job contracting.* – There is job contracting permissible under the Code if the following conditions are met:

(1) The contractor carries on an independent business and undertakes the contract work on his own account under his own responsibility according to his own manner and method, free from the control and direction of his employer or principal in all matters connected with the performance of the work except as to the results thereof; and

(2) The contractor has substantial capital or investment in the form of tools, equipment, machineries, work premises, and other materials which are necessary in the conduct of his business.

Sec. 9. *Labor-only contracting.* – (a) Any person who undertakes to supply workers to an employer shall be deemed to be engaged in labor-only contracting where such person:

(1) Does not have substantial capital or investment in the form of tools, equipment, machineries, work premises and other materials; and

(2) The workers recruited and placed by such persons are performing activities which are directly related to the principal business or operations of the employer in which workers are habitually employed.

(b) Labor-only contracting as defined herein is hereby prohibited and the person acting as contractor shall be considered merely as an agent or intermediary of the employer who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him.

(c) For cases not falling under this Article, the Secretary of Labor shall determine through appropriate orders whether or not the contracting out of labor is permissible in the light of the circumstances of each case and after considering the operating needs of the employer and the rights of the workers involved. In such case, he may prescribe conditions and restrictions to insure the protection and welfare of the workers.

series of 1997,[52] provide that for job contracting to be permissible, one of the conditions that has to be met is that the contractor must have substantial capital or investment. Petron having failed to show that this condition was met by RDG, it can be concluded, on this score alone, that RDG is a mere labor-only contractor. Otherwise stated, the presumption that RDG is a labor-only contractor stands due to the failure of Petron to discharge the burden of proving the contrary.

The Court also finds, as will be discussed below, that the works performed by petitioners were directly related to Petron's business, another factor which negates Petron's claim that RDG is an independent contractor.

Petron's power of control over petitioners exists in this case.

"[A] finding that a contractor is a 'labor-only' contractor is equivalent to declaring that there is an employer-employee relationship between the principal and the employees of the supposed contractor."[53] In this case, the employer-employee relationship between Petron and petitioners becomes all the more apparent due to the presence of the power of control on the part of the former over the latter.

It was held in *Orozco v. The Fifth Division of the Hon. Court of Appeals*[54] that:

> This Court has constantly adhered to the "four-fold test" to determine whether there exists an employer-employee relationship between the parties. The four elements of an employment relationship are: (a) the selection and engagement of the employee; (b) the payment of wages; (c) the power of dismissal; and (d) the power to control the employee's conduct.
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> **Of these four elements, it is the power to control which is the most crucial and most determinative factor, so important, in fact, that, the other elements may even be disregarded.**" (Emphasis supplied)

Hence, the facts that petitioners were hired by Romeo or his father and that their salaries were paid by them do not detract from the conclusion that there exists an employer-employee relationship between the parties due to Petron's power of control over the petitioners.

One manifestation of the power of control is the power to transfer employees from one work assignment to another.[55] Here, Petron could order

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52 *DOLE Philippines, Inc. v. Esteva*, 538 Phil. 817, 857 (2006).
53 *Superior Packaging Corporation v. Balagsay*, G.R. No. 178909, October 10, 2012, 683 SCRA 394, 405.
54 562 Phil. 36, 48-49 (2008).
55 *South Davao Development Company, Inc. and/or Pacquiao v. Gamo*, 605 Phil. 604, 613 (2009).

petitioners to do work outside of their regular "maintenance/utility" job. Also, petitioners were required to report for work everyday at the bulk plant, observe an 8:00 a.m. to 5:00 p.m. daily work schedule, and wear proper uniform and safety helmets as prescribed by the safety and security measures being implemented within the bulk plant. All these imply control. In an industry where safety is of paramount concern, control and supervision over sensitive operations, such as those performed by the petitioners, are inevitable if not at all necessary. Indeed, Petron deals with commodities that are highly volatile and flammable which, if mishandled or not properly attended to, may cause serious injuries and damage to property and the environment. Naturally, supervision by Petron is essential in every aspect of its product handling in order not to compromise the integrity, quality and safety of the products that it distributes to the consuming public.

Petitioners already attained regular status as employees of Petron.

Petitioners were given various work assignments such as tanker receiving, barge loading, sounding, gauging, warehousing, mixing, painting, carpentry, driving, gasul filling and other utility works. Petron refers to these work assignments as menial works which could be performed by any able-bodied individual. The Court finds, however, that while the jobs performed by petitioners may be menial and mechanical, they are nevertheless necessary and related to Petron's business operations. If not for these tasks, Petron's products will not reach the consumers in their proper state. Indeed, petitioners' roles were vital inasmuch as they involve the preparation of the products that Petron will distribute to its consumers.

Furthermore, while it may be true that any able-bodied individual can perform the tasks assigned to petitioners, the Court notes the undisputed fact that for many years, it was the same able-bodied individuals (petitioners) who performed the tasks for Petron. The engagement of petitioners for the same works for a long period of time is a strong indication that such works were indeed necessary to Petron's business. In view of these, and considering further that petitioners' length of service entitles them to become regular employees under the Labor Code, petitioners are deemed by law to have already attained the status as Petron's regular employees. As such, Petron could not terminate their services on the pretext that the service contract it entered with RDG has already lapsed. For one, and as previously discussed, such regular status had already attached to them even before the execution of the service contract in 2000. For another, the same does not constitute a just or authorized cause for a valid dismissal of regular employees.

In sum, the Court finds that RDG is a labor-only contractor. As such, it is considered merely as an agent of Petron. Consequently, the employer-employee

relationship which the Court finds to exist in this case is between petitioners as employees and Petron as their employer. Petron therefore, being the principal employer and RDG, being the labor-only contractor, are solidarily liable for petitioners' illegal dismissal and monetary claims.[56]

WHEREFORE, the Petition is **GRANTED**. The May 10, 2006 Decision and March 30, 2007 Resolution of the Court of Appeals in CA-G.R. SP No. 01291 are **REVERSED** and **SET ASIDE**. The February 18, 2005 Decision and August 24, 2005 Resolution of the National Labor Relations Commission in NLRC Case No. V-000481-2003 are hereby **REINSTATED** and **AFFIRMED.**

SO ORDERED.

MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

ARTURO D. BRION
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

ESTELA M. PERLAS-BERNABE
Associate Justice

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[56] *Superior Packaging Corporation v. Balagsay*, supra note 53.

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.

ANTONIO T. CARPIO
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.

MARIA LOURDES P. A. SERENO
Chief Justice