



Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
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THIRD DIVISION

G.R. No. 257821

ROGELIO GARALDE
MENDAROS, ROMEO DELA
CRUZ, JR., JULIUS CAESAR
GUTIERREZ, REY ABALOS,
JEREMIAH MUGA, KING
MICHAEL MUIT, and JUNE
SUAREZ,

Petitioners,

Present:

CAGUIOA, J., Chairperson,
INTING,
ZALAMEDA,*
GAERLAN, and
SINGH, JJ.

- versus -

LAZADA E-SERVICES PHIL.,
INC./ALLAN DAVID
ANCHETA,

Respondents.

Promulgated:

August 19, 2024

X-----X [Signature]

DECISION

INTING, J.:

Before the Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assailing the Decision² dated March 25, 2021, and the Resolution³ dated July 30, 2021, of the Court of Appeals (CA) in

* Designated additional Member vice Dimaampao, J., per Raffle dated January 10, 2022.

¹ *Rollo*, pp. 18–58.

² *Id.* at 67–79. Penned by Associate Justice Japar B. Dimaampao (now a Member of this Court) and concurred in by Associate Justices Maria Elisa Sempio Diy and Carlito B. Calpatura of the Third Division, Court of Appeals, Manila.

³ *Id.* at 93–94. Penned by Associate Justice Japar B. Dimaampao (now a Member of this Court) and concurred in by Associate Justices Maria Elisa Sempio Diy and Carlito B. Calpatura of the Former Third Division, Court of Appeals, Manila.

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CA-G.R. SP No. 159918. The CA affirmed the Decision⁴ dated November 21, 2018, and the Resolution⁵ dated December 28, 2018, of the National Labor Relations Commission (NLRC) in NLRC LAC No. 07-002422-18 (NLRC Case No. NCR-11-16366-17) which agreed with the Labor Arbiter (LA) that no employer-employee relationship existed between respondent Lazada E-Services Phil., Inc. (Lazada) and Rogelio Garalde Mendaros (Rogelio), Romeo Dela Cruz, Jr. (Romeo), Julius Caesar Gutierrez (Julius), Rey Abalos (Rey), Jeremiah Muga (Jeremiah), King Michael Muñit (Michael), and June Suarez (June) (collectively, petitioners).

The Antecedents

In April 2016, Lazada hired petitioners as motorcycle riders under similarly worded Independent Contractor Agreements (Agreement), which provided that no employer-employee relationship would exist between them and that the Agreement shall be effective only for a term of one year.⁶

On the one hand, the Agreements of Rogelio, Rey, Jeremiah, and Michael, expired on April 1, 2017, while that of Julius lapsed on April 6, 2017. On the other hand, June's Agreement was discontinued a few days before the end of its one-year term. Likewise, Romeo's Agreement prematurely ended due to his alleged act of reproducing and using independent contractor identification cards in violation of Clause 6 of the Agreement.⁷

Aggrieved by the termination of their contracts, petitioners filed on November 6, 2017, a Complaint⁸ for illegal dismissal, money claims, damages, and attorney's fees, against Lazada before the LA docketed as NLRC NCR Case No. 11-16366-17. They asserted that they were regular employees of Lazada, not independent contractors. As such, Lazada unjustly dismissed them without just cause and due process of law; thus, they are entitled to reinstatement and backwages.⁹

⁴ *Id.* at 134–145. Penned by Commissioner Dominador B. Medroso, Jr. and concurred in by Presiding Commissioner Julia Cecily Coching-Sosito and Commissioner Erlinda T. Agus.

⁵ *Id.* at 147–149.

⁶ *Id.* at 68, *see* CA Decision.

⁷ *Id.* at 69.

⁸ *Id.* at 150–153.

⁹ *Id.* at 69.

For its part, Lazada averred that the terms of its respective Agreements with petitioners negated the existence of an employer-employee relationship. It explained that the Agreements were in the nature of contracts for services governed by the Civil Code of the Philippines. Hence, the regular courts, not the labor tribunals, have jurisdiction over the case.¹⁰

The Ruling of the LA

In the Decision¹¹ dated April 10, 2018, the LA ruled in favor of Lazada and dismissed the Complaint of petitioners for want of jurisdiction. The dispositive portion of the LA's Decision reads:

WHEREFORE, premises considered, in the absence of an employer-employee relationship between the parties, judgment is hereby rendered DISMISSING the Complaint for lack of jurisdiction.

SO ORDERED.¹²

Aggrieved, petitioners appealed to the NLRC.¹³

The Ruling of the NLRC

In the Decision¹⁴ dated November 21, 2018, the NLRC affirmed the ruling of the LA and disposed of the case as follows:

Therefore, considering that there is no employer-employee relationship between the parties, the termination of complainant[s'] services upon expiration of their contracts did [sic] not constitute illegal dismissal. Clearly, this Commission has no jurisdiction to determine the validity of such termination, as the same belongs to the regular court.

WHEREFORE, the instant appeal is DISMISSED for lack of jurisdiction. The appealed decision is AFFIRMED *in toto*.

¹⁰ *Id.*

¹¹ *Id.* at 362-376.

¹² *Id.* at 376.

¹³ *Id.* at 377-398. See Memorandum of Appeal dated June 7, 2018.

¹⁴ *Id.* at 134-145.

SO ORDERED.¹⁵

Aggrieved, petitioners moved for a reconsideration of the Decision, but the NLRC denied their Motion in its Resolution¹⁶ dated December 28, 2018. Thus, they elevated the case to the CA *via* a petition for *certiorari*.

The Ruling of the CA

In the Decision¹⁷ dated March 25, 2021, the CA agreed with the labor tribunals in ruling that no employer-employee relationship existed between Lazada and petitioners. In so holding, the CA debunked the pieces of evidence adduced by petitioners to prove that they were employees of Lazada, viz.:

Here, petitioners' evidence failed to cut the mustard as proof necessary to establish that private respondent actually possessed control over their means and methods of performing their functions, making it their actual employer.

Anent the Run Sheets, the Labor Arbiter ruled that they "only provided the information of buyers or where packages were to be delivered." Indeed, a careful perusal of the said documents would reveal that they do not dictate which parcels should be delivered first, or when the parcels would be delivered to the recipients.

In the same vein, the Independent Contractor Daily Time Logs bear no indication that petitioners were required to render a certain number of hours per day, or that they were penalized for failing to meet such standard.

As regards petitioner June's Certificate of Employment and the Letter of Final Warning against petitioner Rogelio, suffice it to say that the Affidavits submitted by private respondent disavowed the authority of the persons named in the said Certificate and Letter to issue the same[.]

Petitioner Michael's Identification Card merely designated him as a Rider, and not as private respondent's employee. On this score, mere title or designation in a corporation will not, by itself, determine the existence of an employer-employee relationship.

Quite palpably, the Disbursement Vouchers submitted by petitioners before the Labor Arbiter are devoid of any showing that

¹⁵ *Id.* at 144.

¹⁶ *Id.* at 147-148.

¹⁷ *Id.* at 67-78.

private respondent made deductions for contributions to the Social Security System, Philhealth[,] or Pag-Ibig, which are the usual deductions from employees' salaries.

Therewithal, the fact that petitioners were enjoined, inter alia, to ensure that the items are timely delivered to the right customers, and to properly account and remit the money paid by customers who opted for "cash on delivery," does not automatically signify control on the part of the private respondent suggestive of an employer-employee relationship.¹⁸

Aggrieved, petitioners moved for a reconsideration¹⁹ of its ruling, but the CA denied the Motion in its Resolution²⁰ dated July 30, 2021.

Hence, the present Petition.²¹

The Issues

The issue to be resolved in the case is whether the CA committed a reversible error in agreeing with the labor tribunals that petitioners were independent contractors; thus, no employer-employee relationship existed between them and Lazada.

Subsumed under the main issue are the following: (1) whether the tasks of petitioners as riders were necessary or desirable in the usual trade or business of Lazada; (2) whether petitioners were able to satisfy the four-fold test of employment; and (3) whether petitioners were economically dependent on their work as riders of Lazada.

Arguments of Petitioners

Petitioners argue that notwithstanding the terms of their Agreements with Lazada, they were its regular employees as they performed activities which were necessary or desirable to its usual trade or business. According to petitioners, they did not possess unique skills and talents to be set apart from ordinary employees and be considered as independent contractors.

¹⁸ *Id.* at 74–75.

¹⁹ *Id.* at 80–90. *See* Motion for Reconsideration dated June 1, 2021.

²⁰ *Id.* at 93–94.

²¹ *Id.* at 18–58.

In contending that the four elements of employer-employee relationship existed between them, petitioners point out that: (a) Lazada furnished Rogelio with a Letter of Final Warning stating that he was “*expected to achieve and maintain an acceptable level of performance for the duration of employment,*” and that “[f]ailure to do so will lead to further disciplinary action up to and including employment termination;”²² (b) Lazada issued a Certificate of Employment in favor of June; (c) Lazada provided Run Sheets to Romeo and Rey that dictated which parcels would be delivered first, or when such parcels would be brought to the recipients; (d) petitioners were obliged to observe definite hours of work, as evidenced by the Independent Contractor Daily Time Logs which Lazada issued to Jeremiah and June; and (e) Michael possessed an Identification Card, declaring him as a Rider of Lazada.

Further, petitioners referred to the following provisions of the Agreement and its Annexes to bolster their theory that Lazada exercised control over the means and methods of their work:

2. *Duties.* Contractor, as an independent contractor, agrees to provide and to make itself available to provide, services (“Services”) as a logistics and delivery services provider to the Company during such reasonable hours and at such times as the Company may from time to time request. The method by which Contractor is to perform such Services shall be as instructed by, and within the discretion and control of, the Company. In performing Services under this agreement, Contractor agrees that it shall use diligent efforts and professional skills and judgment.²³

2.2 In case the Contractor cannot comply with its obligations on any given day according to the schedule dictated by the Company, the Company shall not pay the Contractor for that particular day.²⁴

Arguments of Respondents

Lazada avers that petitioners were independent contractors; thus, no employer-employee relationship existed between them. Being an online market or store that operates an e-commerce platform, Lazada argues that petitioners’ work as riders were not necessary or desirable in its usual trade or business.

²² *Id.* at 32–34.

²³ *Id.* at 182, 190, 198, 206. *See* first pages of the Agreements.

²⁴ *Id.* at 188, 196, 204, 213. *See* Annexes 1 of the Agreements.

Moreover, Lazada maintains that petitioners failed to satisfy the four-fold test and the economic dependence test to establish that they were indeed its employees.

In asserting that it did not exercise control over the means and method of petitioners' work, Lazada points out that petitioners had the discretion on how to perform their tasks, because they decided on: (1) what means of transportation to use; (2) which particular routes to take; (3) when to have breaks; and (4) when to commence their deliveries. Lazada asserts that the contracts of petitioners did not state the specific period to perform deliveries, contradicting their allegation that they were required to work for 12 hours a day, six days a week. Given this arrangement, petitioners were free to offer their services to other parties, negating the alleged control of Lazada over their work method.

The Ruling of the Court

In *Career Philippines Shipmanagement, Inc. v. Serna*,²⁵ citing *Montoya v. Transmed*,²⁶ the Court explained the parameters in reviewing a Rule 45 petition involving a labor case, viz.:

As a rule, only questions of law may be raised in a Rule 45 petition. In one case, we discussed the particular parameters of a Rule 45 appeal from the CA's Rule 65 decision on a labor case, as follows:

In a Rule 45 review, we consider the correctness of the assailed CA decision, in contrast with the review for jurisdictional error that we undertake under Rule 65. Furthermore, Rule 45 limits us to the review of questions of law raised against the assailed CA decision. In ruling for legal correctness, we have to view the CA decision in the same context that the petition for *certiorari* it ruled upon was presented to it; we have to examine the CA decision from the prism of whether it correctly determined the presence or absence of grave abuse of discretion in the NLRC decision before it, not on the basis of whether the NLRC decision on the merits of the case was correct. In other words, we have to be keenly aware that the CA undertook a Rule 65 review, not a review on appeal, of the NLRC decision challenged before it.²⁷

²⁵ 700 Phil. 1 (2012).

²⁶ 613 Phil. 696, 707 (2009).

²⁷ *Career Philippines Ship Management, Inc. v. Serna*, *supra*, at 9.

The issues of whether: (1) petitioners were independent contractors; (2) their tasks as riders were necessary or desirable in the usual trade or business of Lazada; (3) petitioners were able to satisfy the four-fold test of employment; and (4) they were economically dependent on their work as riders of Lazada, are questions of fact which the Court may not generally dwell on in a Rule 45 petition. Nonetheless, the Court may reevaluate the sufficiency of evidence adduced before the labor tribunals when the judgment of the CA is premised on a misapprehension of facts,²⁸ such as at bar.

A review of the instant Petition shows that the findings of the labor tribunals and the CA were premised on a misapprehension of facts and are contradicted by the evidence on record and applicable case law. Thus, the Court proceeds to resolve the issues at hand and reexamine the findings of the tribunals *a quo*.

Regardless of the nomenclature which the parties assign to their agreement, employment contracts are prescribed by law as they are imbued with public interest.²⁹ Article 1700 of the Civil Code provides:

ARTICLE 1700. The relations between capital and labor are not merely contractual. They are so impressed with public interest that labor contracts must yield to the common good. Therefore, such contracts are subject to the special laws on labor unions, collective bargaining, strikes and lockouts, closed shop, wages, working conditions, hours of labor and similar subjects.

The Court held in *Ditiangkin v. Lazada E-Services Philippines, Inc.*:³⁰

The applicable provisions of the law are deemed incorporated into the contract and the parties cannot exempt themselves from the coverage of labor laws simply by entering into contracts. Thus, regardless of the nomenclature and stipulations of the contract, the employment contract must be read consistent with the social policy of providing protection to labor.³¹ (Citations omitted)

²⁸ See *Aleta v. Sofitel Philippine Plaza Manila*, G.R. No. 228150, January 11, 2023, citing *Medina v. Asistio, Jr.*, 269, 269 Phil. 225, 232 (1990).

²⁹ See *Ditiangkin v. Lazada E-Services Philippines, Inc.*, G.R. No. 246892, September 21, 2022.

³⁰ *Id.*

³¹ *Id.*, citing *Innodata Knowledge Services, Inc. v. Inting*, 822 Phil. 314, 334 (2017).

Article 295 of the Labor Code provides for the classifications of employment:

ARTICLE 295 [280]. *Regular and Casual Employment.* — The provisions of written agreement to the contrary notwithstanding and regardless of the oral agreement of the parties, an employment shall be deemed to be regular where the employee has been engaged to perform activities which are usually necessary or desirable in the usual business or trade of the employer, except where the employment has been fixed for a specific project or undertaking the completion or termination of which has been determined at the time of the engagement of the employee or where the work or service to be performed is seasonal in nature and the employment is for the duration of the season.

An employment shall be deemed to be casual if it is not covered by the preceding paragraph: *Provided*, That any employee who has rendered at least one year of service, whether such service is continuous or broken, shall be considered a regular employee with respect to the activity in which he is employed and his employment shall continue while such activity exists.

Employees who perform activities which are necessary or desirable in the usual business of the employer may be regular, project, or seasonal employees.³² The case of *Ditiangkin* is instructive on the matter:

Of the three, project and seasonal employees are generally engaged to perform tasks which only lasts for a specific period and duration. Meanwhile, casual employees are those who perform work which are not usually necessary or desirable for the employer's business.

Activities which are considered usually necessary or desirable in the employer's business generally depends on the industry. There must be a reasonable connection between the work performed by the employee and the usual trade or business of the employer.³³ (Citations omitted)

To determine whether an employer-employee relationship exists, the Court applies the two-tiered test: the four-fold test and the economic dependence test. Under the four-fold test, the following factors must be established: (a) the employer's selection and engagement of the employee; (b) the payment of wages; (c) the power to dismiss; and (d) the power to control the employee's conduct, which extends over the means and

³² *Id.*

³³ *Id.*

methods by which the employee must accomplish the work. The power of control is the most essential factor in the four-fold test and it need not be actually exercised by the employer. It suffices that the employer has the right to wield the power. “*However, not all rules imposed upon a worker indicates the exercise of control by the employer. When rules are intended to serve as general guidelines to accomplish the work, it is not an indicator of control.*”³⁴ Thus, “[w]hen the control test is insufficient, the economic realities of the employment are considered to get a comprehensive assessment of the true classification of the worker.”³⁵

In the case of *Francisco v. National Labor Relations Commission*,³⁶ the Court explained the essence of the economic dependence test:

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.³⁷

Lazada avers that as petitioners were independent contractors, the four-fold test and the economic dependence test do not apply in the case at bar.

An independent contractor is “*one who carries on a distinct and independent business and undertakes to perform the job . . . on its own account and under one’s own responsibility . . . free from the control and direction of the principal in all matters connected with the performance of the work except as to the results thereof.*”³⁸

Moreover, independent contractors are individuals who possess unique skills and talents which distinguish them from ordinary employees and whose means and methods of work are free from the control of the principal. “*Examples can include a columnist who was hired*

³⁴ *Id.* (Citation omitted; emphasis supplied)

³⁵ *Id.* (Citations omitted; emphasis supplied)

³⁶ 532 Phil. 399 (2006).

³⁷ *Id.* at 409.

³⁸ See *Escauriaga v. Fitness First, Phil., Inc.*, G.R. No. 266552, January 22, 2024. (Emphasis supplied)

because of her talent, skill, experience, and feminist standpoint, a basketball referee who has special skills and independent judgment, and a masiador or sentenciador who had expertise in cockfight gambling.”³⁹

Moreover, no employer-employee relationship exists between the independent contractor and the principal, and their agreement is governed by the Civil Code. When the status of their relationship is questioned, the employer or principal bears the burden to prove that the worker is an independent contractor rather than an employee.⁴⁰

The status of Lazada’s riders as regular employees and not independent contractors is supported by substantial evidence and, in fact, settled by case law

In *Department of Transportation and Communication v. Cruz*,⁴¹ the Court explained the concept of *stare decisis*, viz.:

Stare decisis simply means that for the sake of certainty, a conclusion reached in one case should be applied to those that follow if the facts are substantially the same, even though the parties may be different. It proceeds from the first principle of justice that, absent any powerful countervailing considerations, like cases ought to be decided alike. Thus, where the same questions relating to the same event have been put forward by the parties similarly situated as in a previous case litigated and decided by a competent court, the rule of *stare decisis* is a bar to any attempt to relitigate the same issue.⁴²

The facts and issues in *Ditiangkin* are substantially similar to the instant case. Like herein petitioners who aver that Lazada hired them as riders in April 2016, the riders in *Ditiangkin*, who in turn were hired in February 2016, also averred the following: (1) they were primarily tasked to pick up items from sellers and deliver them to Lazada’s warehouse; (2) each of them signed an Independent Contractor Agreement which stated that they will be paid PHP 1,200.00 per day as service fee; (3) the contract also stated that they were engaged for a period of only one year; (4) the riders used their privately-owned motorcycles in their trips; and,

³⁹ *Ditiangkin v. Lazada E-Services Philippines, Inc.*, *supra* note 29. (Emphasis supplied)

⁴⁰ *Id.*

⁴¹ 581 Phil. 602 (2008).

⁴² *Id.* at 611, citing *Ty v. Banco Filipino Savings & Mortgage Bank*, 511 Phil. 510, 520 (2005).

(5) they were regular employees of Lazada who were illegally dismissed from employment.

Likewise, it bears noting that the arguments and defenses used by Lazada at bar to show that petitioners were independent contractors are the very ones it previously raised in *Ditiangkin*. Similarly, it insisted that it is a mere online store that operates an e-commerce platform; thus, petitioners' work as riders were not necessary or desirable in its usual trade or business. Lazada reiterated its previous allegations in *Ditiangkin* that it did not exercise control over the means and method of petitioners' work and that petitioners are not economically dependent on it because petitioners decided on: (1) what means of transportation to use; (2) which particular routes to take; (3) when to have breaks; and (4) when to commence their deliveries, showing that petitioners were free to offer their services to other persons or establishments.

It bears noting that in *Ditiangkin*, the Court found that the riders of Lazada were its regular employees. In so holding, the Court evaluated the very pieces of evidence which Lazada likewise presented at bar, and held that:

Contrary to respondents' assertions, petitioners satisfy both the four-fold and economic dependence tests.

Here, the four factors are present. First, petitioners are directly employed by respondent Lazada as evidenced by the Contracts they signed . . . Second, as indicated in the Contract, petitioners receive their salaries from respondent Lazada. Petitioners are paid by respondent Lazada the amount of [PHP] 1,200.00 for each day of service. Third, respondent Lazada has the power to dismiss petitioners. In their contract, respondents can immediately terminate the agreement if there is a breach of material provisions of the Contract. Lastly, respondent Lazada has control over the means and methods of the performance of petitioners' work.

This is explicit in their agreement which states:

2. Duties. Contractor, as an Independent Contractor, agrees to provide and to make itself available to provide, services ("Services") as a logistics and delivery services provider to the Company during such reasonable hours and at such times as the Company may from time to time request. *The method by which Contractor is to perform such Services shall be as instructed by, and within the discretion and control of the Company.* In performing Services under this agreement,

Contractor agrees that it shall use diligent efforts and professional skills and judgment.

This is also reflected in the way petitioners' work is carried out. Respondent Lazada requires the accomplishment of a route sheet which keeps track of the arrival, departure, and unloading time of the items. Petitioners shoulder a penalty of [PHP] 500.00 if an item is lost on top of its actual value. Petitioners were also required to submit trip tickets and incident reports to respondent.

Even if we consider these instructions as mere guidelines, the circumstances of the whole economic activity between petitioners and respondents confirm the existence of an employer-employee relationship.

The services performed by petitioners are integral to respondents' business. Respondents insist that the delivery of items is only incidental to their business as they are mainly an online platform where sellers and buyers transact. However, the delivery of items is clearly integrated in the services offered by respondents. That respondents could have left the delivery of the goods to the sellers and buyers is of no moment because this is evidently not the business model they are implementing.

In carrying out their business, they are not merely a platform where parties can transact; they also offer the delivery of the items from the sellers to the buyers. The delivery eases the transaction between the sellers and buyers and is an integral part of respondent Lazada's business. Further, respondent Lazada admitted that it has different route managers to supervise the delivery of the products from the sellers to the buyers. Thus, it has taken steps to facilitate not only the transaction of the seller and buyer in the online platform but also the delivery of the items.

Further, petitioners have invested in equipment to be engaged by respondents. Particularly, petitioners are required by respondents to use their own motor vehicles and other equipment and supplies in the delivery of the items. Moreover, petitioners had no control over their own profit or loss because they were paid a set daily wage. Petitioners also had no control over their own time and they cannot offer their service to other companies as respondents can demand their presence from time to time.

More importantly, petitioners are dependent on respondents for their continued employment in this line of business. As the facts reveal, petitioners have been previously engaged by a third-party contractor to provide services for respondents. This time, petitioners were directly hired by respondents. This demonstrates that petitioners have



been economically dependent on respondents for their livelihood.⁴³
(Citations omitted)

Meanwhile, in the recent case of *Borromeo v. Lazada E-Services Philippines, Inc.*,⁴⁴ another case with identical facts and issues as with *Ditiangkin*, the Court applied the principle of *stare decisis* and also held that the riders therein were employees of Lazada, not mere independent contractors.

Like in *Ditiangkin*, petitioners herein satisfied the four-fold test of employer-employee relationship, viz.: (1) through a purported Independent Contractor Agreement, Lazada directly hired petitioners as riders; (2) Lazada paid them PHP 1,200.00 for a day's work; (3) Lazada held the power to dismiss petitioners, as in fact, it terminated June and Romeo from work prior to the lapse of their one-year term of employment because they allegedly violated the terms and conditions of the Agreement; and (4) more importantly, Lazada controlled the means and methods of petitioners' work.

Similar to *Borromeo*, the element of control in the case is shown by the fact that Lazada required petitioners to log the time of their arrival, the loading of items, and their departure in the route sheets. This allowed Lazada to monitor their movement as well as the manner they conducted their tasks. Moreover, Lazada compelled petitioners to report their arrival at every seller or store so they could scan the parcels they would pick-up. Notably, petitioners' means of recording information of the items they picked-up was likewise controlled by Lazada, because it provided the gadgets and equipment used to scan the items, i.e., the application software, mobile phone scanner, power bank, and postpaid.

Further, Annex I of the similarly worded Agreements stated that "*the Services provided will be evaluated on a monthly and quarterly basis. In the event that the Contractor cannot meet the standards set in relation to the Services, the Client shall have the right to terminate this agreement immediately by providing written notice.*"⁴⁵ Such provision, along with the factual backdrop of the case, show that Lazada indeed exercised control over the means and methods of petitioners' work.

⁴³ *Ditiangkin v. Lazada E-Services Philippines, Inc.*, *supra* note 29.

⁴⁴ G.R. No. 265610, April 3, 2024.

⁴⁵ *Rollo*, pp. 188, 196, 204, 213. *See* Annexes 1 of the Agreements.

Petitioners being similarly situated with the riders in *Ditiangkin* and *Borromeo* and given that the facts and issues at bar are similar to those obtaining in the case laws, the Court applies the principle of *stare decisis* and holds that petitioners are regular employees of Lazada. That the Agreements between Lazada and petitioners specifically stated that no employer-employee relationship existed between them was of no moment, as the nature of their arrangement was one of employment, i.e., a contractual relationship which the law affords protection regardless of its nomenclature or the terms of the contract.

Thus, the CA erred in agreeing with the labor tribunals that petitioners were independent contractors, and that no employer-employee relationship existed between them and Lazada.

Petitioners are regular employees of Lazada without a fixed-term

The Court recognized another classification of employment which is the fixed-term. A fixed-term employment is an arrangement wherein an employee is hired for projects with pre-determined completion or in a work where a fixed term is essential and a natural appurtenance of the work. The work performed here may also be necessary or desirable to the usual trade of the employer. In *Brent School, Inc. v. Zamora*,⁴⁶ the Court expounded on fixed-term employment:

Some familiar examples may be cited of employment contracts which may be neither for seasonal work nor for specific projects, but to which a fixed term is an essential and natural appurtenance: overseas employment contracts, for one, to which, whatever the nature of the engagement, the concept of regular employment with all that it implies does not appear ever to have been applied, Article 280 of the Labor Code notwithstanding; also appointments to the positions of dean, assistant dean, college secretary, principal, and other administrative offices in educational institutions, which are by practice or tradition rotated among the faculty members, and where fixed terms are a necessity without which no reasonable rotation would be possible. Similarly, despite the provisions of Article 280, Policy Instructions No. 8 of the Minister of Labor implicitly recognize that certain company officials may be elected for what would amount to fixed periods, at the expiration of which they would have to stand down, in providing that these officials, " . . . may lose their jobs as president, executive vice-

⁴⁶ 260 Phil. 747 (1990).

president or vice-president, etc. because the stockholders or the board of directors for one reason or another did not reelect them.⁴⁷

For a fixed-term employment to be valid, either of these circumstances must be proven:

- 1) The fixed period of employment was knowingly and voluntarily agreed upon by the parties without any force, duress, or improper pressure being brought to bear upon the employee and absent any other circumstances vitiating his consent; or
- 2) It satisfactorily appears that the employer and the employee dealt with each other on more or less equal terms with no moral dominance exercised by the former or the latter.⁴⁸ (Citation omitted)

Fixed-term employment arises only in special cases where an employee has bargaining power with the employer in view of his/her special skill. This presupposes that the employee is more or less on equal footing with the employer.⁴⁹

In the case, Lazada failed to show that petitioners actually negotiated the terms and conditions of the Agreement on a level that was approximately equal with Lazada. That petitioners could not have individually bargained for the contract's terms and conditions is shown by the fact that the Agreements were similarly worded and applied uniformly to all of them. Moreover, petitioners' work as riders did not require any special talent or skill for them to be distinguished from other workers and be accorded certain bargaining power. And given that the delivery of the items purchased is a usual and continuous activity in Lazada's business, it failed to show that petitioners' one year term of employment was essential and a natural appurtenance to their work.

Finding that petitioners were regular employees of Lazada without a fixed-term, Lazada's act of removing them from work after a year, without just cause and due process of law, amounted to illegal dismissal from employment.

⁴⁷ *Id.* at 761.

⁴⁸ *Id.* at 763.

⁴⁹ *Id.*

For having been illegally terminated from work, petitioners are entitled to reinstatement to their former and/or substantially equivalent positions without loss of seniority rights and other privileges, as well as to full backwages, inclusive of allowances and other benefits, or their monetary equivalent computed from the time the compensation was not paid up to the time of their actual reinstatement.

If reinstatement is no longer feasible, they should be given separation pay in addition to full backwages. Petitioners are likewise entitled to the payment of attorney's fees considering that they were forced to litigate.

However, the Court sees no reason to grant moral and exemplary damages to petitioners. "*Moral damages are recoverable when the termination of an employee is attended by bad faith or fraud or constitutes an act oppressive to labor . . . On the other hand, exemplary damages are recoverable when the dismissal was done in a wanton, oppressive, or malevolent manner.*"⁵⁰

In the case, the records are bereft of any proof showing that the dismissal was done in bad faith or oppressively, or that petitioners were subjected to unnecessary embarrassment so as to entitle them to moral and exemplary damages. To the Court, Lazada dismissed petitioners from employment based on its honest but mistaken belief, through its misapplication of the Independent Contractor Agreement, that petitioners were independent contractors. With Lazada's act having a semblance of reason, the Court holds that petitioners are not entitled to either moral or exemplary damages.

Finally, pursuant to recent jurisprudence, the Court imposes interest at the rate of 6% per annum on the total monetary awards in favor of petitioners from the date of the finality of this Decision until full satisfaction.

WHEREFORE, the Petition for Review on *Certiorari* is **GRANTED**. The Decision dated March 25, 2021, and the Resolution dated July 30, 2021, of the Court of Appeals in CA-G.R. SP No. 159918 are **REVERSED** and **SET ASIDE**.

⁵⁰ See *Borromeo v. Lazada E-Services Philippines, Inc.*, *supra* note 44. (Emphasis supplied)



Petitioners Rogelio Garalde Mendaros, Romeo Dela Cruz, Jr., Julius Caesar Gutierrez, Rey Abalos, Jeremiah Muga, King Michael Mui, and June Suarez are declared as regular employees of respondent Lazada E-Services Phil., Inc. who were illegally dismissed from employment.

Accordingly, respondent Lazada E-Services Phil., Inc. is **ORDERED** as follows:

1. to **REINSTATE** petitioners Rogelio Garalde Mendaros, Romeo Dela Cruz, Jr., Julius Caesar Gutierrez, Rey Abalos, Jeremiah Muga, King Michael Mui, and June Suarez to their former and/or substantially equivalent positions without loss of seniority rights, privileges, and other benefits;
2. to **PAY** petitioners Rogelio Garalde Mendaros, Romeo Dela Cruz, Jr., Julius Caesar Gutierrez, Rey Abalos, Jeremiah Muga, King Michael Mui, and June Suarez their backwages computed from the time they were illegally dismissed up to their actual reinstatement, inclusive of allowances and other benefits, or their monetary equivalent computed from the time the compensation was not paid up to the time of their actual reinstatement; and
3. to **PAY** petitioners Rogelio Garalde Mendaros, Romeo Dela Cruz, Jr., Julius Caesar Gutierrez, Rey Abalos, Jeremiah Muga, King Michael Mui, and June Suarez an amount equivalent to 10% of the total judgment awards as attorney's fees.

The total monetary award shall earn interest at the rate of 6% per annum from the date of the finality of this Decision until full satisfaction.

Further, the case is **REFERRED** to the Labor Arbiter for the computation and execution of the foregoing monetary awards due to petitioners.

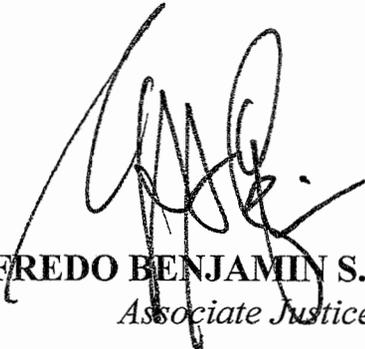


SO ORDERED.

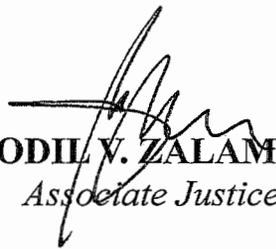


HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:



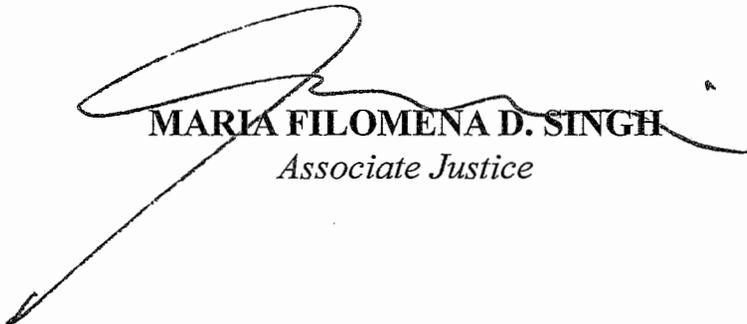
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



RODIL V. ZALAMEDA
Associate Justice



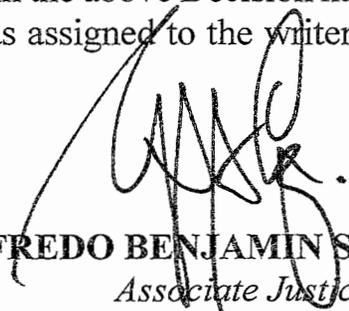
SAMUEL H. GAERLAN
Associate Justice



MARIA FILOMENA D. SINGH
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.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Article VIII, Section 13 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