

THIRD DIVISION

[G.R. No. 172927, February 11, 2010]

RONILO SORREDA, PETITIONER, VS. CAMBRIDGE ELECTRONICS CORPORATION,^[1] RESPONDENT.

D E C I S I O N

CORONA, J.:

This petition^[2] seeks to reverse and set aside the May 26, 2005 decision^[3] of the Court of Appeals (CA) in CA-G.R. SP No. 77303 and its resolution denying reconsideration.^[4] The CA affirmed the resolution^[5] of the National Labor Relations Commission (NLRC) in NLRC NCR CA No. 028156-01 declaring that petitioner Ronilo Sorreda was not a regular employee of respondent Cambridge Electronics Corporation.

On May 8, 1999, petitioner was hired by respondent as a technician for a period of 5 months at minimum wage.^[6] Five weeks into the job (on June 15, 1999), petitioner met an accident in which his left arm was crushed by a machine and had to be amputated.^[7]

Petitioner claimed that, shortly after his release from the hospital, officers of respondent company called him to a meeting with his common-law wife, father and cousin. There he was assured a place in the company as a regular employee for as long as the company existed and as soon as he fully recovered from his injury.

In September 1999, after he recovered from his injury, petitioner reported for work. Instead of giving him employment, they made him sign a memorandum of resignation to formalize his separation from the company in the light of the expiration of his five-month contract.

On November 16, 1999, petitioner filed in the Regional Arbitration Branch of the NLRC of Dasmariñas, Cavite a complaint^[8] for illegal dismissal (later changed to breach of contract). In his position paper, he raised the following issues:

1. whether there was a valid agreement or contract of perpetual employment perfected between the parties concerned;
2. whether respondent corporation was bound thereby and
3. whether [petitioner] has a cause of action for damages against respondent based on the contract.^[9]

He claimed that respondent failed to comply with the terms of the contract of perpetual employment which was perfected in June 1999 when he was called to a

meeting by management.^[10] He prayed that respondent be made to pay compensatory,^[11] moral^[12] and exemplary damages and attorney's fees for default or breach of contract.

Respondent denied that it extended regular employment to petitioner. Only words of encouragement were offered but not perpetual employment. Moreover, it assailed the labor arbiter's jurisdiction over the case, claiming a lack of causal connection between the alleged breach of contract and their employer-employee relationship.

The labor arbiter held that he had jurisdiction to hear and decide the case as it involved the employer-employee relationship of the contending parties. He ruled that petitioner who had been employed on a per-project basis became a regular employee by virtue of the contract of perpetual employment. He stated that the positive declaration of the witnesses (common-law wife, father and cousin) present at the meeting and the parole evidence rule was enough to support the petitioner's claim. Thus, in a decision dated March 9, 2001, the labor arbiter ruled that petitioner was employed by respondent for an indefinite period of employment (that is, on regular status.) He ordered petitioner's reinstatement and the payment of backwages, moral damages and exemplary damages as well as attorney's fees.^[13]

Both petitioner and respondent appealed to the NLRC. Petitioner claimed that the labor arbiter erred in finding that he was a regular employee, that the case was based on illegal dismissal and that reinstatement and payment of backwages were the proper reliefs. Respondent, on the other hand, asked for the reversal of the labor arbiter's decision based on grave abuse of discretion for assuming jurisdiction over the case.

The NLRC agreed with respondent.^[14] It found that petitioner was not a regular employee; thus, he was neither illegally dismissed nor entitled to reinstatement and backwages. Petitioner sued for compensatory damages because of the accident that befell him. As the contract for per-project employment had already expired, the issue no longer fell under the jurisdiction of the labor arbiter and NLRC. Moreover, the testimonies of petitioner's witnesses were declared self-serving and thus insufficient to prove the contract of perpetual employment. The motion for reconsideration of petitioner was denied.^[15]

Aggrieved, petitioner filed a petition for certiorari^[16] in the CA questioning the NLRC's finding of non-existence of the contract of perpetual employment.

The CA dismissed the petition for lack of merit, stating that the labor arbiter decided the case on an issue that was never raised (*i.e.*, the employment status of petitioner). Moreover, petitioner's principal cause of action, breach of contract, was not cognizable by the labor courts but by the regular courts.^[17] The CA concluded that the NLRC did not commit any reversible error in finding that the labor arbiter had no jurisdiction over the case. Furthermore, petitioner failed to prove grave abuse of discretion in the NLRC's exercise of its quasi-judicial function.

Petitioner moved for reconsideration but the motion was denied.^[18] Thus, this petition.

We affirm the Court of Appeals.

This case rests on the issue of whether the labor arbiter had the jurisdiction to take cognizance thereof.

Jurisdiction over the subject matter of a complaint is determined by the allegations of the complaint.^[19] In *Pioneer Concrete Philippines, Inc. v. Todaro*,^[20] the Court reiterated that where no employer-employee relationship exists between the parties, and the Labor Code or any labor statute or collective bargaining agreement is not needed to resolve any issue raised by them, it is the Regional Trial Court which has jurisdiction. Thus it has been consistently held that the determination of the existence of a contract as well as the payment of damages is inherently civil in nature.^[21] A labor arbiter may only take cognizance of a case and award damages where the claim for such damages arises out of an employer-employee relationship.^[22]

In this instance, petitioner, from the period May 8, 1999 to October 8, 1999, was clearly a per-project employee of private respondent, resulting in an employer-employee relationship. Consequently, questions or disputes arising out of this relationship fell under the jurisdiction of the labor arbiter.

However, based on petitioner's allegations in his position paper, his cause of action was based on an alleged second contract of employment separate and distinct from the per-project employment contract. Thus, petitioner insisted that there was a perfected contract of perpetual employment and that respondent was liable to pay him damages.

We note, however, that petitioner filed the case only when respondent **refused to rehire** him.^[23]

While there was an employer-employee relationship between the parties under their five-month per-project contract of employment, the present dispute is neither rooted in the aforestated contract nor is it one inherently linked to it. Petitioner insists on a right to be employed again in respondent company and seeks a determination of the existence of a new and separate contract that established that right. As such, his case is within the jurisdiction not of the labor arbiter but of the regular courts. The NLRC and the CA were therefore correct in ruling that the labor arbiter erroneously took cognizance of the case.

Even assuming *arguendo* that the labor arbiter had the jurisdiction to decide the case, the Court cannot countenance petitioner's claim that a contract of perpetual employment was ever constituted. While the Constitution recognizes the primacy of labor, it also recognizes the critical role of private enterprise in nation-building and the prerogatives of management. A contract of perpetual employment deprives management of its prerogative to decide whom to hire, fire and promote, and renders inutile the basic precepts of labor relations. While management may validly waive its prerogatives, such waiver should not be contrary to law, public order, public policy, morals or good customs.^[24] An absolute and unqualified employment for life in the mold of petitioner's concept of perpetual employment is contrary to public policy and good customs, as it unjustly forbids the employer from terminating the services of an employee despite the existence of a just or valid cause. It likewise