350 Phil. 664

SECOND DIVISION

[G.R. No. 106331, March 09, 1998]

INTERNATIONAL PHARMACEUTICALS, INC., PETITIONER, VS. NATIONAL LABOR RELATIONS COMMISSION (NLRC), FOURTH DIVISION, AND DR. VIRGINIA CAMACHO QUINTIA, RESPONDENTS.

D E C I S I O N

MENDOZA, J.:

This is a petition for *certiorari* to set aside the decision of the National Labor Relations Commission which affirmed *in toto* the decision of the Labor Arbiter, finding petitioner guilty of the illegal dismissal of private respondent Virginia Camacho Quintia, as well as its resolution denying reconsideration.

Petitioner International Pharmaceuticals, Inc. (IPI) is a corporation engaged in the manufacture, production and sale of pharmaceutical products. In March 1983, it employed private respondent Virginia Camacho Quintia as Medical Director of its Research and Development department, replacing one Diana Villaraza.[1] The government, in that year, launched a program encouraging the development of herbal medicine and offering incentives to interested parties. Petitioner decided to venture into the development of herbal medicine, although it is now alleged that this was merely experimental, to find out if it would be feasible to include herbal medicine in its business.[2] One of the government requirements was the hiring of a pharmacologist. Petitioner avers that it was only for this purpose that private respondent was hired, hence its contention that private respondent was a project employee.

The contract of employment provided for a term of one year from the date of its execution on March 19, 1983, subject to renewal by mutual consent of the parties at least thirty days before its expiration. It provided for a monthly compensation of ₱4,000.00. It was agreed that Quintia could continue teaching at the Cebu Doctor's Hospital,[3] where she was, at that time, a full-time member of the faculty.

Quintia claimed that when her contract of employment was about to expire, she was invited by Xavier University in Cagayan de Oro City to be the chairperson of its pharmacology department. However, Pio Castillo, the president and general manager, prevailed upon her to stay, assuring her of security of tenure. Because of this assurance, she declined the offer of Xavier University.[4] Indeed, after her contract expired on March 19, 1984, she remained in the employ of petitioner where she not only performed the work of Medical Director of its Research and Development department but also that of company physician. This continued until her termination on July 12, 1986.

In her complaint, private respondent alleges that the reason for her termination "was her taking up the cudgels for the rank and file employees when she felt they were given a raw deal by the officers of their own Savings and Loan Association." She

claimed that sometime in June 1986, while Pio Castillo was in China, the Association declared dividends to its members. Due to complaints of the employees, meetings were held during which private respondent pointed out the "inequality in the imposition of interest rate to the low-salaried employees" and led them in the demand for a full disclosure of the association's financial status. Her participation was resented by the association's officers, all of whom were appointed by management, so that when Castillo arrived, private respondent was summoned to Castillo's office where she was berated for her acts and humiliated in front of some laborers. When she sought permission to explain her side, she was arrogantly turned down and told to leave.[5]

On July 10, 1986, Quintia was replaced as head of the Research and Development department by Paz Wong. Two days later, on July 12, 1986, she received an inter-office memorandum officially terminating her services allegedly because of the expiration of her contract of employment.

On January 21, 1987,[6] private respondent filed a complaint, charging petitioner with illegal dismissal and praying that petitioner be ordered to reinstate private respondent and to pay her full backwages and moral damages.[7]

In its position paper, petitioner claimed that private respondent had been hired on a "consultancy basis coterminous with the duration of the project" involving the development of herbal medicine and that her employment was terminated upon the abandonment of that project. It explained that Quintia's employment, which lasted for more than two years after the original contract expired, was by virtue of an oral agreement with the same terms as the written contract or, at the very least, by virtue of implied extensions of the said contract which lasted until the "company decided that nothing would come out from said project."[8]

In a decision rendered on December 18, 1990, the Labor Arbiter found private respondent to have been illegally dismissed. He held that private respondent was a regular employee and not a project employee and so could not be dismissed without just and/or legal causes as provided in the Labor Code. Moreover, he found that petitioner failed to observe due process in terminating Quintia's services. For this reason, the Labor Arbiter ordered the petitioner to reinstate private respondent and to pay her backwages for three years, including 13th month pay and Service Incentive Leave, moral damages and attorney's fees amounting to P177,099.94. He further ruled that if reinstatement was no longer feasible, petitioner should pay private respondent ₱6,000 as separation pay.

On appeal, the NLRC affirmed the ruling in a decision dated May 26, 1992. Petitioner moved for reconsideration, but its motion was denied for lack of merit. The NLRC directed the Labor Arbiter to conduct a hearing to determine whether reinstatement was feasible. Hence, this petition.

We find the petition to be without merit.

First. Art. 280 of the Labor Code provides:

> Art. 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.

In *Brent School, Inc. v. Zamora*,[9] it was held that although work done under a contract is necessary and desirable in relation to the usual business of the employer, a contract for a fixed period may nonetheless be made so long as it is entered into freely, voluntarily and knowingly by the parties. Applying this ruling to the case at bar, the NLRC held that the written contract between petitioner and private respondent was valid, but, after its expiration on March 18, 1984, as the petitioner had decided to continue her services, it must respect the security of tenure of the employee in accordance with Art. 280. It said:

> To our mind, when complainant was allowed to continue working without the benefit of a contract after the expiration of the one year period provided in their written contract, that act completely changed the complexion of the relationship between the parties.

The NLRC cited the following facts to justify its ruling: Quintia was continued as Medical Director and even given the additional function of company physician after the expiration of the original contract; she undertook various civic activities for and in behalf of petitioner, such as conducting free clinics and giving out IPI products; she did work which was necessary and desirable in relation to the trade or business of petitioner; and her employment lasted for more than (3) three years.

Petitioner contends:

> (1) that the NLRC's reliance on Art. 280 is "clearly contrary to this Court's decisions;"
>
> (2) that private respondent's tasks are really not necessary and desirable to the usual business of petitioner;
>
> (3) that there is "clearly no legal or factual basis to support respondent NLRC's reliance on the absence of a new written contract as indicating that respondent Quintia became a regular employee."[10]

Petitioner's first ground is that the ruling of the NLRC is contrary to the *Brent School* decision. He contends that Art. 280 should not be so interpreted as to render employment contracts with a fixed term invalid. But the NLRC precisely upheld the validity of the contract in accordance with the *Brent School* case. Indeed, the validity of the written contract is not in issue in this case. What is in issue is whether private respondent did not become a regular employee after the expiration of the written contract on March 18, 1984 on the basis of the facts pointed out by the NLRC, simply because there was in the beginning a contract of employment with a fixed term.

Petitioner also invokes the ruling in *Singer Sewing Machine v. Drilon*[11] in which it was stated:

> The definition that regular employees are those who perform activities which are desirable and necessary for the business of the employer is not determinative in this case. Any agreement may provide that one party shall render services for and in behalf of another for a consideration (no matter how necessary for the latter's business) even without being hired as an employee. This is precisely true in the case of an independent contractorship as well as in an agency agreement. The Court agrees with the petitioner's argument that Article 280 is not the yardstick for determining the existence of an employment relationship because it merely distinguishes between two kinds of employees, *i.e.,* regular employees and casual employees, for purposes of determining the right of an employee to certain benefits, to join or form a union, or to security of tenure. Article 280 does not apply where the existence of an employment relationship is in dispute.

Petitioner argues:

> Even assuming arguendo that respondent Quintia was performing tasks which were 'necessary and desirable to the main business' of petitioner, said standard cannot apply since said Article merely distinguishes between regular and casual employment for the purpose of determining entitlement to benefits under the Labor Code. In this case, respondent Quintia's *alleged status as "regular" employee has precisely been disputed* by petitioner. And, as this Honorable Court noted in the foregoing case, an agreement may provide that one party will render services, no matter how necessary for the other party's business, without being hired as a *regular* employee, and this is precisely the nature of the contract entered into by the parties in this case.[12]

Clearly, petitioner misapplies the ruling in *Singer*. Quintia's status as an employee is not disputed in this case. Therefore, in determining whether she was a project employee or a regular employee, the question is whether her work was "necessary and desirable to the main business of the employer." It is true that, as held in *Singer*, parties can enter into an agreement for the rendering of services by one to the other and that however necessary such services may be to the latter's business the contract will not necessarily give rise to an employer-employee relationship if the elements of such relationship are not present. But that is not the question in this case. Quintia was an employee. The question is whether, given the fact that she was an employee, she was a regular or a project employee, considering that she had been continued in the service of petitioner for more than two years following the expiration of her written contract.

Petitioner's second point is that private respondent's tasks were not really necessary and desirable in respect of the usual business of petitioner, the work done by Quintia being on a temporary basis only.[13] According to petitioner, Quintia's engagement was only for the duration of its herbal medicine development project. In addition, petitioner points out that private respondent was not required to keep fixed office hours and this arrangement continued even after the expiration of the written contract, thus indicating the temporary nature of her employment.

Petitioner's allegations are contrary to the factual findings of both the NLRC and the Labor Arbiter, particularly their findings that she was the head of petitioner's Research

and Development department; that in addition, she performed the function of company physician; and that she undertook various civic activities in behalf of petitioner and that this engagement lasted for more than three years (1983 - 1986).[14] Certainly, as the NLRC observed, these facts show complainant working "not as 'consultant' but as a regular employee albeit a managerial one."[15] It should be added that Quintia was hired to replace one Diana Villaraza,[16] which suggests that the position to which she was appointed by petitioner was an existing one, so much so that after the termination of Quintia's employment, somebody else (Paz Wong) was appointed in her place.[17] If private respondent's employment was for a particular project which had allegedly been terminated, why would there be a need to replace her?

We are not prepared to throw overboard the findings of both the NLRC and the Labor Arbiter on the matter. These are essentially factual matters which are within the competence of the labor agencies to determine. Their findings are accorded by this Court respect and finality if, as in this case, they are supported by substantial evidence.[18]

Indeed, the terms of the written employment contract are clear:

> . . . That the FIRST PARTY is a manufacturer of medicines and pharmaceutical preparations, while the SECOND PARTY is a Doctor of Medicine and Pharmacologist of long standing;
>
> That the FIRST PARTY desires to hire the SECOND PARTY as Medical Director of its Research and Development department, which the latter accepts, under the following terms and conditions, to wit:

1. That the SECOND PARTY shall perform and/or cause the performance of the following:

a) Microbiological research and testing;

b) Clinical research and testing;

c) Prove and support First Party's claims in its brochures, literature and advertisements;

d) Register with and cause the approval by Food and Drug Administration of all pharmaceutical and medical preparations developed and tested by the First Party's R&D department; and

e) To do and perform such other duties as may, from time to time, be assigned by the First Party consonant to and in accord with the position herein conferred. . . .

There is no mention whatsoever of any project or of any consultancy in the contract. As aptly observed by the Solicitor General, the duties of Quintia as provided for in the contract reject any notion of consultancy. Clearly, she was hired as Medical Director of the Research and Development department of petitioner company and not as consultant nor for any particular project. The work she performed was manifestly necessary and desirable to the usual business of petitioner, considering that it is engaged in the manufacture and production of medicinal preparations. Petitioner itself admits that research and development are part of its business.[19]

We agree with the Labor Arbiter that the fact that she was not required to report at a fixed hour or to keep fixed hours of work does not detract from her status as a regular employee. As petitioner itself admits, Quintia was a managerial employee[20] and