REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Second Division, issued a Resolution dated **03 March 2021** *which reads as follows*:

"G.R. No. 224118 *(Manpower Outsourcing Services, Inc. v. Institutional Shareholder Services, Inc., Katherine Adante, and Valerie Anne P. Brotonel).*

On November 23, 2011, Institutional Shareholder Services, Inc. (Institutional Shareholder) entered into a Service Agreement with Manpower Outsourcing Services, Inc. (Manpower Outsourcing). On December 9, 2011, Institutional Shareholder sent a "task order" to Manpower Outsourcing for a "Data Analyst – International" to be assigned to one of its projects. Manpower Outsourcing sent Valerie Anne P. Brotonel (Valerie) for a project with a duration period from February 6, 2012 until June 29, 2012.[1] On March 12, 2012, however, Institutional Shareholder terminated the Service Agreement. On March 19, 2012, Manpower Outsourcing ended Valerie's employment. Aggrieved, Valerie filed a complaint for illegal dismissal against Manpower Outsourcing and Institutional Shareholder.[2]

On February 5, 2013,[3] the Labor Arbiter ruled that Valerie was illegally terminated. Moreover, Valerie's dismissal was "*attributable to xxx Institutional Shareholder*"[4] and should be made solidarily liable with Manpower Outsourcing to pay the employee's unpaid salaries from February 6, 2012 to June 29, 2012 in the total amount of ₱96,632.56, thus:

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1 *Rollo*, p. 46.
2 *Id.* at 62.
3 *Id.* at 59-71.
4 *Id.* at 70.

WHEREFORE, respondents Manpower Outsourcing Services, Inc. and/or Institutional Shareholder Inc. are hereby ordered to pay the complainant the following amounts:

1. Unpaid salaries from 2-6-12 to 3-19-12	P24,990.09
2. Salaries from 3-19-12 to 6-29-12	56,100.20
3. Unpaid 13th month pay from 2-6-12 to 6-27-12	6,757.50
PLUS: 10% attorney's fees	8,784.77
TOTAL JUDGMENT AWARD	P96,632.56

The attached computation of the judgment awards is hereby adopted as an integral part of this decision.

SO ORDERED. [5]

Institutional Shareholder appealed to the National Labor Relations Commission (NLRC) and argued that it should not be held solidarily liable with Manpower Outsourcing for Valerie's money claims because the cancellation of the "task order" did not violate the Service Agreement. On July 30, 2013,[6] the NLRC affirmed the Labor Arbiter's ruling with modification in that Institutional Shareholder is absolved from any liability for Valerie's unpaid salaries, to wit:

WHEREFORE, the complainant's appeal is DISMISSED.

The respondents' appeal is PARTLY GRANTED. Accordingly, the decision is MODIFIED, in that, respondent Institutional Shareholder Services, Inc. is ABSOLVED from any liability.

Respondent Manpower Outsourcing Services, Inc. is ordered to pay the judgment award to complainant Valerie Anne P. Brotonel.

SO ORDERED.[7]

Unsuccessful at a reconsideration, Manpower Outsourcing filed a petition for *certiorari* before the Court of Appeals (CA) docketed as CA-G.R. SP No. 132811. On November 13, 2015,[8] the CA found no grave abuse of discretion on the part of the NLRC. The Service Agreement authorized Institutional Shareholder to terminate task orders at any time upon issuing a written notice to Manpower Outsourcing, effective within seven days. The

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5 *Id.* at 71.

6 *Id.* at 74-83.

7 *Id.* at 82.

8 *Id.* at 45-57; penned by Associate Justice Sesinando E. Villon, with the concurrence of Associate Justices Nina G. Antonio-Valenzuela and Pedro B. Corales.

Institutional Shareholder complied with the notice requirement. Further, it was Manpower Outsourcing which dismissed Valerie without just cause before her contract expired, thus:

> All told, there is no substantial evidence to support the proposition that [Institutional Shareholder] must be held solidarily liable with [Manpower Outsourcing] for illegal dismissal as well as for payment of private respondent's various money claims. x x x.
>
> x x x x
>
> **WHEREFORE**, in light of all the foregoing, the petition is hereby **DISMISSED** for lack of merit. Accordingly, the decision dated July 30, 2013 and resolution dated September 20, 2013 of public respondent National Labor Relations Commission, Fourth Division, in NLRC LAC Case No. 04-001232-13 are hereby **AFFIRMED with MODIFICATION**. The legal interest of six percent (6%) per annum is hereby imposed on the total amount of monetary awards from the finality of this judgment until the same are fully paid.
>
> **SO ORDERED.** [9]

Hence, this petition.[10] Manpower Outsourcing raises the following issues:

> A.
>
> THE COURT OF APPEALS COMMITTED GRAVE ERROR IN REFUSING TO APPLY THE PROVISIONS OF DEPARTMENT ORDER NO. 18-A SERIES OF 2011 WHICH SHOULD BE DEEMED WRITTEN INTO THE SERVICE AGREEMENT BETWEEN RESPONDENT ISSI AND PETITIONER MANPOWER PHILIPPINES.
>
> B.
>
> THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN ABSOLVING RESPONDENT ISSI OF ANY LIABILITY INASMUCH IT IS [*sic*] CLEAR IN THE RECORDS THAT RESPONDENT ISSI WAS THE CAUSE FOR THE PRE-TERMINATION OF THE CONTRACT OF RESPONDENT [BROTONEL] AND THE UNAMBIGUOUS LANGUAGE OF DEPARTMENT ORDER NO. 18-A SERIES OF 2011 MAKES THE PARTY WHO HAD CAUSED THE PRE-TERMINATION OF CONTRACT LIABLE TO PAY THE SALARIES AND OTHER BENEFITS OF THE AFFECTED EMPLOYEE.[11]

RULING

The petition is partly meritorious.

Manpower Outsourcing claims that Institutional Shareholder is the "party at fault" and is entirely liable for Valerie's claims because it pre-

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[9] *Id.* at 51-52.

[10] *Id.* at 10-41.

[11] *Id.* at 16.

terminated the Service Agreement. Manpower Outsourcing invokes Section 13 of Department Order No. 18-A which provides that the unpaid wages and benefits of the project employee must be borne by the party at fault, to wit:

> SEC. 13. *Effect of termination of employment.* The termination of employment of the contractor employee prior to the expiration of the Service Agreement shall be governed by Articles 282, 283 and 284 of the Labor Code.
>
> **In case the termination of employment is caused by the pre-termination of the Service Agreement not due to authorized causes under Article 283, the right of the contractor employee to unpaid wages and other unpaid benefits including unremitted legal mandatory contributions, e.g., SSS, Philhealth, Pag-ibig, ECC, shall be borne by the party at fault, without prejudice to the solidary liability of the parties to the Service Agreement.**
>
> Where the termination results from the expiration of the service agreement, or from the completion of the phase of the job, work or service for which the employee is engaged, the latter may opt for payment of separation benefits as may be provided by law or the Service Agreement, without prejudice to his/her entitlement to the completion bonuses or other emoluments, including retirement benefits whenever applicable.

We disagree.

It is basic that a contract is the law between the parties. Obligations arising from contracts have the force of law and should be complied with in good faith, unless the stipulations are contrary to law, morals, good customs, public order or public policy.[12] Notably, Section 8.2 of the Service Agreement allows Institutional Shareholder to terminate task orders at any time upon seven days written notice to Manpower Outsourcing. Moreover, it frees Institutional Shareholder from any liability other than those services that Valerie performed, *viz.*:

> (8.2) Termination for Convenience. [Institutional Shareholders] may terminate this Agreement or any Task Order hereunder at any time upon seven (07) days written notice to Independent Contractor [Manpower Outsourcing], in which event [Institutional Shareholder] will only be liable to make any payments which are due hereunder to Independent Contractor for Services performed and accepted in accordance with the terms and conditions herein up to the date of such termination.[13] (Citation omitted.)

In this case, Institutional Shareholder complied with the notice requirement and can hardly be considered as the "party at fault" because it merely exercised the rights granted under the Service Agreement. As the CA

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[12] *Vda. de Delfin v. Dellota*, 566 Phil. 389 (2008).

[13] *Rollo*, pp. 49-50.

aptly observed, "*[w]hether this provision is unfavorable to [Manpower Outsourcing] is of no moment. The law will not relieve a party from the effects of an unwise, foolish or disastrous contract if such party had full awareness of what he was doing. This principle holds true in this case where [Manpower Outsourcing], an experienced independent contractor, must be presumed to be aware of the standard business practices.*"[14] At any rate, Manpower Outsourcing does not contest the validity of the Service Agreement.

Yet, Institutional Shareholder is solidarily liable with Manpower Outsourcing for Valerie's unpaid wages to the extent of the work performed and not for the entire duration of the project. In legitimate job contracting, no employer-employee relation exists between the principal and the job contractor's employees. The principal is responsible to the job contractor's employees only for the proper payment of wages.[15] In cases wherein the contractor fails to pay its employees' wages, the law makes the principal jointly and solidarily liable for the unpaid wages **to the extent of work performed for the principal**. Apropos is Article 106 of the Labor Code, thus:

> **ART. 106. Contractor or subcontractor.** Whenever an employer enters into a contract with another person for the performance of the former's work, the employees of the contractor and of the latter's subcontractor, if any, shall be paid in accordance with the provisions of this Code.
>
> In the event that the contractor or subcontractor fails to pay the wages of his employees in accordance with this Code, **the employer shall be jointly and severally liable with his contractor or subcontractor to such employees to the extent of the work performed under the contract**, in the same manner and extent that he is liable to employees directly employed by him. (Emphasis supplied.)

The records show that the project period is from February 6, 2012 until June 29, 2012. However, Valerie's employment contract was terminated on March 19, 2012. As such, Institutional Shareholder is solidarily liable to pay Valerie her unpaid wages only from February 6, 2012 to March 19, 2012, without prejudice to the right to claim reimbursement from Manpower Outsourcing.

FOR THESE REASONS, the petition is **PARTLY GRANTED.** The Court of Appeals' Decision dated November 13, 2015 in CA-G.R. SP No. 132811 is **AFFIRMED** with **MODIFICATION** in that Institutional Shareholder Services, Inc. is held solidarily liable with Manpower Outsourcing Services, Inc. to pay the amount of ₱24,990.09 representing Valerie Anne P. Brotonel's unpaid wages from February 6, 2012 to March 19,

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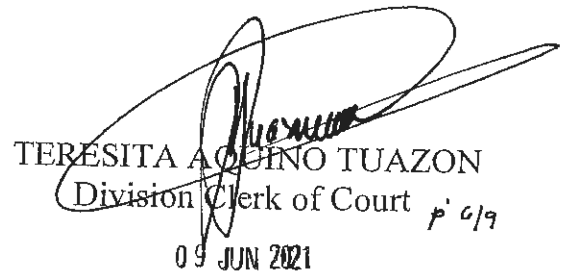
[14] *Id.* at 50.

[15] *Social Security System v. Ubaña*, 767 Phil. 575, 588-589 (2015).

2012, which shall earn legal interest at the rate of 6% *per annum* from the finality of this Resolution until full payment.

SO ORDERED."

By authority of the Court:



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Division Clerk of Court
09 JUN 2021

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*with copy of CA Decision dated 13 November 2015.
Please notify the Court of any change in your address.
GR224118. 3/03/2021B(146)URES