571 Phil. 461

SECOND DIVISION

[G.R. No. 167334, March 07, 2008]

CATHOLIC VICARIATE, BAGUIO CITY, Petitioner, vs. HON. PATRICIA A. STO. TOMAS, Secretary of the Department of Labor & Employment, and GEORGE AGBUCAY, Respondents.

D E C I S I O N

TINGA, J,:

For consideration is a Petition for Review[1] filed by petitioner Catholic Vicariate of Baguio City, seeking the annulment of the

Decision[2] and Resolution[3] issued by the Court of Appeals in CA-G.R. SP No. 83518.

First, the antecedents.

Petitioner contracted Kunwha Luzon Construction (KUNWHA) to construct the retaining wall of the Baguio Cathedral. KUNWHA, in turn, subcontracted CEREBA Builders (CEREBA) to do the formworks of the church. The contract between KUNWHA and CEREBA lasted up to the completion of the project or on 8 September 2000.[4] KUNWHA failed to pay CEREBA. Consequently, the latter failed to pay its employees.

On 29 August 2000, respondent George Agbucay, along with 81 other employees, lodged a complaint against CEREBA, KUNWHA and petitioner before the DOLE-CAR Regional Office for nonpayment of wages, special and legal holiday premium pay. An inspection of the premises resulted in the discovery of violations of labor standards law, such as nonpayment of wages and holiday pay from 28 June 2000 to 5 September 2000, non-presentation of employment records, and others.[5] Petitioner, KUNWHA and CEREBA were given five (5) days from receipt of the notice of inspection results to rectify its violations. Despite the notice, the parties failed to comply. A hearing was set wherein CEREBA manifested its willingness to pay the affected employees on the condition that KUNWHA would pay its obligation to CEREBA. Petitioner meanwhile manifested that the retention fee due to KUNWHA was sufficient to pay the deficiencies due the affected employees.

On 12 March 2001, the DOLE-CAR Regional Director issued an Order[6] holding CEREBA, KUNWHA and petitioner jointly and severally liable to the 82 affected workers in the amount of P1,029,952.80 or P12,560.40 for each employee.[7] During the pendency of its motion for reconsideration, KUNWHA voluntarily settled the deficiencies due the 23 affected workers amounting to P84,544.00 as follows:

1. Edwin Balaoro	P6,000.00

2. Jay Araneta	2,448.00
3. Renato Beado	3,128.00
4. Edgar Cortez	3,128.00
5. Cesar Cuenta	3,128.00
6. Redentor Espiritu	3,128.00
7. Abelardo Galvez	3,128.00
8. Ireneo Galvez	4,352.00
9. Jose Galvez	3,128.00
10. Roland Galvez	2,448.00
11. Rommel Galvez	3,128.00
12. Mamerto Nadela	3,128.00
13. Lito Nazareno	3,128.00
14. Orbel Nerida	2,448.00
15. Roy Padilla	3,128.00
16. Roy John Padilla	2,448.00
17. Randy Sibayan	2,448.00
18. Raymund Sibayan	2,448.00
19. Reynald Sibayan	2,448.00
20. Ronnie Villarino	3,128.00
21. Fernan Villarino	2,448.00
22. Felix Padilla	17,000.00
23. William Pitlongay	3,200.00[8]

On 21 May 2001, the Regional Director dismissed the complaint by reason of the said settlement. He also advised the other employees to ventilate their claims in an appropriate forum considering that no employer-employee relationship exists between the parties. [9]

On appeal, the Secretary of Labor reversed the ruling of the Regional Director and held that pursuant to Articles 106 and 107 of the Labor Code, the liability of KUNWHA, CEREBA and the Catholic Vicariate is solidary notwithstanding the absence

of an employer-employee relationship. The Secretary of Labor ruled, however, that there existed an employer-employee relationship between the parties since the records show that the subcontracting agreement was terminated only on 28 September 2000, almost a month after the complaint was filed on 29 August 2000. The settlement with respect to the 23 workers was declared unconscionable and the Order of the Regional Director dated 12 March 2001 was reinstated. The dispositive portion of the Order [10] dated 23 June 2003 reads:

> **WHEREFORE,** premises considered, the Motion to Set Aside Judgment/Order, herein treated as an Appeal, filed by appellant George Agbucay is hereby **GRANTED**. The Order dated May 21, 2001 of the Regional Director is **SET ASIDE** and **VACATED**. The Order dated March 21, 2001 is **REINSTATED** with **MODIFICATION,** and CEREBA BUILDERS, KUNWHA LUZON CONSTRUCTION and the CATHOLIC VICARIATE are hereby ordered to pay jointly and severally, the eighty-two (82) affected workers the amount of ONE MILLION TWENTY-NINE THOUSAND NINE HUNDRED FIFTY-TWO & 80/100 (P1,029,952.80) Pesos. Any legitimate payments earlier made by respondents to the twenty-three (23) complainants may be deducted from their individual claims only upon proof of actual receipt. Let the entire records of this case be remanded to the Regional Office a quo for proper execution. [11]

Petitioner moved for Reconsideration[12] but it was denied on 19 January 2004.[13]

On 28 September 2004, the Court of Appeals affirmed the order of the Secretary of Labor with the modification that payments made in favor of the 23 workers amounting to P84,544.00 be deducted from whatever amount still due each of them.[14]

On appeal, petitioner raised three issues, namely: (1) whether the Secretary of Labor acquired jurisdiction over the appeal considering that this case falls within the exception stated in Article 128(b) of the Labor Code; (2) whether the quitclaims signed by affected employees are valid; and (3) whether the appeal interposed by petitioner inures to the benefit of the other affected employees.[15]

The appellate court held that petitioner was estopped from questioning the jurisdiction of the Secretary of Labor, it having attended the initial hearing and therein manifested that it had in its possession the retention fee of KUNWHA sufficient to answer for the deficiencies due the affected workers. The appellate court noted that it was only when the judgment imposed joint and several liability that petitioner began to question the jurisdiction of the Secretary of Labor. The appellate court further sustained the finding of the Secretary of Labor that the settlement is not legally acceptable as it defied public policy for being unconscionable. Moreover, the appellate court succinctly stated that parties who did not appeal may be benefited by the judgment of said court insofar as it is favorable and applicable to them. [16]

There is no cogent reason to disturb the assailed judgment.

Petitioner contends that the question of jurisdiction may be raised at any time and even on appeal. It alleges that its participation in the hearing before the Regional

Director could not amount to estoppel because it did not have sufficient information at that time as to the factual basis of the presence or absence of jurisdiction by the Secretary of Labor or his authorized representative.[17]

In resolving this jurisdictional issue, the Secretary of Labor relied on the limitations set forth in Article 128(b)[18] of the Labor Code and ruled, thus:

> It is worthy to note that as regards the power granted to Regional Director by Article 128 of the Labor Code, as amended, only two (2) limitations are set forth: first, where the employer contests the findings of the labor regulations officer, and raises issues which cannot be resolved without considering evidentiary matters that are not verifiable in the normal course of inspection, and second, where the employer-employee relationship no longer exists.
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> Both of the above-stated limitations are wanting in this case. Records show that, when this case was filed on August 29, 2000, complainants were still employed with the respondent CEREBA working for KUNWHA's project with the Vicariate. There was no proof that the subcontracting agreement between KUNWHA LUZON CONSTRUCTION and CEREBA Builders was terminated as of July 2000. The letters showing the poor performance of CEREBA Builders cannot be considered as a notice of termination of the Subcontracting Agreement for the same do not state so.
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> Succinctly put, since no written notice was served to respondent CEREBA Builders terminating the Subcontracting Agreement, the employer-employee relationship between KUNWHA and complainants existed until the completion of the subcontracting agreement on September 18, 2000. Considering this, when the complainants filed this case on August 29, 2000, the Regional Director validly acquired jurisdiction over the case. And, jurisdiction once acquired is not lost upon the instance of the parties but continues until the case is terminated.
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> It is also equally important to note that, during the initial hearing of this case at the Regional Office, the respondents failed to contest the findings of the Labor Employment and Enforcement Officer. The respondents failed to present employment records and any evidence to controvert the findings despite the reasonable period of time afforded them. It was only when respondent KUNWHA filed its Motion for Reconsideration from the Order dated March 12, 2001 of the Regional Director that it submitted documents which the Vicariate now alleged to be not verifiable in the summary nature of the labor inspection[19]

Moreover, the issue of jurisdiction is clearly intertwined with the existence of employer-employee relationship. It is undisputed that the existence of an employer-