

SECOND DIVISION

[G.R. No. 115920, January 29, 1996]

**PCI AUTOMATION CENTER, INC., PETITIONER, VS. NATIONAL
LABOR RELATIONS COMMISSION AND HECTOR
SANTELICES, RESPONDENTS.**

D E C I S I O N

PUNO, J.:

This is a special civil action for certiorari under Rule 65 of the Revised Rules of Court for the annulment of the Decision of the National Labor Relations Commission (NLRC) dated December 29, 1993^[1] and its Resolution dated April 15, 1994.^[2]

In 1985, Philippine Commercial International Bank (PCIB) commenced its 4th GL Environment Conversion Project intended to link all existing computer systems within PCIB and its various branches around the country. It entered into a Computer Services Agreement with petitioner PCI Automation Center, Inc. (PCI-AC), under which petitioner obligated itself to direct, supervise and run the development of the software, computer software applications and computer system of PCIB. On the other hand, PCIB agreed to provide the petitioner with encoders and computer attendants, among others.^[3]

To comply with its obligation to procure manpower for the petitioner, PCIB engaged the services of Prime Manpower Resources Development, Inc. (Prime). PCIB and Prime entered into an External Job Contract^[4] which provides:

"1. Services - PRIME shall provide qualified and adequate personnel services required by the CLIENT within two (2) working days from time of receipt of the notice of the CLIENT's requisition.

2. Selection - The CLIENT shall have the right to select, refuse, or change any or all of the personnel assigned to deliver these services to the CLIENT upon two (2) working days notice to PRIME.

3. Supervision - The CLIENT shall be responsible in supervising all PRIME personnel contracted and assigned to deliver such services to the CLIENT. However, PRIME shall check the time cards of the assigned personnel for payroll and other related purposes. Any change or discontinuance in the work assignment of the assigned personnel shall be conveyed in writing to PRIME by CLIENT within two (2) days from such change or termination.

4. Liability/Responsibility - It is expressly agreed that the personnel assigned to the client are not employees of the CLIENT, and as such

PRIME shall at all times stand solely liable and/or responsible for the enforcement of and compliance with all existing laws, rules and regulations, such as, but not limited to the Labor Code, Social Security Act, Employer's (sic) Compensation Commission Act as amended, Medical Care; provided finally, that PRIME hereby agrees and binds itself to save and hold CLIENT free and harmless from any civil and criminal liability with respect thereof and/or which may arise therefrom.

5. Direct Hiring/Absorption - Since the personnel assigned to the CLIENT are PRIME employees, said employees cannot be absorbed or hired directly by the CLIENT without PRIME's prior written consent. In which case, CLIENT shall be charged by PRIME a placement fee equivalent to ten percent (10%) of the commencing annual gross compensation of the employee concerned if said employees have worked with CLIENT for less than five (5) months. If said employees have worked with CLIENT as temporary employee for more than five (5) months, CLIENT shall not be charged any fee.

6. Injury/Damage - PRIME shall not be responsible for any loss or damage caused by the assigned personnel to the CLIENT's properties as well as properties of the customers of the CLIENT unless the loss or damage is caused by the fact that the assigned personnel lacks the capacity to work by reason of any mental or physical defect or he was manifestly unfit or unqualified to perform the tasks for which he has been assigned by PRIME to the client.

In the event of injury to assigned PRIME personnel under this contract, due to accidents which are work-related, the CLIENT shall reimburse PRIME for medical expenses incurred which under existing laws are required to be defrayed by the employers. In the case of assigned PRIME personnel under regular status, medical expenses due to accidents or illnesses, whether or not work related, shall be defrayed by PRIME under its Hospitalization Insurance Scheme.

7. Confidentiality - PRIME shall guarantee the confidentiality of CLIENT's nature of job where PRIME personnel are involved.

8. Mode/Term of Payment - For and in consideration of the abovementioned services, the CLIENT shall pay PRIME the corresponding hourly billing rate listed in Annex A which is an integral part of this contract. Annex A consists of letter agreement dated May 20, 1986 duly conformed by PRIME and CLIENT as to the specific hourly rates per job category and status, as well as the composition of the billing rates, basis for computation and the provision of reserves for additional benefits granted to assigned regular PRIME employees whenever those are applicable and/or payable. Such rates apply only to work done by our employees during the first eight (8) hours on any work day.

For work rendered by the assigned personnel in excess of the regular work period agreed upon, the CLIENT shall be billed by PRIME the rates on overtime pay set by the New Labor Code. The schedule of hourly billing rates per job category for work rendered on overtime, whether

done on a regular work day; legal holiday, special holiday or rest day is herein attached as Annex B and shall become an integral part of this contract.

PRIME shall bill the CLIENT for actual services rendered by sending CLIENT its statement of account on the 16th and on the last day of each month. CLIENT shall make payment within seven (7) working days from receipt of said statement of account, unless the CLIENT, within the same period, communicates to PRIME its refusal to pay on some valid grounds, e.g. errors in computation, etc. In the latter case, CLIENT shall make payment within seven (7) working days after the cause for non-payment is settled.

9. Provision for Rate Adjustment - In the event that wages are increased and increased (sic) and additional fringe benefits in favor of the employees are promulgated by law, decrees or regulation, or granted by mutual agreements between PRIME and CLIENT, the above mentioned billing rates shall be automatically adjusted to conform with the new levels set by law or by both parties."

On September 20, 1985, private respondent Hector Santelices was hired by Prime and assigned to petitioner as a data encoder to work on the 4th GL Environment Conversion Project of PCIB.^[5] However, on March 18, 1991, Prime decided to terminate private respondent's services after it was informed by the petitioner that his services were no longer needed in the project.^[6]

Private respondent filed before the NLRC a complaint for illegal dismissal against Prime and PCI-AC.^[7] In his position paper, private respondent prayed for the payment of his 14th month pay, 13th month pay, separation pay, unpaid service incentive leave, unpaid vacation leave, termination pay, as well as moral and exemplary damages and attorney's fees.^[8]

On April 30, 1993, Labor Arbiter Melquiades Sol Del Rosario rendered a Decision^[9] finding that private respondent's dismissal was illegal. The dispositive portion of the Decision states:

"CONFORMABLY with the foregoing, judgment is hereby rendered finding complainant's dismissal to be illegal and without legal basis. Consequently, complainant should be immediately reinstated to his former or equivalent position as data encoder at PCI-AC. Should reinstatement be impossible or impractical due to a strained relation, then in lieu thereof, payment of separation pay by Prime at one month's pay (P3,060.00) per year of service reckoned from September 20, 1985, a fraction of six (6) months service being considered as one (1) whole year.

Respondents (sic) companies are further ordered to pay in solidum the complainant the following amounts:

1. P78,030.00 as backwages (March 16, 1991 to April 30, 1993) not exceeding 3 years without qualification or deduction at P3,060.00 a month;
2. P30,000.00 as moral damages;
3. P10,000.00 as exemplary damages; and
4. P5,000.00 as attorney's fees.

All other claims are hereby denied for lack of merit."^[10]

Prime and PCI-AC appealed to the NLRC.

On June 18, 1993, during the pendency of the appeal, Prime paid private respondent the amount of P24,480.00 as separation pay in lieu of reinstatement. This was in partial satisfaction of the judgment rendered by the Labor Arbiter. Private respondent, for his part, waived his right to be reinstated to his former position in Prime and/or PCI-AC. Accordingly, Prime and private respondent executed and filed before the office of the Labor Arbiter a document entitled "Partial Satisfaction of Judgment and Waiver of Right."^[11]

On December 29, 1993, public respondent NLRC affirmed the Decision of the Labor Arbiter, but deleted the award of moral and exemplary damages and attorney's fees.^[12]

PCI-AC filed the present petition on the following ground:

". . . the public respondent acted with grave abuse of discretion amounting to lack of jurisdiction when it disregarded the substantial evidence in this case clearly showing that private respondent was not illegally dismissed by petitioner."^[13]

The petition must fail.

Petitioner contends that private respondent, being a project employee, was validly dismissed when the project for which he was hired was completed on March 15, 1991. Petitioner avers that the 4th GL Environment Conversion Project involved a phase-by-phase conversion of PCIB's computer system. Private respondent was assigned to work as data encoder in the Consolidated Financing System/Budget Monitoring phase of the said computer conversion project. Allegedly, this phase was completed on March 15, 1991. Petitioner makes the submission that the completion of the work therein terminated further need for private respondent's services.^[14]

The public respondent, however, held otherwise after assessing the evidence on record. It affirmed the findings of the Labor Arbiter, thus: