Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

MONSANTO PHILIPPINES, INC., Petitioner,	**G.R. Nos. 230609-10**
	Present:
- versus -	PERALTA, *C.J., Chairperson,* CAGUIOA, REYES, J. JR., LAZARO-JAVIER, and LOPEZ, *JJ.*
NATIONAL LABOR RELATIONS COMMISSION, MARTIN B. GENEROSO JR., ORVILLE P. PAGONZAGA, ROEL M. MORANO, ROEL T. MALINAO, FELMER Y. ESTAÑO, SHERWIN T. TABANAG, PONCIANO O. LARANIO, ARIEL F. BALILI, JERIH M. JUNTADO, JR., and ANTONIO S. SISO,	**Promulgated:**
Respondents.	AUG 27 2020

x - x

DECISION

REYES, J. JR., *J.*:

This is an illegal dismissal case between an independent job contractor, its principal, and the contractor's employees.

The Case

This petition seeks a partial review of the October 3, 2016 Court of Appeals (CA) Decision[1] and March 8, 2017 Resolution[2] in CA-G.R. SP No. 06830-MIN and CA-G.R. SP No. 04728-MIN, which held, among others,

---

[1] Penned by Associate Justice Reynaldo G. Roxas, with Associate Justices Romulo V. Borja and Edgardo T. Lloren, concurring; *rollo*, p. 76.

[2] Id. at 77-81.

that (1) private respondents are not regular employees of petitioner Monsanto Philippines, Inc. (Monsanto) but of East Star Agricultural Development Corporation (East Star); and (2) Monsanto is solidarily liable with East Star for any violation of the Labor Code under their service agreement.[3]

The Facts

Monsanto is a domestic corporation engaged in agricultural business, such as the manufacture, processing, refinement, importation, and marketing of seeds, agricultural products, chemicals and related products. Its main clientele are Filipino farmers who grow rice and corn. To promote its products, it entered into a service agreement with East Star on April 25, 2005.[4]

East Star is a domestic corporation engaged in providing services with agricultural production, processing, packaging, warehousing, and distribution. It is an accredited job contractor with the Department of Labor and Employment (DOLE).[5]

Private respondents Martin B. Generoso Jr., Orville P. Pagonzaga, Roel M. Morano, Roel T. Malinao, Felmer Y. Estaño, Sherwin T. Tabanag, Ponciano O. Laranio, Ariel F. Balili, Jerih M. Juntado, Jr., and Antonio S. Siso were agricultural crop technicians of East Star and were tasked to promote Monsanto's products. Sometime in April 2007, private respondents were told that their position and function were redundant. On May 16, 2007, East Star formally terminated their employment, prompting private respondents to file a complaint against Monsanto, East Star, and its corporate officers, Arnold Estrada, Gemma Lustre, and Teodorico Dereje, Jr. for illegal dismissal with claim for backwages, separation pay, incentives/commission, and tax refund.[6]

The Labor Arbiter's Decision

On February 23, 2010, the Executive Labor Arbiter (LA) issued a Decision in private respondents' favor.[7] The LA ruled that East Star acted as a labor-only contractor, because there is no showing that it hired private respondents and that it has no control over their work. On the other hand, Monsanto exercised control over the private respondents' work, making them its regular employees.[8]

---

3 Id. at 75-76.
4 Id. at 62.
5 Id.
6 Id. at 62-63.
7 Id. 181-189.
8 Id. at 186-187.

The LA held that private respondents were dismissed for an authorized cause, that is, the reorganization of personnel to streamline Monsanto's operations.[9] However, due process was not observed. Thus, the LA ordered Monsanto to pay separation pay, nominal damages of ₱50,000.00 for each private respondent, 14th month pay, and attorney's fees. Additionally, Monsanto was directed to pay annual wage increase, dependents' medical insurance coverage, stock option benefit, and 5% attorney's fees on said awards for a three-year period counted from the filing of the complaints and to be computed in post judgment proceedings. All other complaints were dismissed for lack of merit.[10] Aggrieved, Monsanto appealed to the National Labor Relations Commission (NLRC).[11]

The NLRC Decision

On April 19, 2011, the NLRC rendered a Decision dismissing the appeal for lack of merit and affirming the LA's Decision. The NLRC held that Monsanto did not dispute private respondents' allegation that Monsanto hired them through its officers on different dates before the execution of the service agreement. There was admission by silence on Monsanto's part. The NLRC also ruled that Monsanto transferred them to East Star as their new employer, but Monsanto remained as their employer.[12]

Monsanto moved for reconsideration, which was partially granted in the October 28, 2011 Resolution.[13] The NLRC modified its Decision as follows: (1) the amount that East Star previously paid to private respondents representing separation pay based on an approved compromise agreement by the DOLE Regional Office should be deducted from the separation pay in this case; (2) the awards of 14th month pay, annual wage increase, dependents' medical insurance coverage, and stock option benefit are deleted for lack of factual and legal basis, and it was not proven that it was given as a company practice; and (3) the attorney's fees equivalent to 5% of the total monetary award shall be based on the modified amount. The rest of the awards were affirmed.[14] Both parties filed their respective petitions for *certiorari* before the CA.[15]

The Court of Appeals' Decision

On October 3, 2016, the CA rendered a consolidated Decision partially granting both petitions.[16]

---

9 Id.
10 Id. at 187-189.
11 Id. at 65.
12 Id. at 240-241.
13 Id. at 277-281.
14 Id. at 280.
15 Id. at 66.
16 Id. at 60-76.

First, the CA ruled that the NLRC erred in affirming the LA's Decision that private respondents were Monsanto's employees. The records reveal that private respondents did not present any evidence, such as an employment contract showing that Monsanto employed them prior to April 25, 2005, the date when the service agreement was signed. On the other hand, the service agreement is *prima facie* evidence that they are employees of East Star. There is no employer-employee relationship between Monsanto, the principal, and private respondents. That relationship is present between East Star, the contractor, and private respondents, because the former has the power to hire and fire, to pay wages and other benefits, and to control the method of work of the private respondents. The private respondents are regular employees of East Star as they have been performing work that is usually necessary and desirable in the usual trade and business of the latter for more than a year prior to dismissal.[17] East Star is a legitimate job contractor as the DOLE issued a certificate of registration in its favor.[18]

As regular employees, private respondents are entitled to security of tenure and they may only be dismissed for just or authorized causes under Articles 282 and 283 of the Labor Code. Here, the principal no longer needed the services of the private respondents and so the contractor dismissed them from employment. This is not a just or authorized cause for dismissal under the Labor Code. Thus, East Star is liable for illegal dismissal. Still, under the service agreement, Monsanto agreed to be solidarily liable with East Star in case of any violation of any provision of the Labor Code.[19]

> 5. The CONTRACTOR shall be considered the employer of the contractual employees for the purpose of enforcing the provisions of the Labor Code and other social legislation. The PRINCIPAL, however, shall be solidarily liable with the CONTRACTOR in the event of any violation of any provision of the Labor Code, including, the failure to pay wages and other monetary claims.

The CA awarded private respondents backwages from the time they were withheld until finality of the decision, separation pay equivalent to one month pay for every year of service,[20] and moral damages as the dismissal was done in a manner contrary to public policy.[21] The NLRC's reduction of attorney's fees from 10% to 5% was without legal basis and thus, tainted with grave abuse of discretion. However, the CA did not include attorney's fees in the dispositive portion of the decision.[22] The CA removed the award of nominal damages as it presupposes that substantive due process (just or

---

17 Id. at 67-70.

18 Id. at 69.

19 Id. at 70-72.

20 The records reveal that private respondents were in the service of East Star from April 15, 2005 to May 16, 2007; id. at 72.

21 Id. at 72-73.

22 Id. at 74-76.

authorized cause) was observed. Since just or authorized cause was absent, the award of nominal damages was baseless.[23] The CA awarded a proportionate 13th month to private respondents in the dispositive portion, but it was not discussed in the body of the decision.[24] The CA remanded the case to the LA for the computation of the amounts due to the private respondents.[25]

Second, as for respondent Martin B. Generoso, Jr. (Generoso), he proved that Monsanto engaged his services before the execution of the service agreement. He showed the letters sent to several municipal mayors informing them of the setting up of promotional materials in their respective localities. The letters were all dated December 3, 2004. This means that Monsanto directly hired him and there was an employer-employee relationship between them before the execution of the service agreement. Later, he was transferred to East Star. The CA determined that despite the transfer, the relationship between Monsanto and Generoso remained, and East Star acted as a labor-only contractor in his case.[26] Still the CA did not award 14th month pay, annual wage increase, dependent's medical insurance coverage, and stock option benefit to him.[27]

Third, since it was established that private respondents, except for Generoso, are not Monsanto's employees, they are not entitled to the benefits of Monsanto's employees, such as 14th month pay, annual wage increase, dependent's medical insurance coverage, and stock option benefit. Assuming they were Monsanto's employees, they failed to prove that these benefits were given as a matter of practice. Thus, the NLRC was correct in deleting them.[28]

Monsanto moved for reconsideration, which the CA denied in its Resolution dated March 8, 2017.[29] Unsuccessful, Monsanto filed a petition for partial review under Rule 45 before the Court.

The Issues Presented

1. Whether or not the CA erred in ruling that East Star is a legitimate job contractor and is the employer of private respondents;

2. Whether or not Monsanto is solidarily liable with East Star;

3. Whether or not the CA erred in ruling that private respondents were illegally dismissed for lack of just or authorized cause;

---

23 Id. at 72-73.
24 Id. at 75.
25 Id. at 76.
26 Id. at 73.
27 Id. at 76.
28 Id. at 74.
29 Id. at 77-81.

4. Whether or not the CA erred in awarding backwages, separation pay, damages, and attorney's fees to private respondents; and

5. Whether or not the CA erred in ruling that Generoso is an employee of Monsanto.

The Court's Ruling

The petition lacks merit.

The general rule in a petition for review on *certiorari* under Rule 45 of the Rules of Court is that only questions of law shall be raised. In *Republic v. Heirs of Santiago*,[30] the Court enumerated that one of the exceptions to the general rule is when the CA's findings are contrary to those of the trial court.

Here, the Labor Arbiter is likened to a trial court in that he/she is the first adjudicator of truth and justice. The Labor Arbiter has the first opportunity to evaluate the pieces of evidence of the complainant, the respondent, and their respective witnesses during the preliminary conference. Considering the different findings of fact and conclusions of law of the LA and NLRC on one hand, and the CA on the other, the Court shall entertain this petition, which involves a re-assessment of the evidence presented.

I. East Star is not a legitimate job contractor, and is not the employer of private respondents.

The CA held that the NLRC erred in affirming the LA's factual finding that the private respondents were employees of Monsanto even before the service agreement was signed. There was no evidence to support this finding as the private respondents did not present any proof showing that Monsanto employed them before executing a service agreement with East Star.[31]

On the other hand, the LA ruled that East Star acted as a labor-only contractor, because there is no showing that it hired private respondents and that it has no control over their work. It was Monsanto which exercised control over the private respondents' work, making them its regular employees.[32]

In affirming the LA's Decision, the NLRC established that Monsanto did not dispute the private respondents' allegation that Monsanto hired them through its officers on different dates before the execution of the service agreement. There was admission by silence on Monsanto's part. The NLRC

---

30 G.R. No. 193828, March 27, 2017, 808 SCRA 1.

31 *Rollo*, p. 67.

32 Id. at 186.

also resolved that Monsanto transferred them to East Star as their new employer, but Monsanto remained as their employer.[33]

As a rule, factual findings of quasi-judicial agencies such as the NLRC are generally accorded not only respect but also finality because of the special knowledge and expertise gained by these agencies from handling matters under their specialized jurisdiction.[34]

Here, the NLRC, in affirming the LA's Decision, established that Monsanto hired the private respondents on different dates between 1996 to 2001. Monsanto has direct control and supervision over their activities through its Marketing Executives and Territory Leads. In promoting and selling Monsanto's agricultural products and services, they were engaged in activities such as: conducting farmers' meeting, harvest festivals, big landowners/financiers' meeting, and product inventories. Monsanto provided them with vehicles, gasoline supply, and promotional materials necessary for their work. Monsanto also conducted a defensive driving seminar and actual test driving, which included private respondents.[35]

The private respondents represented Monsanto in executing Marketing Incentives Program Agreements with dealers, financiers, and big landowners. At the start of their employment, they were required to open automated teller machine bank accounts through which Monsanto paid their salaries. After Monsanto signed the service agreement with East Star, the latter took over the payment of their salaries, although it did not exercise control and supervision over their work.[36]

Despite the service agreement, the factual findings of the NLRC indicate that Monsanto has direct control and supervision over the private respondents' work and activities. In labor law, one who exercises the power of control over the means, methods, and manner of performing an employee's work is considered as the employer.

The power of the employer to control the work of the employee is considered the most significant determinant of the existence of an employer-employee relationship. This test is premised on whether the person for whom the services are performed reserves the right to control both the end achieved and the manner and means used to achieve that end.[37]

If indeed East Star is the real employer of private respondents, it should be exercising the power of control over them and not Monsanto. The evidence points to the conclusion that East Star is not a legitimate job

---

33 Id. at 240-241.

34 *Interadent Zahntechnik Philippines, Inc. v. Simbillo*, 800 Phil. 769, 781 (2016).

35 *Rollo*, p. 238.

36 Id. at 238-239.

37 *Reyes v. Glaucoma Research Foundation, Inc.*, 760 Phil. 779, 794 (2015).

contractor, but a labor-only contractor. East Star is not the employer of private respondents.

Section 5 of DOLE Order No. 18-02 prohibits labor-only contracting and defines it as an arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job, work or service for a principal, and any of the following elements are present:

> 1) The contractor or subcontractor does not have substantial capital or investment which relates to the job, work or service to be performed and the employees recruited, supplied or placed by such contractor or subcontractor are performing activities which are directly related to the main business of the principal; or
>
> 2) the contractor does not exercise the right to control over the performance of the work of the contractual employee.

The provision further defines substantial capital or investment as capital stocks and subscribed capitalization in the case of corporations, tools, equipment, implements, machineries and work premises, actually and directly used by the contractor or subcontractor in the performance or completion of the job, work or service contracted out.

Here, the NLRC determined that although East Star has a subscribed capital of ₱10,000,000.00 as stated in its Articles of Incorporation, it does not have substantial capital or investment in the form of tools, equipment, implements and machines to use in the performance of the private respondents' work.[38] Clearly, one of the elements of labor-only contracting is present.

To reiterate, the factual findings of the Labor Arbiter as affirmed by the NLRC, established that East Star did not exercise the right to control the performance of private respondents' work. Hence, another element of labor-only contracting exists.

The Court weighs in the NLRC's doubt in the authenticity and truthfulness of the service agreement, which took effect on January 1, 2005 or before East Star was registered with the DOLE on July 14, 2005.[39] We share the same doubt, because how can the parties execute a service agreement on April 25, 2005 if East Star was only registered with the DOLE on July 14, 2005? Even assuming that the service agreement is valid, East Star was a labor-only contractor when the document was executed because East Star was not yet a DOLE-registered job contractor.

The Court also notes the LA's observation that East Star did not file its Position Paper and supporting documents in this case. Neither did it participate in the proceedings before the CA as its Decision was silent on

---

38 *Rollo*, p. 240.
39 Id. at 240-241.

whether it filed a pleading. Presently, it was only Monsanto who filed a Petition before the Court. Again, East Star did not participate in the proceedings. This is odd considering that East Star was the losing party in the CA's Decision. It is logical to expect that the losing party would be the primary petitioner before the Court. However, it appears that Monsanto had been taking the cudgels for East Star.

The factual circumstances and evidence presented point to the conclusion that Monsanto is the employer of the private respondents. It hired private respondents way before it entered into a service agreement with East Star. After reorganizing, Monsanto transferred private respondents to East Star in violation of their right to security of tenure. As the real employer of private respondents, it is liable for violation of labor laws.

II. Is Monsanto solidarily liable with East Star under the service agreement?

The issue of Monsanto's solidary liability with East Star under the service agreement is of no moment considering that the Court already pronounced that Monsanto is the employer of private respondents. As such, Monsanto is directly liable for the consequences of illegal dismissal, including the money claims.

III. The private respondents were illegally dismissed.

The LA ruled and the NLRC affirmed that private respondents were dismissed for an authorized cause, that is, the reorganization of personnel to streamline Monsanto's operations. However, since due process was not observed, the private respondents were awarded nominal damages of ₱50,000 each.[40]

The CA differed and held that the dismissal was not based on just or authorized causes under Articles 282 and 283 of the Labor Code, now renumbered as Articles 297 and 298.

> ARTICLE 297. [282] *Termination by Employer.* — An employer may terminate an employment for any of the following causes:
>
> (a) Serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work;
>
> (b) Gross and habitual neglect by the employee of his duties;
>
> (c) Fraud or willful breach by the employee of the trust reposed in him by his employer or duly authorized representative;

---

[40] Id. at 187-189, 241, 280.

> d) Commission of a crime or offense by the employee against the person of his employer or any immediate member of his family or his duly authorized representatives; and
>
> (e) Other causes analogous to the foregoing.
>
> ARTICLE 298. [283] *Closure of Establishment and Reduction of Personnel.* — The employer may also terminate the employment of any employee due to the installation of labor-saving devices, redundancy, retrenchment to prevent losses or the closing or cessation of operation of the establishment or undertaking unless the closing is for the purpose of circumventing the provisions of this Title x x x.[41]

The Court agrees with the CA. Private respondents were dismissed from the service after Monsanto reorganized its company to streamline operations. Monsanto claimed that their positions and functions were redundant. However, there is neither allegation nor evidence that Monsanto suffered losses or would suffer losses that justifies the reduction of workforce. Without evidence to substantiate redundancy, the dismissal cannot be characterized as just or authorized.

The LA held that due process in the dismissal was not observed, which the NLRC affirmed and to which the CA did not object. With the unanimous finding of lack of due process in the dismissal of the private respondents, the Court sustains the same. But the Court also sustains the CA's finding that redundancy was not sufficiently established. Therefore, the absence of just or authorized cause and due process in the dismissal renders it illegal.

IV. The private respondents are entitled to backwages, separation pay, damages, and attorney's fees under the law.

Law and jurisprudence laid down the monetary awards that an illegally dismissed employee is entitled to. First, the renumbered Article 294[42] of the Labor Code, formerly Article 279, states that an illegally dismissed employee is entitled to backwages from the time compensation was withheld.

Second, separation pay is warranted when the cause for termination is not attributable to the employee's fault, such as those provided in Articles 298 to 299 of the renumbered Labor Code, as well as in cases of illegal dismissal where reinstatement is no longer feasible.[43]

---

41 LABOR CODE OF THE PHILIPPINES, Presidential Decree No. 442 Amended & Renumbered, July 21, 2015.

42 ART. 294. [279] *Security of Tenure.* — In cases of regular employment, the employer shall not terminate the services of an employee except for a just cause or when authorized by this Title. An employee who is unjustly dismissed from work shall be entitled to reinstatement without loss of seniority rights and other privileges and to his full backwages, inclusive of allowances, and to his other benefits or their monetary equivalent computed from the time his compensation was withheld from him up to the time of his actual reinstatement.

43 *Symex Security Services, Inc. v. Rivera, Jr.*, G.R. No. 202613, November 8, 2017, 844 SCRA 416, 436-437.

While the general rule is that an illegally dismissed employee is entitled to reinstatement, and separation pay is awarded only in exceptional circumstances,[44] we find that the exception applies in this case. Reinstatement is not likely to be feasible as 13 years had passed since their dismissal from the service on May 16, 2007. It is unlikely that the positions they once held were still available for them to occupy again.

Moreover, an employee's prayer for separation pay is an indication of the strained relations between the parties. Under the doctrine of strained relations, the payment of separation pay is considered an acceptable alternative to reinstatement when the latter option is no longer desirable or viable.[45]

Here, private respondents prayed for separation pay and not reinstatement, which signifies that they do not wish to work again with their employer due to strained relations. In fact, the NLRC considered the approved compromise agreement between East Star and the private respondents before the DOLE Regional Office. Monsanto presented a receipt that private respondents received their separation pay. Consequently, the NLRC ruled that whatever amount they previously received should be deducted from the separation pay ordered herein. We sustain the NLRC's ruling considering the Court's finding that East Star is a labor-only contractor. Here, East Star and Monsanto are solidarily liable to pay all the private respondents' money claims.

The compromise agreement is proof that the private respondents had cut their ties with their employer. Otherwise, they would have prayed and fought for reinstatement.

In computing for backwages and separation pay, we follow *Genuino Agro-Industrial Development Corp. v. Romano*.[46]

> Under Article 279 (now Article 294) of the Labor Code, backwages is computed from the time of dismissal until the employee's reinstatement. However, when separation pay is ordered in lieu of reinstatement, backwages is computed from the time of dismissal until the finality of the decision ordering separation pay. Anent the computation of separation pay, the same shall be equivalent to one month salary for every year of service and should not go beyond the date an employee was deemed to have been actually separated from employment, or beyond the date when reinstatement was rendered impossible. In the present case, in allowing separation pay, the final decision effectively declares that the employment relationship ended so that separation pay and backwages are to be computed up to that point.

---

44 *Emeritus Security & Maintenance Systems, Inc. v. Dailig*, 731 Phil. 319, 325 (2014).

45 *Cabañas v. Abelardo G. Luzano Law Office*, G.R. No. 225803, July 2, 2018.

46 G.R. No. 204782, September 18, 2019.

Third, moral damages are recoverable when the dismissal of an employee is attended by bad faith or fraud or constitutes an act oppressive to labor, or is done in a manner contrary to good morals, good customs or public policy. Exemplary damages, on the other hand, are recoverable when the dismissal was done in a wanton, oppressive, or malevolent manner.[47]

Here, the CA awarded an unspecified amount of moral damages because the dismissal was done in a manner contrary to public policy. The CA determined that East Star treated private respondents as contractual employees in dismissing them from employment. East Star violated the State's policy against contractualization to keep its employees from attaining regular status.[48]

The Court agrees with the award of ₱15,000.00 as moral damages and ₱15,000 as exemplary damages to each of the private respondents, but for a different reason. Private respondents were unceremoniously transferred to East Star to end their regular status in Monsanto. Their years of service in Monsanto were unrecognized and they were deprived of their hard-earned benefits. This is oppression to labor, and violates the principles of good morals, good customs, public policy.

Fourth, Article 111 of the Labor Code states that attorney's fees equivalent to 10% of the amount of wages recovered may be assessed on the culpable party. This was affirmed in *National Power Corp. v. Cabanag*.[49]

Lastly, pursuant to *Nacar v. Gallery Frames*,[50] the monetary awards are subject to 6% interest per annum from the finality of this decision until fully paid.

V. Private respondent Generoso is an employee of Monsanto, but he and the rest of the respondents are not entitled to 14th month pay, annual wage increase, dependents' medical insurance coverage, and stock option benefits.

Monsanto argues that the CA erred in holding that private respondent Generoso was its employee. We find no reason to reverse the CA findings on the matter considering that the Court already declared that East Star is a labor-only contractor. Consequently, all the private respondents including Generoso are direct employees of Monsanto. The CA sustained the LA's finding, as affirmed by the NLRC, that Generoso proved that he was a regular employee of Monsanto. He presented communications, all dated December 3, 2004, to several mayors informing them of setting up promotional materials in their respective municipalities. This proved that

---

47 Supra note 43, at 439-440.

48 *Rollo*, pp. 71-72.

49 G.R. No. 194529, August 6, 2019.

50 716 Phil. 267 (2013).

Monsanto hired him prior to the service agreement, which was signed on April 25, 2005.

However, neither Generoso nor the rest of the private respondents proved that 14th month pay, annual wage increase, dependents' medical insurance coverage, and stock option benefits were given to Monsanto's regular employees as a matter of practice. In fact the NLRC reversed its ruling on this matter and deleted these awards because "complainants failed to prove that the grant of the said benefits is a long established tradition or regular practice on the part of respondent Monsanto. Complainants did not state or discuss with particularity the bases or reasons for claiming the aforesaid benefits.[51]

The CA mentioned a similar discussion when it denied the benefits to the private respondents including Generoso. The CA stated "the ACTs [agricultural crop technicians] failed to substantiate that they are entitled to these benefits. The burden of proving entitlement x x x rests on the ACTs because they were not incurred in the normal course of business. x x x they failed to show that regular employees were receiving these benefits as a matter of practice by Monsanto.[52]

With the consistent findings of fact of the two labor tribunals and the appellate court, the Court sees no reason to overturn the same. Accordingly, all of the private respondents are not entitled to 14th month pay, annual wage increase, dependents' medical insurance coverage, and stock option benefits.

WHEREFORE, the petition is **DENIED**. The Court of Appeals Decision dated October 3, 2016 and Resolution dated March 8, 2017 in CA-G.R. SP No. 06830-MIN and CA-G.R. SP No. 04728-MIN are **AFFIRMED WITH MODIFICATION:**

1. The Court finds that East Star is engaged in labor-only contracting. Thus, private respondents are direct employees of Monsanto.

2. Consequently, the Court awards:

   a. Backwages computed from the time the compensation was withheld until the finality of this decision,

   b. Separation pay equivalent to one month salary for every year of service computed from the time of employment until the finality of this decision. However, the same shall be adjusted by deducting whatever amount of separation pay the private respondents previously received from East Star,

---

51 *Rollo*, pp. 279-280.

52 Id. at 74.

c. ₱15,000.00 as moral damages to each of the private respondents,

d. ₱15,000.00 as exemplary damages to each of the private respondents, and

e. Attorney's fees at 10% of the total award.

3. The monetary awards are subject to 6% interest per annum following the Court's ruling in *Nacar v. Gallery Frames*.

4. The Labor Arbiter is **ORDERED** to make a recomputation of the total monetary benefits awarded in accordance with this Decision.

SO ORDERED.

JOSE C. REYES, JR.
Associate Justice

WE CONCUR:

DIOSDADO M. PERALTA
Chief Justice
Chairperson

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

MARIO V. LOPEZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

DIOSDADO M. PERALTA
Chief Justice