Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

SOCIAL SECURITY SYSTEM,
Petitioner,

G.R. No. 200114

Present:

CARPIO, *Chairperson,*
DEL CASTILLO,
MENDOZA,
LEONEN, *and*
JARDELEZA,* *JJ.*

- versus -

DEBBIE UBAÑA,
Respondent.

Promulgated:
24 AUG 2015

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DECISION

DEL CASTILLO, *J.*:

This Petition for Review on *Certiorari*[1] assails: 1) the July 29, 2011 Decision[2] of the Court of Appeals (CA) denying the Petition for *Certiorari* in CA-G.R. SP No. 110006 and affirming the March 6, 2007 Order[3] of the Regional Trial Court (RTC) of Daet, Camarines Norte, Branch 39 in Civil Case No. 7304; and 2) the CA's January 10, 2012 Resolution[4] denying petitioner's Motion for Reconsideration of the herein assailed Decision.

Factual Antecedents

On December 26, 2002, respondent Debbie Ubaña filed a civil case for damages against the DBP Service Corporation, petitioner Social Security System (SSS), and the SSS Retirees Association[5] before the RTC of Daet, Camarines Norte. The case was docketed as Civil Case No. 7304 and assigned to RTC

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* Per Special Order No. 2147 dated August 24, 2015.

1 *Rollo*, pp. 3-18.

2 CA *rollo*, pp. 90-96; penned by Associate Justice Samuel H. Gaerlan and concurred in by Associate Justices Rosmari D. Carandang and Ramon R. Garcia.

3 Records, pp. 189-190; penned by Judge Winston S. Racoma.

4 CA *rollo*, p. 118.

5 Should be "SSS Retirees Service Corporation."

Branch 39.

In her Complaint,[6] respondent alleged that in July 1995, she applied for employment with the petitioner. However, after passing the examinations and accomplishing all the requirements for employment, she was instead referred to DBP Service Corporation for "transitory employment." She took the pre-employment examination given by DBP Service Corporation and passed the same. On May 20, 1996, she was told to report for training to SSS, Naga City branch, for immediate deployment to SSS Daet branch. On May 28, 1996, she was made to sign a six-month Service Contract Agreement[7] by DBP Service Corporation, appointing her as clerk for assignment with SSS Daet branch effective May 27, 1996, with a daily wage of only □171.00. She was assigned as "Frontliner" of the SSS Members Assistance Section until December 15, 1999. From December 16, 1999 to May 15, 2001, she was assigned to the Membership Section as Data Encoder. On December 16, 2001, she was transferred to the SSS Retirees Association as Processor at the Membership Section until her resignation on August 26, 2002. As Processor, she was paid only □229.00 daily or □5,038.00 monthly, while a regular SSS Processor receives a monthly salary of □18,622.00 or □846.45 daily wage. Her May 28, 1996 Service Contract Agreement with DBP Service Corporation was never renewed, but she was required to work for SSS continuously under different assignments with a maximum daily salary of only □229.00; at the same time, she was constantly assured of being absorbed into the SSS plantilla. Respondent claimed she was qualified for her position as Processor, having completed required training and passed the SSS qualifying examination for Computer Operations Course given by the National Computer Institute, U.P. Diliman from May 16 to June 10, 2001, yet she was not given the proper salary. Because of the oppressive and prejudicial treatment by SSS, she was forced to resign on August 26, 2002 as she could no longer stand being exploited, the agony of dissatisfaction, anxiety, demoralization, and injustice. She asserted that she dedicated six years of her precious time faithfully serving SSS, foregoing more satisfying employment elsewhere, yet she was merely exploited and given empty and false promises; that defendants conspired to exploit her and violate civil service laws and regulations and Civil Code provisions on Human Relations, particularly Articles 19, 20, and 21.[8] As a result, she suffered actual losses by way of unrealized income, moral and exemplary damages, attorney's fees and litigation expenses.

Respondent prayed for an award of □572,682.67 actual damages representing the difference between the legal and proper salary she should have

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6 Records, pp. 1-7.

7 Id. at 14.

8 Art. 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

Art. 20. Every person who, contrary to law, wilfully or negligently causes damage to another, shall indemnify the latter for the same.

Art. 21. Any person who wilfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage.

received and the actual salary she received during her six-year stint with petitioner; □300,000.00 moral damages; exemplary damages at the discretion of the court; □20,000.00 attorney's fees and □1,000.00 appearance fees; and other just and equitable relief.

Petitioner and its co-defendants SSS Retirees Association and DBP Service Corporation filed their respective motions to dismiss, arguing that the subject matter of the case and respondent's claims arose out of employer-employee relations, which are beyond the RTC's jurisdiction and properly cognizable by the National Labor Relations Commission (NLRC).

Respondent opposed the motions to dismiss, arguing that pursuant to civil service rules and regulations, service contracts such as her Service Contract Agreement with DBP Service Corporation should cover only a) lump sum work or services such as janitorial, security or consultancy services, and b) piece work or intermittent jobs of short duration not exceeding six months on a daily basis.[9] She posited that her service contract involved the performance of sensitive work, and not merely janitorial, security, consultancy services, or work of intermittent or short duration. In fact, she was made to work continuously even after the lapse of her 6-month service contract. Citing Civil Service Commission Memorandum Circular No. 40, respondent contended that the performance of functions outside of the nature provided in the appointment and receiving salary way below that received by regular SSS employees amount to an abuse of rights; and that her cause of action is anchored on the provisions of the Civil Code on Human Relations.

Ruling of the Regional Trial Court

On October 1, 2003, the RTC issued an Order[10] dismissing respondent's complaint for lack of jurisdiction, stating that her claim for damages "has a reasonable causal connection with her employer-employee relations with the defendants"[11] and "is grounded on the alleged fraudulent and malevolent manner by which the defendants conspired with each other in exploiting [her], which is a clear case of unfair labor practice,"[12] falling under the jurisdiction of the Labor Arbiter of the NLRC. Thus, it decreed:

> WHEREFORE, premises considered, the aforementioned Motion to Dismiss the complaint of the herein plaintiff for lack of jurisdiction is hereby GRANTED. The above-entitled complaint is hereby DISMISSED.

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9 Civil Service Commission Resolution No. 020790, Re: Policy Guidelines for Contract of Services, June 5, 2002.

10 Records, pp. 153-154; penned by Judge Winston S. Racoma.

11 Id. at 154.

12 Id.

SO ORDERED.[13]

Respondent moved for reconsideration. On March 6, 2007, the RTC issued another Order[14] granting respondent's motion for reconsideration. The trial court held:

> Section 2(1), Art. IX-B, 1987 Constitution, expressly provides that "the civil service embraces all branches, subdivisions, instrumentalities, and agencies of the government, including government-owned or controlled corporation[s] with original charters." Corporations with original charters are those which have been created by special law[s] and not through the general corporation law. In contrast, labor law claims against government-owned and controlled corporations without original charters fall within the jurisdiction of the Department of Labor and Employment and not the Civil Service Commission. (Light Rail Transit Authority vs. Perfecto Venus, March 24, 2006.)
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> Having been created under an original charter, RA No. 1161 as amended by R.A. 8282, otherwise known as the Social Security Act of 1997, the SSS is governed by the provision[s] of the Civil Service Commission. However, since the SSS denied the existence of an employer-employee relationship, and the case is one for Damages, it is not the Civil Service Commission that has jurisdiction to try the case, but the regular courts.
>
> A perusal of the Complaint filed by the plaintiff against the defendant SSS clearly shows that the case is one for Damages.
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> Paragraph 15 of her complaint states, thus:
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> x x x. Likewise, they are contrary to the Civil Code provisions on human relations which [state], among others, that "Every person, must in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due and observe honesty and good faith (Article 19) and that "Every person who, contrary to law, willfully or negligently [causes] damages to another, shall indemnify the latter for the same. (Art. 20)
>
> *"Article 19 provides a rule of conduct that is consistent with an orderly and harmonious relationship between and among men and women. It codifies the concept of what is justice and fair play so that abuse of right by a person will be prevented. Art. 20 speaks of general sanction for all other provisions of law which do not especially provide their own sanction. Thus, anyone, who, whether willfully or negligently, in the exercise of his legal right or duty, causes damage to another, shall indemnify his or her victim for injuries suffered thereby." (Persons and Family Relations, Sta. Maria, Melencio, Jr. (2004) pp. 31-32.)*
>
> Wherefore, all premises considered, the Motion for Reconsideration is hereby GRANTED. The case against defendant Social Security System represented by its President is hereby reinstated in the docket of active civil cases of this court.

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13 Id.

14 Id. at 189-190.

SO ORDERED.[15] [Italics in the original]

Petitioner moved for reconsideration, but the RTC stood its ground in its June 24, 2009 Order[16]

Ruling of the Court of Appeals

In a Petition for *Certiorari*[17] filed with the CA and docketed as CA-G.R. SP No. 110006, petitioner sought a reversal of the RTC's June 24, 2009 and March 6, 2007 Orders and the reinstatement of its original October 1, 2003 Order dismissing Civil Case No. 7304, insisting that the trial court did not have jurisdiction over respondent's claims for "unrealized salary income" and other damages, which constitute a labor dispute cognizable only by the labor tribunals. Moreover, it claimed that the assailed Orders of the trial court were issued with grave abuse of discretion. It argued that the trial court gravely erred in dismissing the case only as against its co-defendants DBP Service Corporation and SSS Retirees Association and maintaining the charge against it, considering that its grounds for seeking dismissal are similar to those raised by the two. It maintained that DBP Service Corporation and SSS Retirees Association are legitimate independent job contractors engaged by it to provide manpower services since 2001, which thus makes respondent an employee of these two entities and not of SSS; and that since it is not the respondent's employer, then there is no cause of action against it.

On July 29, 2011, the CA issued the assailed Decision containing the following pronouncement:

> Hence, petitioner seeks recourse before this Court *via* this Petition for *Certiorari* challenging the RTC Orders. For the resolution of this Court is the sole issue of:
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> > WHETHER OR NOT THE RTC HAS JURISDICTION TO HEAR AND DECIDE CIVIL CASE NO. 7304.
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> The petition is devoid of merits.
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> The rule is that, the nature of an action and the subject matter thereof, as well as, which court or agency of the government has jurisdiction over the same, are determined by the material allegations of the complaint in relation to the law involved and the character of the reliefs prayed for, whether or not the complainant/plaintiff is entitled to any or all of such reliefs. A prayer or demand for relief is not part of the petition of the cause of action; nor does it enlarge the

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15 Id.
16 Id. at 206-207.
17 CA *rollo*, pp. 3-25.

cause of action stated or change the legal effect of what is alleged. In determining which body has jurisdiction over a case, the better policy is to consider not only the status or relationship of the parties but also the nature of the action that is the subject of their controversy.

A careful perusal of Ubaña's Complaint in Civil Case No. 7304 unveils that Ubaña's claim is rooted on the principle of abuse of right laid in the New Civil Code. She was claiming damages based on the alleged exploitation [perpetrated] by the defendants depriving her of her rightful income. In asserting that she is entitled to the damages claimed, [she] invoked not the provisions of the Labor Code or any other labor laws but the provisions on human relations under the New Civil Code. Evidently, the determination of the respective rights of the parties herein, and the ascertainment whether there were abuses of such rights, do not call for the application of the labor laws but of the New Civil Code. *Apropos* thereto, the resolution of the issues raised in the instant complaint does not require the expertise acquired by labor officials. It is the courts of general jurisdiction, which is the RTC in this case, which has the authority to hear and decide Civil Case No. 7304.

Not every dispute between an employer and employee involves matters that only labor arbiters and the NLRC can resolve in the exercise of their adjudicatory or quasi-judicial powers. Where the claim to the principal relief sought is to be resolved not by reference to the Labor Code or other labor relations statute or a collective bargaining agreement but by the general civil law, the jurisdiction over the dispute belongs to the regular courts of justice and not to the Labor Arbiter and the NLRC. In such situations, [resolution] of the dispute requires expertise, not in labor management relations nor in wage structures and other terms and conditions of employment, but rather in the application of the general civil law. Clearly, such claims fall outside the area of competence or expertise ordinarily ascribed to Labor Arbiters and the NLRC and the rationale for granting jurisdiction over such claims to these agencies disappears.

It is the character of the principal relief sought that appears essential in this connection. Where such principal relief is to be granted under labor legislation or a collective bargaining agreement, the case should fall within the jurisdiction of the Labor Arbiter and the NLRC, even though a claim for damages might be asserted as an incident to such claim.

The pivotal question is whether the Labor Code has any relevance to the principal relief sought in the complaint. As pointed out earlier, Ubaña did not seek refuge from the Labor Code in asking for the award of damages. It was the transgression of Article[s] 19 and 20 of the New Civil Code that she was insisting in wagering this case. The primary relief sought herein is for moral and exemplary damages for the abuse of rights. The claims for actual damages for unrealized income are the natural consequence for abuse of such rights.

While it is true that labor arbiters and the NLRC have jurisdiction to award not only reliefs provided by labor laws, but also damages governed by the Civil Code, these reliefs must still be based on an action that has a reasonable causal connection with the Labor Code, other labor statutes, or collective bargaining agreements. Claims for damages under paragraph 4 of Article 217 must have a reasonable causal connection with any of the claims provided for in the article in order to be cognizable by the labor arbiter. Only if there is such a connection with the other claims can the claim for damages be considered as

> arising from employer-employee relations. In the present case, Ubaña's claim for damages is not related to any other claim under Article 217, other labor statutes, or collective bargaining agreements.
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> All told, it is ineluctable that it is the regular courts that has [sic] jurisdiction to hear and decide Civil Case No. 7304. In *Tolosa v. NLRC*,[18] the Supreme Court held that, "[i]t is not the NLRC but the regular courts that have jurisdiction over action for damages, in which the employer-employee relations is merely incidental, and in which the cause of action proceeds from a different source of obligation such as tort. Since petitioner's claim for damages is predicated on a quasi-delict or tort that has no reasonable causal connection with any of the claims provided for in Article 217, other labor statutes or collective bargaining agreements, jurisdiction over the action lies with the regular courts – not with the NLRC or the labor arbiters." The same rule applies in this case.
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> WHEREFORE, premises considered, the instant petition is DENIED and the Order dated March 6, 2007 of the Regional Trial Court, Branch 39 of Daet, Camarines Norte in Civil Case No. 7304 is hereby AFFIRMED.
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> SO ORDERED.[19]

Petitioner filed a Motion for Reconsideration,[20] but the CA denied the same in its January 10, 2012 Resolution.[21] Hence, the present Petition.

Issue

Petitioner simply submits that the assailed CA dispositions are contrary to law and jurisprudence.

Petitioner's Arguments

Praying that the assailed CA dispositions be set aside and that the RTC's October 1, 2003 Order dismissing Civil Case No. 7304 be reinstated, petitioner essentially maintains in its Petition and Reply[22] that respondent's claims arose from and are in fact centered on her previous employment. It maintains that there is a direct causal connection between respondent's claims and her employment, which brings the subject matter within the jurisdiction of the NLRC. Petitioner contends that respondent's other claims are intimately intertwined with her claim of actual damages which are cognizable by the NLRC. Moreover, petitioner alleges that its existing manpower services agreements with DBP Service Corporation and SSS Retirees Association are legitimate; and that some of respondent's claims may not be entertained since these pertain to benefits enjoyed

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18 449 Phil. 271 (2003).
19 CA *rollo*, pp. 92-95.
20 Id. at 106-112.
21 Id. at 118.
22 *Rollo*, pp. 54-61.

by government employees, not by employees contracted *via* legitimate manpower service providers. Finally, petitioner avers that the nature and character of the reliefs prayed for by the respondent are directly within the jurisdiction not of the courts, but of the labor tribunals.

Respondent's Arguments

In her Comment,[23] respondent maintains that her case is predicated not on labor laws but on Articles 19 and 20 of the Civil Code for petitioner's act of exploiting her and enriching itself at her expense by not paying her the correct salary commensurate to the position she held within SSS. Also, since there is no employer-employee relationship between her and petitioner, as the latter itself admits, then her case is not cognizable by the Civil Service Commission (CSC) either; that since the NLRC and the CSC have no jurisdiction over her case, then it is only the regular courts which can have jurisdiction over her claims. She argues that the CA is correct in ruling that her case is rooted in the principle of abuse of rights under the Civil Code; and that the Petition did not properly raise issues of law.

Our Ruling

The Court denies the Petition.

In *Home Development Mutual Fund v. Commission on Audit*,[24] it was held that while they performed the work of regular government employees, DBP Service Corporation personnel are not government personnel, but employees of DBP Service Corporation acting as an independent contractor. Applying the foregoing pronouncement to the present case, it can be said that during respondent's stint with petitioner, she never became an SSS employee, as she remained an employee of DBP Service Corporation and SSS Retirees Association – the two being independent contractors with legitimate service contracts with SSS.

Indeed, "[i]n 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."[25]

In her Complaint, respondent acknowledges that she is not petitioner's employee, but that precisely she was promised that she would be absorbed into the

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23 Id. at 31-43.
24 483 Phil. 666 (2004).
25 *Philippine Airlines, Inc. v. National Labor Relations Commission*, 358 Phil. 919, 939 (1998).

SSS plantilla after all her years of service with SSS; and that as SSS Processor, she was paid only □229.00 daily or □5,038.00 monthly, while a regular SSS Processor receives a monthly salary of □18,622.00, or □846.45 daily wage. In its pleadings, petitioner denied the existence of an employer-employee relationship between it and respondent; in fact, it insists on the validity of its service agreements with DBP Service Corporation and SSS Retirees Association – meaning that the latter, and not SSS, are respondent's true employers. Since both parties admit that there is no employment relation between them, then there is no dispute cognizable by the NLRC. Thus, respondent's case is premised on the claim that in paying her only □229.00 daily – or □5,038.00 monthly – as against a monthly salary of □18,622.00, or □846.45 daily wage, paid to a regular SSS Processor at the time, petitioner exploited her, treated her unfairly, and unjustly enriched itself at her expense.

For Article 217 of the Labor Code to apply, and in order for the Labor Arbiter to acquire jurisdiction over a dispute, there must be an employer-employee relation between the parties thereto.

> x x x It is well settled in law and jurisprudence that where no employer-employee relationship exists between the parties and no issue is involved which may be resolved by reference to the Labor Code, other labor statutes or any collective bargaining agreement, it is the Regional Trial Court that has jurisdiction. x x x The action is within the realm of civil law hence jurisdiction over the case belongs to the regular courts. While the resolution of the issue involves the application of labor laws, reference to the labor code was only for the determination of the solidary liability of the petitioner to the respondent where no employer-employee relation exists. Article 217 of the Labor Code as amended vests upon the labor arbiters exclusive original jurisdiction only over the following:
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> 1. Unfair labor practices;
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> 2. Termination disputes;
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> 3. If accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment;
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> 4. Claims for actual, moral, exemplary and other forms of damages arising from employer-employee relations;
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> 5. Cases arising from any violation of Article 264 of this Code, including questions involving legality of strikes and lockouts; and
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> 6. Except claims for Employees Compensation, Social Security, Medicare and maternity benefits, all other claims, arising from employer-employee relations, including those of persons in domestic or household service, involving an amount exceeding five thousand pesos (□5,000.00) regardless of whether accompanied with a claim for reinstatement.

> In all these cases, an employer-employee relationship is an indispensable jurisdictional requisite x x x.[26]

Since there is no employer-employee relationship between the parties herein, then there is no labor dispute cognizable by the Labor Arbiters or the NLRC.

There being no employer-employee relation or any other definite or direct contract between respondent and petitioner, the latter being responsible to the former only for the proper payment of wages, respondent is thus justified in filing a case against petitioner, based on Articles 19 and 20 of the Civil Code, to recover the proper salary due her as SSS Processor. At first glance, it is indeed unfair and unjust that as Processor who has worked with petitioner for six long years, she was paid only □5,038.00 monthly, or □229.00 daily, while a regular SSS employee with the same designation and who performs identical functions is paid a monthly salary of □18,622.00, or □846.45 daily wage. Petitioner may not hide under its service contracts to deprive respondent of what is justly due her. As a vital government entity charged with ensuring social security, it should lead in setting the example by treating everyone with justice and fairness. If it cannot guarantee the security of those who work for it, it is doubtful that it can even discharge its directive to promote the social security of its members in line with the fundamental mandate to promote social justice and to insure the well-being and economic security of the Filipino people.

In this jurisdiction, the "long honored legal truism of 'equal pay for equal work'" has been "impregnably institutionalized;" "[p]ersons who work with substantially equal qualifications, skill, effort and responsibility, under similar conditions, should be paid similar salaries."[27] "That public policy abhors inequality and discrimination is beyond contention. Our Constitution and laws reflect the policy against these evils. The Constitution in the Article on Social Justice and Human Rights exhorts Congress to 'give highest priority to the enactment of measures that protect and enhance the right of all people to human dignity, reduce social, economic, and political inequalities.' The very broad Article 19 of the Civil Code requires every person, 'in the exercise of his rights and in the performance of his duties, [to] act with justice, give everyone his due, and observe honesty and good faith'."[28]

WHEREFORE, the Petition is **DENIED**. The assailed July 29, 2011 Decision and January 10, 2012 Resolution of the Court of Appeals in CA-G.R. SP No. 110006 are **AFFIRMED**. The case is ordered remanded with dispatch to the Regional Trial Court of Daet, Camarines Norte, Branch 39, for continuation of proceedings.

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26 *Lapanday Agricultural Development Corporation v. Court of Appeals*, 381 Phil. 41, 48-49 (2000).
27 *International School Alliance of Educators v. Quisumbing*, 388 Phil. 661, 675 (2000).
28 Id. at 672.

SO ORDERED.

MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

JOSE CATRAL MENDOZA
Associate Justice

MARVIC M.V.F. LEONEN
Associate Justice

FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

I attest 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.

ANTONIO T. CARPIO
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, 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.

MARIA LOURDES P. A. SERENO
Chief Justice