THE SUPREME COURT AND SOCIAL SECURITY

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In 1957, the Philippines formally inaugurated a new government program of great significance to its future. This is the Social Security System which was established pursuant to the Social Security Act of 1954.[1]

It took three years to implement the law because determined opposition from management, apathy from many labor leaders and vacillation from government officials greeted the enactment of the Social Security Act. In retrospect, it seems a wonder that the Philippines established a social security program when it did.

In its more than ten years of operation, however, the Social Security System has proved to be a vitally important government institution. There may not be any unanimous appreciation of the benefits it has brought about. To some workers the System may be another proof of the continuing existence of red tape in government bureaucracy especially when they become victims of long delays in the adjudication of their claims. Employers may rail at a System which in addition to regular contributions seems to require endless forms to accomplish without any tangible returns for the employers. But these are superficial reactions; for workers, employers and labor and business leaders now view the System as an indispensable part of the overall government program. The need for a social security program is now beyond question. It is the issue of its future development — how fast it should grow and in what direction — that causes a debate which seems to intensify with the years.

Benefits to Workers

The widespread and to some extent bitter opposition that met the birth of the system in the Philippines is now a thing of the past. Instead of opposition, the System is now faced with demands for benefits in many instances beyond its capacity to provide.

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[1] Rep. Act No. 1161 (1954).

Workers who had earlier resented their compulsory coverage by the System because it meant, among others, a certain deduction in their wages, now realize that their compulsory contributions are in fact forced savings that help provide for them and their dependents some protection against hazards which they face in their working lives like sickness, disability, old age and death.

Workers are also realizing that the protection they receive from the System is far greater than what their personal resources could provide. They are slowly becoming aware of these facts:

Firstly, that they receive, in effect, an across-the-board automatic increase in wages because employers are under obligation to pay social security contributions to the account of their covered workers. This increase is meaningful when one considers that in 1957, only about five per cent of workers subject to the social security coverage were covered by private benefit plans sponsored by their companies.

Secondly, that the System embodies in its program social insurance principles: There is a greater sharing of risks because of the very much larger number of persons involved, i.e., potentially the entire labor force. Also, with Social Security the coverage is compulsory and open-ended. Under an efficient bureaucracy, such coverage could easily mean considerably lesser administrative costs of the System and thus more money for benefits, compared with those of private insurance companies. Its open-ended coverage means that it could immediately give more liberal benefits the cost of which could afterwards be shouldered by persons covered in the future.

The System has also given two very tangible privileges to covered workers: long term loans for home building and short term loans to help meet expenses for education and for other exigencies. These privileges may not necessarily be integral parts of a social security program but they have proved to be very popular.

Benefits to Employers

As for employers, contrary to their earlier fears, the establishment of the System has not been without advantage to them. The fact that they pay Social Security contributions to the account of their workers has been successfully used by a number of employers, at least during the early years of the System, as an argument to resist demands for higher wages or more fringe benefits.

Although some employers could not get short term loans for personal necessities, they could apply for long term loans for home building and for industrial and commercial loans for their business enterprises.

Benefits to the Nation

The System has not only served the particular interests of workers and employers but the larger interest of the Filipino nation as well.

The System is being considered by an increasing number of the people, especially the Filipino workers and the common man, as a very concrete manifestation of the earnestness of the basic commitment expressed in the Constitution of the Philippines that "the promotion of social justice to ensure the well being and economic security of all the people shall be the concern of the State."[2] The same Constitution also categorically declares that "the State shall afford protection to labor."[3]

Before the System came into being, there were already a number of labor and social legislation intended to protect and advance the lot of the Filipino workers. In 1908, a law was passed that extended and regulated the responsibility of employers for personal injuries and deaths suffered by employees while at work.[4] In 1927, a law was passed prescribing the compensation to be received by employees for personal injuries, death or illness contracted in the performance of their duties.[5] In 1936, a court was created to adjudicate conflicts that may arise between labor and capital.[6] In 1939, a law was passed that provided for the maximum number of hours of a legal working day for workers.[7] In 1951, a minimum wage law was passed.[8] In 1952, a law was passed to regulate the employment of women and children.[9] In 1953, a labor relations law was passed designed to encourage and protect the exercise by employees of their rights to self organization and to engage in concerted activities in order that as much as possible the terms

[2] Art. II, Sec. 5
[3] Art. XIV, Sec. 6
[4] Act No. 1874 (1908)
[5] Act No. 3428 (1928)
[6] Com. Act No. 103 (1936)
[7] Com. Act No. 444 (1939)
[8] Rep. Act No. 602 (1951)
[9] Rep. Act No. 679 (1952)

and conditions of employment may be determined through collective bargaining.[10]

Even a cursory analysis of the above laws would show that by the 1950's the Philippines already had a complex of laws that provided a wide range of protection and benefits to workers. It was not until 1954, however, with the passage of the Social Security Act, that a law was enacted that began to deal specifically with the serious problems faced by workers and their dependents in case workers suffer from sickness, disability and premature death not caused or connected with their employment or old age.

The Social Security Act, however, did not just inaugurate a new program of government. Giving rise to a new set of rights and obligations, its enactment opened up a new area of decision-making in Philippine jurisprudence. Thus, when the complex of administrative, quasi-judicial and judicial agencies seek to give substance to the provisions of the Social Security Act, their rulings could very well give a new dimension to existing legal concepts and institutions in our labor law.

Since the Social Security System commenced its operations up to the end of 1957, the Supreme Court has promulgated 29 decisions involving provisions of the Social Security Act.[11]

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[10] Rep. Act No. 875 (1953)

[11] Laguna Transportation Co., Inc. v. Social Security System, G. R. No. 14606, April 28, 1960; Roman Catholic Archbishop of Manila v. Social Security Commission, G. R. No. 15054, Jan. 20, 1961; Tecson v. Social Security System, G. R. No. 15798, Dec. 28, 1961; Insular Life Assurance Co. Ltd., v. Social Security Commission, G. R. No. 16359, Dec. 28, 1961; Mosuela v. Philippine Long Distance Telephone Co., G. R. Nos. 16693-16695, Jan. 30, 1962; Escosura v. San Miguel, Inc. G. R. Nos. 16696-16702, Jan. 20, 1962; Elizalde Rope Factory, Inc. v. Social Security Commission, G. R. No. 15163, Feb. 28, 1962; Victorias Milling Co., Inc. v. Social Security Commission, G. R. No. 16704, May 17, 1962; Oromeca Lumber Co., Inc. v. Social Security Commission, G. R. No. 14833, April 28, 1962; Social Security Commission v. Bayona, G. R. No. 3555, May 30, 1962; Insular Lumber Co., v. Social Security System, G. R. No. 17625, January 31, 1963; Franklin Baker Co. of the Philippines v. Social Security System, G. R. No. 17361, April 29, 1963; San Teodoro Development Enterprises, Inc. v. Social Security System, G. R. No. 17662, May 30, 1963; Social Security System Employees Association (PAFLU) v. Social Security Commission, G. R. No. 18081, Nov. 18, 1963; Poblete Construction Co., v. Social Security Commission, G. R. No. 17605, Jan. 22, 1964; Benguet Consolidated, Inc. v. Social Security System, G. R. No. 19254, aMr. 31, 1964; Soriano v. Social Security System, G. R. No. 20100, July 16, 1964; Up-to-Date Shirt Factory v. Social Security System, G. R. No. 16773, Mar. 30, 1965; Igmidio Canovas v. Batangas Transportation Co. and Social Security System, G. R. 19868, Mar. 31, 1965; Rafael Jalotjot v. Marinduque Iron Mines Agents, Inc., Elizalde Rope Co. and Social Security System, G. R. No. 19587, May 31, 1965; Luzon Stevedoring Corp. v. Social Security System, G. R. No. 20088, Jan. 22, 1966; Social Security System v. Candelaria De Davao, G. R. No. 21642,

The rulings laid down by the Supreme Court in these decisions may be summarized as follows:

On the Coverage of the Act

1. *In the Roman Catholic Archbishop of Manila v. Social Security Commission,*[12] the Supreme Court held that religious and charitable organizations are not exempted from the compulsory coverage of the Social Security Act.

2. In *Social Security Commission v. Bayona,*[13] the question of compulsory coverage of educational institutions, (e.g. University of Santo Tomas and San Beda College) which have private benefit plans alleged to be granting more benefits than the Social Security Act was considered. Ruling on this point, the Supreme Court lifted the writ of preliminary injunction which had prevented the Social Security System from covering these institutions.

3. The Social Security Act, before its amendment in 1960 provided that, among other requisites, an employer must have been in operation for at least two years before it is subject to compulsory coverage.

In three cases, namely *Laguna Transportation Co., Inc. v. Social Security System,*[14] *Oromeca Lumber Co., Inc. v. Social Security Commission*[15] and *San Teodoro Development Enterprises, Inc. v. Social Security System,*[16] the Supreme Court liberally interpreted the two years of operation requirement by holding that when a partnership is changed into a corporation, this does not mean that as an "employer" under Social Security Act, the latter begins its operation only from the date of its incorporation. The years of operation of the dissolved partnership must also be taken into account.

July 30, 1966; Philippines Blooming Mills Co., Inc. v. Social Security System, G. R. No. 21223, Aug. 31, 1966; Agapita Pajarillo v. Social Security System, G. R. No. 21930, Aug. 31, 1966; Anicia v. Merced, v. Columbine Vda. de Merced, G. R. No. 20445, Feb. 23, 1967; Philippine American Life Insurance Co., v. Social Security Commission, G. R. No. 20383, May 24, 1967; Poblete Construction Co., v. Judith Asiain, G. R. No. 21448, Aug. 30, 1967; Investment Planning Corp. of the Philippines v. Social Security System, G. R. No. 19124, Nov. 18, 1967 and Rural Transit Employees Association v. Bachrack Transportation Co. Inc., G. R. No. 20074, Dec. 15, 1967.

[12] G. R. No. 15054, Jan. 20, 1961.
[13] G. R. No. 3555, May 30, 1962.
[14] G. R. No. 14606, April 28, 1960.
[15] G. R. No. 14833, April 28, 1962.
[16] G. R. No. 17662, May 30, 1963.

In *Up-to-Date Shirt Factory v. Social Security System,*[17] instead of a partnership changed into a corporation, it was a sole proprietorship changed into a partnership that was involved. The Court also held that the years of operation of the sole proprietorship should be considered in determining whether or not it met the two years of operation requirement for coverage.

4. The Supreme Court laid down a very important precedent in the case of *Luzon Stevedoring Corp. v. Social Security System*[18] where it ruled that temporary employees are compulsorily covered by the Social Security Act.

5. In *Pajarillo v. Social Security System,*[19] the Supreme Court held that there was no employer-employee relationship existing between boat owners and the pilot and crew members who use the boats for fishing. The latter are, therefore, outside the coverage of the Social Security Act.

Closely related to the above case is that of *Investment Planning Corp. of the Philippines v. Social Security System,*[20] where the Supreme Court held there was no employer-employee relationship between a corporation engaged in business management and the sale of securities and its so-called registered representatives who help sell the investments plan of the corporation purely on a commission basis. The registered representative was an independent contractor and not an employee and, thus, was outside the coverage of the Social Security Act.

On the Obligation to Pay Contribution

6. In *Victorias Milling Co., Inc. v. Social Security Commission,*[21] the Supreme Court upheld the validity of a Circular of the Social Security Commission that included bonuses and overtime pay in the remuneration of an employee that is to be considered in computing contributions due the Social Security System from employers and employees.

7. In five cases, namely those involving the *Insular Life Assurance Co.,*[22] *Elizalde Rope Factory,*[23] *Insular Lumber Co.,*[24] *Frank-*

[17] G. R. No. 16773, May 30, 1965.
[18] G. R. No. 20088, Jan. 22, 1966.
[19] G. R. No. 21930, Aug. 31, 1966.
[20] G. R. No. 19124, Nov. 18, 1967.
[21] G. R. No. 16704, Mar. 17, 1962.
[22] G. R. No. 16359, Dec. 28, 1961.
[23] G. R. No. 15163, Feb. 28, 1962.
[24] G. R. No. 17625, Jan. 31, 1963.

lin Baker Co. of the Philippines,[25] and *Jalotjot,*[26] the Supreme Court held that the obligation to pay contributions to the Social Security System exists even when an employee is not actually receiving compensation, as when he is on leave of absence without pay or when he is on strike, as long as there is an employer-employee relationship. This ruling, however, is no longer applicable. In the 1960 amendments, actual remuneration was made the basis of contributions.

On Social Security Benefits

8. In two groups of cases, one involving the *Philippine Long Distance Telephone Co.,*[27] and the other *San Miguel Brewery, Inc.*[28] The Supreme Court clarified a legal proviso on sickness benefits. The Social Security Act provides that sickness benefits are not payable unless "all leaves of absence, with pay, if any, to the credit of the employee shall have been exhausted."[29] In the above cases, the Supreme Court held that the phrase "all leaves of absence with pay" did not include sick leaves with less than full pay, but only those with full pay.

9. In *Benguet Consolidated Inc., v. Social Security System*[30] and *Rural Transit Employees Association, et al., v. Bachrach Transportation Co., Inc.,*[31] the Supreme Court held that sickness benefits under the Social Security Act may be received simultaneously with the benefits under the Workmen's Compensation Act.[32]

10. In *Canovas v. Batangas Transportation Co.,*[33] the Court clarified that it is the Social Security System that must directly pay and not the employer who must advance the sickness benefits only when the employee is separated from and without employment.

11. In *Tecson v. Social Security System,*[34] the Supreme Court said that the Social Security Commission cannot limit the right of a covered employee to designate his beneficiary for purposes of So-

25 G. R. No. 17361, April 29, 1963.
26 G. R. No. 19587, May 31, 1965.
27 G. R. Nos. 16693-16695, Jan. 30, 1962.
28 G. R. Nos. 16696-16702, Jan. 30, 1962.
29 Rep. Act No. 1161 (1954), Sec. 14.
30 G. R. No. 19254, Mar. 31, 1964.
31 G. R. No. 20074, Dec. 15, 1967.
32 Act No. 3428 (1928).
33 G. R. No. 19868, Mar. 31, 1965.
34 G. R. No. 15798, Dec. 28, 1961.

cial Security Act. In *Social Security System v. Davac,*[35] which also involved the designation of beneficiaries, the Supreme Court held that the designation of any person as beneficiary by a covered employee must be respected as long as such designation was not otherwise invalid, even if there should be surviving heirs. It should be noted, however, that the law interpreted in the above *Tecson* and *Davac* cases was that before 1960. In the amendments of that year. the law provided for certain relatives of an employee to be preferred compulsorily as his beneficiaries. Illustrating the impact of this particular amendment is the case of *Merced v. Merced,*[36] wherein the Supreme Court considered as null and void an otherwise valid designation as beneficiary of brothers and sisters because the deceased employee was survived by preferred beneficiaries, in this case, a surviving spouse and child.

12. In *Philippine Blooming Mills Co., v. Social Security System,*[37] the Supreme Court seems to have placed indirectly its judicial imprimatur on the grant by the Social Security Commission of refunds of contributions to separated employees previously covered by the Social Security System, a power not founded on any specific provision of the Social Security Act.

On the Nature of the Functions of the Social Security System

13. In the two cases involving the Social Security System Employees Association,[38] the Supreme Court held that the Social Security System is a government corporation performing basically proprietary functions, and as such comes within the scope of the Industrial Peace Act.[39]

14. In *Poblete Construction Co., v. Social Security Commission,*[40] and *Philippine American Life Insurance Co., v. Social Security Commission*[41] the Supreme Court held that a Court of First Instance has no jurisdiction to issue either a writ of certiorari, injunction or prohibition against the Social Security Commission.

[35] G. R. No. 21642, July 22, 1966.
[36] G. R. No. 20445, Feb. 23, 1967.
[37] G. R. No. 21323, Aug. 31, 1966.
[38] Social Security System Employees Association v. Soriano, G. R. No. 18081, Nov. 18, 1963.
[39] Soriano v. Social Security System Employees Association, G. R. No. 20100, July 16, 1964.
[40] G. R. No. 17605, Jan. 22, 1964.
[41] G. R. No. 20383, May 24, 1967.

In the latter case, the Supreme Court also stated what afterwards became an explicit provision in the Social Security Act,[42] namely, that any dispute arising with respect to its coverage shall be cognizable in the first instance by the Social Security Commission and not by the regular courts.

The ruling in the *Poblete Construction Co., and Philippine American Life Insurance Co.* cases on the jurisdiction of the Social Security Commission to try cases arising out of the Social Security Act is reiterated in a subsequent case, the *Poblete Construction Co. v. Asiain.*[43] Here, the Supreme Court said that it was the Commission and not the regular courts that had the power to implement a particular provision of the Social Security Act which gave an employee or his legal heirs the right to "damages" from an employer who had failed to report and register with the System the otherwise covered employee. The Court here considered the word "damages" as comprehended in the term "claims" which is cognizable by the Social Security Commission.

15. In *Canovas v. Batangas Transportation Co.,*[45] the Supreme Court said that an appeal could be taken only from the decision of the Social Security Commission and not from the ruling of just a single member of the Commission.

16. In *Jalotpot v. Marinduque Iron Mines Agents, Inc.,*[46] the Supreme Court underscored that hearings before the Social Security Commission are administrative and are not strictly governed by the technical rules of procedure that apply to regular courts.

Cases on Coverage

The decisions of the Supreme Court on coverage indicates its readiness to give the Social Security Act the widest possible coverage.

In the case of *Roman Catholic Archbishop of Manila,*[47] the Supreme Court was vigorously urged to apply its ruling in *Boy Scouts of the Philippines v. Araos.*[48] In the latter decision the Supreme Court Stated:

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42 Rep. Act No. 1161 (1954), Sec. 5 as amended by Rep. Act No. 4857 (1967)
43 G. R. No. 21448, Aug. 30, 1967.
44 Rep. Act No. 1161 (1954), as amended Sec. 24.
45 See note 33
46 See note 26
47 See note 12
48 G. R. No. 10091, Jan. 29, 1958.

> "(T) his high tribunal has laid down the doctrine that *labor legislation*, like Commonwealth Act No. 103, as amended, creating the Court of Industrial Relations, the Eight-Hour Labor Law and the Workmen's Compensation Act, *have no application to institutions organized and operated for charity, education, etc., and not for profit or gain*, as far as the relationship between the management and its employees or laborers is concerned, that despite the solicitude shown by the legislature for labor and its policy to promote the welfare of employees and laborers, nevertheless, it did not see fit or deem it necessary to extend to the workers in these charitable and educational organizations, the benefits of extra compensation for overtime work or work on Sundays and holidays, and for compensation for injuries suffered or illness contracted or aggravated, arising out of and in the course of employment; and that by analogy, the Industrial Peace Act, Republic Act 875, also a labor law, has no application on (non-profit organizations such as) the Boy Scouts of the Philippines." (Italics supplied).

The above ruling seemed to establish the presumption that, unless there was an express provision to the contrary, all labor laws should not be considered as covering non-profit organizations. It was not impossible to apply this ruling to the Social Security Act. Not only were the arguments referring to the Boy Scouts of the Philippines also relevant to the Roman Catholic Archbishop of Manila but there was also the additional point in the case of the latter which unfortunately was not adequately presented to the Supreme Court for resolution: That the enforcement of the Social Security Act on religious organizations might unduly expand the areas of governmental action allowed by the Constitution as regards these institutions.

In affirmatively deciding for coverage, however, the Supreme Court stood on the solid foundation established by the legislative history of the Social Security Act.

As originally enacted in 1954, the law specifically enumerated among those excluded from its coverage, "service performed in the employ of a community chest, fund, foundation or corporation. organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, no part of the net earnings of which inures to the benefits of any private shareholder or individual."[49] When the law was amended in 1957, this proviso was deleted. This deletion was interpreted to mean legislative intent to

[49] Constitution, Art. III, Sec. 1(7), Art. VI, Sec. 22 (3), Rep. Act No. 1161, Sec. 8 (j) 7 (1954).

cover non-profit organizations hitherto excluded from the coverage of the Social Security Act.

In the *Bayona*[50] case, a Court of First Instance had enjoined the Social Security System from covering the faculty members of the University of Santo Tomas and San Beda College because their coverage meant the integration of their private benefit plans which were said to grant more benefits than the Social Security Act.

The injunction was, however, dissolved by the Supreme Court which observed that integration with the Social Security System does not mean the destruction of a private benefit plan which might continue as a complement to the benefits provided by the Social Security Act.

In the cases involving *Laguna Transportation Co.,*[51] *Oromeca Lumber Co. Inc.*[52] and *San Teodoro Development Enterprises, Inc.,*[53] the Supreme Court upheld rulings of the Social Security Commission that extended the coverage of the Social Security Act. These rulings had directed the compulsory coverage of certain corporations in spite of the fact that they could not yet be considered as having satisfied the two years of operation requirement for coverage if the start of their operations was to be considered only from their respective dates of incorporation.

The Court chose to ignore this otherwise perfectly valid, if technical, defense saying that to "adopt (it) would defeat, rather than promote the objectives for which the Social Security Act was enacted. An employer could easily circumvent the statute by simply changing his form of organization every other year, and then claim exemption from contributions to the System as required, on the theory that as a new entity, it has not been in operation for a period of at least two years. The door to fraudulent circumvention of the statute would thereby be opened."[54]

In applying the above ruling, the Supreme Court placed *bona fide* acts of the corporations concerned — which had changed their organizational forms from that of a partnership to a corporation well before the implementation of the Social Security Act — under

[50] See note 13
[51] See note 14
[52] See note 15
[53] See note 16
[54] Laguna Transportation Co., Inc. v. Social Security System, G.R. No. 14606, April 28, 1960.

the stigma of fraud. The Court thereby rendered itself legally vulnerable, but obviously it was motivated by its desire to ensure that the protection of the Social Security Act covered as many persons as possible. In any event, there was another and better legal basis for the ruling of the Supreme Court in these cases. The years of operation of the partnership that preceded the corporation were properly considered as years of operation of the latter also for the corporations merely absorbed and continued the businesses of the dissolved partnerships.

The rulings promulgated in the cases involving *Laguna Transportation Co., Oromeca Lumber Co., Inc.* and *San Teodoro Development Enterprises Inc.* were reiterated in the case of *Up-to-Date Shirt Factory.*[55] In this case, it was not a partnership changed into a corporation that was involved as employer. It was a sole proprietorship changed into a partnership. The only changes were in the form of business organization and the assumption of a new legal personality. The name of the business establishment was not changed The nature of the business remained the same. The assets and liabilities as well as the employees of the old firm were in fact carried over to the new one. There was not even any attempt to dissolve the former sole proprietorship and to transfer its assets and liabilities to the newly organized partnership by a partner Act. Under these circumstances, the Court considered the partnership covered even if by the date of its legal formation, it was not yet in operation for the required two-year period.

The efforts by the Supreme Court to interpret the Social Security Act so that it may have the broadest possible coverage were further reinforced by its decision in the case of *Luzon Stevedoring Corp. v. Social Security System,*[56] where the issue as regards the coverage of temporary employees under the Social Security System was first placed before the Supreme Court.

Here, it was argued that temporary employees such as those working in the piers — who were workers hired on the rotation and vessel-by-vessel basis, paid daily with the understanding of being laid off at the end of each day, and worked on the average for only 14 days a year — should not be covered by the Social Security System because of the following reasons:

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[55] See note 17
[56] See note 18

Firstly, the coverage under the Social Security Act extended primarily to permanent employees and secondarily to temporary employees whose tenure of employment was indefinite although with respect to the duration of the work to be performed. Consequently, employees hired by the day with uncertain chance of working the following day even if the same work were still available were not covered by the Social Security System.

Secondly, it was impossible for temporary employees hired only intermittently to accumulate the requisite number of monthly contributions to the Social Security System as to entitle them to its benefits. Because of this situation, exemption from the coverage of the Social Security Act should be granted because the law could not have intended to cover them without their enjoying its benefits.

As regards the first reason, the Supreme Court admitted that it had earlier stated that the coverage of the Social Security Act was predicated on the existence of an employer-employee relationship of more or less permanent nature.[57] This was because the law once required at least six months' service with an employer before an employee could be covered.[58]

The Court, however, said that the Social Security Act was amended in 1960, and among the amendments was the elimination of the six months of service requirement for coverage.[59] According to the Court, this was a clear expression of legislative policy to cover under the Social Security System all employees regardless of tenure.

On the second reason, the Court said that it was not entirely correct to say that the temporary employees in question could possibly be entitled to social security benefits by reason of their intermittent employment. The Court pointed out that a covered employee was immediately entitled to death and disability benefits under the Social Security Act since the number of monthly contributions mentioned in the law was not a prerequisite to the enjoyment of death or disability benefits but was merely a basis for determining the amount of benefits to be paid.[60]

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[57] Roman Catholic Archbishop of Manila v. Social Security Commission, G. R. No. 15054, Jan. 20, 1961.
[58] Rep. Act No. 1161, Sec. 9 (1954).
[59] *Op cit.* as amended by Rep. Act No. 2658
[60] Rep. Act No. 1161, as amended, Sec. 13 (1954).

The Court conceded that in the case of sickness and retirement benefits, a covered employee could enjoy these benefits only if he has accumulated to his credit 12 and 120 monthly contributions respectively.[61] But the Court underscored the fact that it was not impossible for an employee to reach this minimum number of monthly contributions simply because his employment was temporary and intermittent since nowhere in the law was it required that the monthly contributions be in the same amount, consecutive or received from the same employer. The Court also observed that a covered employee who was not otherwise qualified for any of the benefits was entitled as a last resort to receive a lump sum which was not less than the total contributions paid by him and his employer.[62] The employee thus did not lose a single centavo of his contributions. On the contrary, he gained by the amount paid by his employer in his behalf.

In affirming the coverage of temporary employees, the Court, however, noted that the Social Security Act allowed their exclusion by the adoption of appropriate rules and regulations by the Social Security Commission.[63]

In the cases of *Pajarillo v. Social Security System*[64] and *Investment Planning Corp. of the Philippines v. Social Security System,*[65] the Supreme Court faced the question: When could an employer-employee relationship be said to exist? The answer to this is important because the existence of such relationship is a prerequisite to coverage under the Social Security Act.

The case of *Pajarillo* involved boat-owners on one hand and the pilot and crew members who used their boats for fishing on the other hand. The Supreme Court said that there was no employer-employee relationship here. What in fact exists, according to the Court, was something in the nature of a joint venture with the boat owner supplying the boat and its equipments, and the pilot contributing the necessary labor and the parties getting specific shares for their respective contributions.

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[61] Rep. Act No. 1161, as amended, Secs. 12 and 14 (1954).

[62] Rep. Act No. 1161, as amended, Sec. 13 reads in part: That the death or total and permanent disability benefit shall not be less than the total contributions paid by him (employee) and his employer in his behalf to the System nor less than five hundred pesos.

[63] Rep. Act No. 1161, as amended, Sec. 8(j) 10 (1954).

[64] See note 19

[65] See note 20

The Court further went on to say that the services rendered by the crew members who were really fishermen were "no different from the agricultural labor performed by a share or household tenant or worker"[66] which is specifically exempted from the coverage of the Social Security Act.[67]

In deciding this case, the particular circumstances considered by the Court were the following: The pilots and the crew members were not under the orders of the boat owners as regards their employment. They went out to sea not upon direction of the boat owners but upon their own volition when, how long, and where to go fishing. Neither the pilots nor the crew members received compensation from the boat owners. They only shared in their own catch produced by their own efforts. Outside of their share, the boat owners did not have anything to do with the distribution of the catch among the pilots and crew members.

The so-called control test[68] seemingly utilized in the *Pajarillo* case to determine the existence or absence of an employer-employee relationship was explicitly referred to in *Investment Planning Corp. of the Philippines.* In this case the commission agents of a firm selling securities were not considered "employees" for purposes of coverage under the Social Security Act.

The conditions under which the commission agents worked included the following: They were not required to report for work at any time. They did not have to devote their time exclusively to work solely for the company. In fact, the majority of them were regularly employed elsewhere, either in the government or in other private enterprises. They were not required to account for their time nor to submit a record of their activities.

Considering the above circumstances, the Court ruled that the commission agents were not "employees" but independent contractors and were thus outside the coverage of the Social Security Act.

Cases on Contributions

The basis for the computation of contributions to be paid to the Social Security System by covered employers and employees

[66] Rep. Act No. 3844, Sec. 5 (1963).
[67] Rep. Act No. 1161, as amended, Sec. 8(j) (1954).
[68] See, for instance, LVN Pictures, v. Philippine Musicians Guild. G. R. No. 12582, Jan. 28, 1961.

is the "compensation" of the employee concerned which, in turn, has been defined as "all remuneration" from employment, including the cash value of any remunerations paid in any medium other than cash except that part of the remuneration in excess of five hundred pesos received during the month.[69]

In connection with the above provision, the Supreme Court, in the case of *Victorias Milling Co., Inc.*,[70] upheld the validity of Circular No. 22 of the Social Security Commission which stated in part that "all employers, in computing the premium due the System, will take into consideration and include in the employee's remuneration all bonuses and overtime pay as well as the cash value of other media of remuneration. . . ."[71]

The legislative history of the Social Security Act made it easy for the Supreme Court to affirm the above Circular. The original provision in the law of defining "compensation" specifically excepted not only that part of the remuneration in excess of ₱500 received during the month but also "bonuses, allowances and overtime pay, and "dismissal and other payments which the employer may make although not legally required to do so."[72] However, in the 1957 Amendments, the latter phrases were deleted from the law.[73] This was taken by the Supreme Court conclusive evidence of legislature intent to have "bonuses and overtime pay" included as part of compensation.

Further on contributions, the cases involving *Insular Life Assurance Co.*,[74] *Elizalde Rope Factory*,[75] *Insular Lumber Co.*,[76] *Franklin Baker Co. of the Philippines*[77] and *Jalotpot*[78] posed the question: Is there an obligation to pay contributions even when an employee is not actually receiving compensation?

The Social Security Commission affirmatively answered this question when it adopted Circular No. 21 which stated that the "obligation to remit contributions to the System exists as long as the em-

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[69] Compare Rep. Act No. 1161, Sec. 8(f) and the same provision after its amendment by Rep. Act No. 1792 and later on by Rep. Act No. 2658.
[70] See note 21
[71] Social Security Commission, 1961 Annual Report.
[72] See note 68
[73] *Op. cit*
[74] See note 22
[75] See note 23
[76] See note 24
[77] See note 25
[78] See note 26

ployer-employee relationship is not broken or terminated...and will be based on the month's earnings of the employee immediately preceding the month when there is no earning."[79]

The Supreme Court upheld the legality of this Circular. The arguments for its position, however, leave much to be desired. For instance, the Court uncritically accepted the contention of the Social Security Commission that Sections 18 and 19 of the Social Security Act impose on employers and employees the obligation to pay contributions even when the employee concerned is not actually receiving compensation, as long as the employer-employee relationship exists, just because these particular sections of the law, in part, read: "Beginning as of the last day of the calendar months immediately preceding the month when an employee's compulsory coverage takes effect *and every month thereafter during his employment,* there shall be deducted and withheld from the monthly compensation of such covered employee a contribution equal to two and a half per centum of his monthly compensation." (Italics supplied.) As regards the employer, he shall pay "a monthly contribution equal to three and a half per centum of the monthly compensation of said covered employee."

Yet, the above provisions could not really be read to mean that the obligation to pay contributions existed even when there was no actual compensation, for the definition of "compensation" in the Act even before its amendment in 1960 when the word "actual" was inserted between the words "all" and "remuneration," already included the categorical phrase "received during the month."[80]

Not only was the reading by the Supreme Court of Sections 18 and 19 of the Social Security Act very assailable, it also glossed over a serious objection to Circular No. 21: That it was not duly approved by the President of the Philippines. Yet, the Circular was considered legal, in spite of the express requirement in the Social Security Act that the adoption of rules and regulations to carry out its provisions should be subject to the approval of the President.[81]

In support of its action, the Supreme Court said that Circular No. 21 was "an administrative rule or regulation that was merely"

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[79] See note 70

[80] Rep. Act No. 1161, Sec. 8 (f) as amended by Rep. Act No. 2658.

[81] Rep. Act No. 1161 (1954), as amended, Sec. 4 (a) (1954).

an interpretation and implementation...of the express and clear mandate of the law."[82] Yet one asks: Where is the "express and clear mandate" in the law saying that when an employee is not actually receiving compensation, then the contribution in his behalf must be based on his last actual monthly compensation? That there could only be a futile search for the answer to this question indicates that Circular No. 21 was a substantive rule that must be approved by the President before it can become legal and enforceable.

The clouds of doubt raised by the above facts as regards the Supreme Court decisions on Circular No. 21 only served to underscore how the court has resolved the issue so that the fullest possible benefits of the Social Security Act might be made available to workers. For when the Court ruled that the obligation to pay contributions continued to exist even when an employee was not actually receiving any compensation, it was well aware that the right to benefits of an employee was jeopardized by the failure to pay regularly and continuously contributions to the Social Security System.[83]

Cases on Benefits

In the cases on social security benefits, the Supreme Court liberally interpreted the Social Security Act in order that the law might give the fullest possible benefits to covered employees.

In the cases involving the *Philippine Long Distance Telephone Co.*[84] and *San Miguel Brewery, Inc.*,[85] these companies contended that their employees who received sick leave pay, although the amounts were less than full pay, were not entitled to the sickness benefits under the Social Security Act pursuant to its provision that "in no case shall...payment of sickness benefits begin before all

[82] Victorias Milling Co., Inc. v. Social Security Commission, G. R. No. 16704, May 17, 1962.

[83] Before its amendment in 1960, the Social Security Act required as a qualifying condition for the receipt of death and disability benefits that the covered employee "must not owe the System more than six months contribution on the month during which he died or became disabled" and for sickness benefits that the employee "has paid his premiums for at least six months immediately prior to his confinement. Rules and Regulations of the Social Security System, Rules VII and VIII.

[84] See note 27

[85] See note 28

leaves of absence *with pay* to the credit of the employee shall have been exhausted."[86] (Italics supplied.)

The Supreme Court rejected the above argument. It declared that the word "pay" means "full pay" taking into account the usage of the word in a number of laws like Section 1 of Commonwealth Act No. 647, section 8 of the Republic Act No. 670, Section 98(a) of Republic Act No. 843, and also Article 1695 of the Civil Code of the Philippines.[87]

But the stronger reasons for the Supreme Court's ruling that "pay" means "full pay" was embodied in its declaration that "to uphold the theory...that as long as the employee receives any amount as sick leave pay by virtue of a private benefit plan, the employee cannot avail of the privileges under the Social Security Act, would enable the employer to defeat the purpose of the law."[88]

Illustrating the above observation, the Supreme Court quoted with approval the example given in the brief of the Social Security Commission in the *San Miguel Brewery, Inc.* case: "An employer by his unilateral act...could give his employees an infinitesimally small amount of sick leave pay (one centavo a day) for as long as he is ill) and thus perpetually deny said employees sickness benefits under the Social Security Act."[89]

In the cases of *Benguet Consolidated, Inc.,*[90] and *Rural Transit Employees Association,*[91] the Supreme Court was asked to rule that the employer, having already paid certain benefits under the Workmen's Compensation Act[92] should not again be compelled to pay sickness benefits under the Social Security Act for the same injury. In support of this position, it was argued that to the extent that the employer bears 20 per cent of the sickness benefits paid under the Social Security Act, he is being compelled to pay benefits twice for the same injury in spite of a provision of the Workmen's Compensation Act which states that "the rights and remedies granted by it to an employee by reason of a personal injury entitling him to compensation shall exclude all other rights and remedies accruing

[86] Rep. Act No. 1161 (1954), Sec. 14 as amended by Rep. Act 1792 (1957)
[87] Rep. Act No. 386 (1950)
[88] Escosura v. San Miguel Brewery, Inc., G. R. Nos. 16696-16702, Jan. 30, 1962.
[89] *Op. cit.*
[90] See note 30
[91] See note 31
[92] Rep. Act No. 3482 (1962)

to the employee,...against the employer under the Civil Code and other laws, because of said injury."[93]

The Supreme Court, however, considered the above contention as untenable. It upheld instead the view of the Social Security Commission that the provisions of the Social Security Act and those of the Workmen's Compensation Act "complement rather than negate each other and, therefore, the respective benefits under both laws for the same injury and/or disability may be granted separately thereunder."[94]

In affirming the Social Security Commission, the Supreme Court emphasized that the benefits of the Workmen's Compensation Act are paid under two different concepts even if they should arise from the same cause. The Court said:

> "The philosophy underlying the Workmen's Compensation Act is to make the payment of the benefit provided for therein as a responsibility of the industry, on the ground that it is industry which should bear the resulting death or injury to employees engaged in the said industry. On the other hand, social security sickness benefits are not paid as a burden on the industry, but are paid to the members of the (Social Security) System as a matter of right whenever the hazards provided for in the law occurs. To deny payment of social security benefits because the death or injury or confinement is compensable under the Workmen's Compensation Act would be to deprive the employees-members of the System of the statutory benefits bought and paid for by them, since they contribute their money to the general common fund out of which benefits are paid."[95]

In the case of *Canovas*,[96] the meaning of the words "unemployed" or "voluntary member" in respect of whom it was the Social Security System that must directly pay and not the employer who must advance sickness benefits was clarified.[97]

The employer in this case sought to avoid the obligation of advancing sickness benefits to one of his employees arguing that when such employee was not actually working, as during his period of illness, he was "unemployed" and should thus receive his sickness benefits directly from the Social Security system. The Court rejected this contention which would have allowed employers to com-

[93] *Op. cit*, see 5
[94] See note 87
[95] *Op cit.*
[96] See note 33
[97] Rep. Act No. 1161 (1954), as amended, Sec. 14.

pletely avoid the obligation to advance sickness benefits to their employees.

In still another case dealing with benefits, i.e., the *Tecson* case,[98] the Supreme Court was confronted with this issue: Can the Social Security Commission, in the exercise of its rather extensive powers, delimit an employee's right to designate his beneficiary, as it had actually done when it adopted Rule VII (3) of the Rules and Regulations of the Social Security System?[99] This Rule provided for a compulsory order of preference among certain relatives which an employee must follow in the designation of his beneficiary.

The Social Security Commission had a very valid purpose when it adopted the above Rule. It was only pursuant to the very nature of social security benefits which in the case of a death benefit is primarily intended for the immediate members of the family who survive the deceased employee. Yet this fact was disregarded, and Rule VII (3) was nullified because the Supreme Court could not find any provision in the Social Security Act that expressly empowered the Social Security Commission to adopt said Rule. Significantly, the Supreme Court further said that "as the funds of the Social Security System are obtained from the employees and employers, without the Government having contributed any portion thereof, it would be unjust for the System to refuse to pay the benefits to those whom the employee has designated as his beneficiaries."[100]

Another case that involved the designation of beneficiaries was the *Davac case*[101] the facts of which were as follows: An employee contracted two marriages. When he was covered by the Social Security System, he designated his second wife as his beneficiary. Upon his death, the right of this second wife to the death benefits of the employee was contested by the first wife and the child born out of the first marriage. They contended that the designation of the second, and, therefore, bigamous wife was null and void because it was alleged that it contravened certain provisions of the Civil Code of the Philippines which prohibits a person from designating as beneficiary as regards a life insurance policy any

[98] See note 34
[99] 54 O. G. 2897, Jan. 8, 1958.
[100] Tecson v. Social Security System, G. R. No. 15798, Sec. 28, 1961.
[101] See note 35

person to whom he could not make any donation, a prohibition existing between persons guilty of adultery or concubinage.[102]

The Supreme Court did not rule as to whether or not Social Security program brings about legal relations similar to those entailed by a life insurance policy or a donation. Refusing to adopt an overly moralistic posture, the Court gave due course to the designation of the second wife as beneficiary by simply stating that it had not been proven that the second wife knew of the previous marriage of her husband which was necessary to adjudge her guilty of concubinage.[103]

It was also contended in the *Davac* case that a death benefit partook of the nature of a conjugal property, and also of an inheritance, so that giving the benefit to the second wife unlawfully deprived the first wife of her due share of the conjugal property as well as of her own and her child's legitime in the inheritance.

This contention gave the Supreme Court an opportunity to express its thoughts on the nature of the benefits derived by covered employees from the Social Security System.

It said that a social security benefit was "in the nature of a special privilege or an arrangement secured by the law pursuant to the policy of the State to provide social security to the workingmen. The amounts that may thus be received cannot be considered as property earned by the covered employee during his lifetime...The benefits under the Social Security Act are not...part of the estate of the covered (employees)...The Social Security Act is not a law of succession."[104]

It should be noted that in the above *Tecson* and *Davac* cases, the Supreme Court affirmed the award of death benefits to duly designated beneficiaries who were not necessarily the closest surviving relatives. These rulings were superseded by the 1965 Amendments to the Social Security Act which among others restricted the right of a covered employee to choose his beneficiary.[105] Under the 1965 Amendments, an employee should designate his beneficiaries from

[102] Civil Code, Art. 420
[103] Revised Penal Code, Art. 382
[104] Social Security System v. Candelaria D. Davac, G. R. No. 21642, July 30, 1966.
[105] Rep. Act No. 1161 (1954), Sec. 8 (k) as amended by Rep. Act No. 2658 (1960)

among the following: "the legitimate spouse, the legitimate, legitimated, acknowledged natural children and natural children by legal fiction and their legitimate descendants, the legitimate parents, the brothers and sisters."[106] It is only in the absence of any of the foregoing that he could designate any other person or persons.

The effect of this restriction was underscored in the case of *Merced v. Columbine Merced*,[107] where the Supreme Court affirmed a ruling of the Social Security Commission that disregarded an otherwise valid beneficiary designation in favor of the brothers and sisters of a deceased employee so that the death benefits may be awarded to a surviving spouse and child.

In the first years of its operations up to 1964 when the practice was discontinued, the Social Security System refunded the contributions of employees who were separated from employment and who did not choose to continue their coverage by paying contributions representing their own and their employers.[108] No specific provision in the Social Security Act allowed the grant of these refunds and there were persistent doubts that the Social Security Commission. in allowing these refunds through its rule making powers, exceeded its authority.

Indirectly, the grant of these refunds seems to have been adjudged legal. In the case of *Philippine Blooming Mills*,[109] the Supreme Court held that aliens there involved who were returning to their homeland did not have the right to a "rebate of a proportionate amount of their contributions" as provided for in the original provisions of the Rules and Regulations of the System.[110] The Court held that since this particular provision was later on superseded by a provision that required a two-year period of coverage before a refund could be made, this prerequisite must be satisfied before refund could be given.[111]

In the *Philippine Blooming Mills* case, the question was asked: Does not this amendment in the Rules and Regulations constitute an undue infringement of the right embodied in the Constitution of the Philippines against the impairment of the obligations of con-

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106 *Op. cit.*
107 See note 36
108 Rules and Regulations of the Social Security System, Rule IX.
109 See note 37
110 See note 107
111 *Op. cit.*

tract?[112] The Supreme Court held that this was not so. It stated that the coverage by the Social Security System did not establish a "contractual relationship between the members and the System in the sense contemplated and protected by the constitutional prohibition against its impairment by law."[113] The Court went on to say that coverage by the System was "not the result of a bilateral, consensual agreement where the rights and obligations of the parties are defined by and subject to their will. The Social Security Act requires compulsory coverage of employers and employees. It is actually a legal imposition on said employers and employees, designed to provide social security to the workingmen. Coverage in the Social Security System is therefore in compliance with a lawful exercise of the police power of the State, to which the principle of non-impairment of the obligation of contract is not a proper defense."[114] These were strong words. They emphasized the compulsory nature of the social security program established by the Social Security Act. But they could also validate the fear that the government, through its legislative body, is completely free to do what it pleases with the social security program even to the extent of abolishing it in spite of the specific commitment that social security contributions are collected for the purpose of funding definite social security benefits in the future.

On the Nature of the Social Security System

Among the 29 cases involving the Social Security Act, the Supreme Court had occasion in six of the them to give its opinion on the place of the Social Security *vis-a-vis* the entire governmental machinery.

In the *Poblete Construction Co.*[115] case, the Court accorded to the Social Security Commission, while in the exercise of its quasi-judicial powers to settle claims under Social Security Act, the same rank as, say, the Public Service Commission and the Courts of First Instance. Thus, a Court of First Instance has no jurisdiction to issue either a writ of certiorari or injunction against the Social Security Commission.

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[112] Art. III, Sec. 1 (10)

[113] Philippine Blooming Mills Co., Inc. v. Social Security System, G. R. No. 21223, Aug. 31, 1966.

[114] *Op. cit.*

[115] See note 39.

The ruling laid down in the above case was reinforced and its significance broadened by a subsequent pronouncement embodied in the case of *Philippine American Life Insurance Co. v. Social Security Commission.*[116] In this case, the Supreme Court denied to the Courts of First Instance the jurisdiction to take cognizance not only of cases involving claims for social security benefits, a ruling implied in the two *Poblete Construction Co.* decisions,[117] but also cases involving questions on the coverage of the Social Security Act. This ruling was afterwards explicitly embodied in the law by the 1965 Amendments which provided, among others, that "any dispute arising under (the) Act with respect to coverage, entitlement to benefits, collection and settlement of premium contributions and penalties thereon, or any other matter related thereto, shall be cognizable by the Commission."[118] In the *Philippine American Life Insurance Co.* case, the Supreme Court also stressed that an aggrieved party must exhaust his remedies before the Commission prior to bringing his case to another forum.

As to the Social Security Commission's exercise of quasi-judicial powers, the Court held in the *Canovas*[119] case that an appeal could only be taken from a decision of the Commission and not a from a ruling of just one of its members.

A supplementary and significant ruling on the quasi-judicial jurisdiction of the Commission was also promulgated in the *Jalotjot*[120] case. In this case, an employee filed a claim for the payment of sickness benefits against both his employer and the Social Security System. In the hearing before the Social Security Commission, it was discovered that the employer failed to remit certain required contributions to the Social Security System. The Commission, *motu proprio* and without filing a cross-claim against the employer, directed the latter to make the necessary remittance. This order of the Commission which did not strictly follow the Rules of Court[121] was nevertheless upheld. In doing so, the Supreme Court stated that "hearings before the Commission are administrative and are not

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[116] See note 4

[117] Poblete Construction Co. v. Social Security Commission, G. R. No. 17605, Jan. 22, 1964; Poblete Construction v. Judith Asiain, G. R. No. 21448, Aug. 30, 1967.

[118] Rep. Act No. 1161 (1954), as amended, Sec. 5.

[119] See note 33

[120] See note 26

[121] Rule 6, Sec. 7

strictly governed by the technical rules or procedure that are applied to judicial trials."[122]

As could be noted in the above discussions on the powers of the Social Security Commission, the Supreme Court has accorded great importance to its responsibility of administering the Social security program. The Supreme Court, however failed to do the same to the Social Security System as the administrative machinery of the social security program. This was evident when the Court sought to resolve, in the cases involving the *Social Security System Employees Association*,[123] the issue as to whether the System was engaged in governmental or proprietary functions.[124]

The Court said in the above cases that the Social Security System was engaged in the latter, and in justifying this conclusion, it quoted with approval the following statements: That of a Secretary of Finance who said "that the nature of (the) functions (of the Social Security System) are similar to a business corporation": that of a Government Corporate Counsel who characterized certain aspects of the functions of the Social Security as "merely optional"; and that embodied in certain published materials of the Social Security System which described it as a program "operated under the same insurance scheme or principle underlying the operation of the (Government Service Insurance System)."[125]

But perhaps the most telling argument that convinced the Supreme Court that the Social Security System was engaged in proprietary functions was its rejection of the contention that the Social Security System was not operated for profit.

Reviewing the above bases of the decision of the Supreme Court, one might well ask: Did not the Court give undue weight to the opinions expressed by the Secretary of Finance and the Government Corporate Counsel? However, it should be borne in mind that the former viewed the Social Security System only from the limited issue projected by its claims for a tax exemption. The same could be said of the Government Counsel whose opinion was sought only in connection with the specific questions as to whether or not the

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[122] Poblete Construction Co. v. Judith Asiain, G.R. No. 21448, Aug. 30, 1967.

[123] See note 38.

[124] Rep. Act No. 875, Sec. 11 (1953)

[125] See note 38

proposed construction of the building of the Social Security System should be under the Bureau of Public Works.

About the observation that the Social Security System was just an insurance scheme of general application, and that it could not claim that it was not operated for profit, the Court here seems to have missed the significance of the social security program and the full implication of the social insurance concept that underlies the operation of this program.

It is to be hoped that the Supreme Court will soon place in the same important category occupied by functions like the maintenance of peace and order and the administration of justice, those functions designated to achieve social security for all.

Concluding Observations

Any one who reviews the first decisions on social security promulgated by the Philippine Supreme Court cannot help but feel optimistic about the future of the social security program in the country.

In these decisions, the Court repeatedly indicated that it was for giving the Social Security Act the widest possible coverage that an interpretation of its provisions would allow. Thus, in the *Roman Catholic Archbishop of Manila*[126] case, the Court could have easily reiterated its ruling in the *Boy Scouts of the Philippines*[127] case that unless otherwise provided, a labor law should not be made applicable to non-profit organizations. The Court, however, reversed the presumption. It considered the Social Security Act as covering non-profit organizations because there was no provision in the Act that said they should not be so covered.

The positive attitude of the Supreme Court towards the coverage of the Social Security Act was also evident in the cases involving the two-year operation requirement for coverage before the 1960 Amendments.[128] In these cases, the Court looked behind the legal fiction that a juridicial person acting as an employer begins to operate only from its formal organization so that an earlier period of actual operation may be considered in the fulfillment of the two-year operation requirement.

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126 See note 12
127 See note 47
128 Rep. Act No. 2658 (1960)

The ruling of the Supreme Court in the *Luzon Stevedoring Corp.*[129] case that categorically declared the coverage of temporary employees however intermittent and short the duration of their work might be, was also notable because thereby these employees were definitely considered to be under the Social Security Act. Expressing a sympathetic attitude towards the Social Security System, the Court also implied with some emotion that a social security program is one way of realizing the goal of social justice that demands that "they who have less in life should be given more in law."[130]

Of course, not all the decisions of the Supreme Court were for coverage. In the cases of *Pajarillo*[131] and *Investment Planning Corp. of the Philippines,*[132] it frustrated the efforts of the Social Security Commission to cover respectively pilots and crew-members of fishing boats and commission agents selling securities to the public.

But the Court reached its exclusionary decisions with great reluctance. A compelling consideration as regards the case of the pilots and crew members of fishing boats was the realization that if the Court ruled for their coverage, it would have burdened the Social Security System with an extremely difficult task, taking into account the fact that it was next to impossible to determine the wages of the pilots and crew members of fishing boats since the reward for their work was their catch which was far from being regular.

In the *Investment Planning Corp. of the Philippines* case, the Court tried its best to find ways and means of reaching a conclusion for the coverage of the commission agents involved. But even as it did so, the judicial precedents in the United States that specifically defined the word "employer" in connection with commission agents and the United States Social Security Act were too overwhelming to ignore, jurisprudentially speaking. Thus, after citing a number of cases decided by the United States Supreme Court and even the summary on the matter in the Corpus Juris Secundum, the Philippine Supreme Court seems to have had no alternative but to say that "considering the similarity between the definition of "employees" in the Federal Social Security Act (U.S.) as amended and its definitions in our own Social Security Act.

[129] See note 18

[130] Luzon Stevedoring Corp. v. Social Security System, G.R. No. 20088, Jan. 22, 1965.

[131] See note 19

[132] See note 20

and considering further that the local statute is admittedly patterned after that of the United States, the decisions of American courts on the matter before us may well be accorded persuasive force. The logic of the situation indeed dictates that where the element of control is absent; where a person who works for another does so more or less at his own pleasure and is not subject to definite hours or conditions of work, and in turn is compensated according to the result of his efforts and not the amount thereof, we should not find that the relationship of employer and employee exists."[133]

Having said all the above in order to understand the thinking behind the Supreme Court's exclusion of commission agents from the coverage of the Social Security Act, one should specifically make the observation that the ruling of the United States Supreme Court that declared commission agents not to be "employees" did not actually mean their exclusion from the coverage of the United States Social Security Act. They are still covered as self-employed persons.[134] Under the Philippine Social Security Act, however, the finding that commission agents were not "employees" meant they were outside the coverage of the Act since the law has yet to cover the self-employed. Of course, the seemingly adverse effect above described is alleviated by the fact that a considerable number of commission agents in the Philippines are actually holding regular employment in which jobs they are certainly covered either by the Government Service Insurance System or by the Social Security System.

In many of its decisions on the Social Security Act, the Supreme Court also revealed its strong desire to ensure the fullest possible social security benefits to covered employees.

Thus, in the cases involving the *Philippine Long Distance Telephone Co.*,[135] and *the San Miguel Brewery Inc.*,[136] it interpreted the provision on sickness benefits in such a way that a sick employee could simultaneously receive his cash benefits under the Social Security Act at the same time that he enjoyed his sick leave with pay. unless his sick leave was with full pay. This ruling benefited a considerable number of employees who were not thereby pre-

[133] Investment Planning Corp. of the Philippines v. Social Security System, G. R. No. 19124, Nov. 18, 1967.
[134] (U. S.) Social Security Act Amendments of 1950.
[135] See note 27
[136] See note 28

vented from receiving sickness benefits just because the collective bargaining agreements and contracts of employment that defined their conditions of work included sick leave with pay but less than full pay.

The conviction that the employee covered by the Social Security Act should receive all the benefits provided for in the law is also manifested in the cases of *Benguet Consolidated, Inc.*[137] and *Rural Transit Employees Association,*[138] where the Supreme Court categorically expressed itself for the simultaneous receipt of benefits under the Workmen's Compensation Act[139] and the Social Security Act in spite of the fact that there is indeed a provision in the former law to the effect that receipt of its benefits excludes "all other rights and remedies accruing to the employees . . . against the employer under the Civil Code (of the Philippines) and other laws."[140] Faced with this seemingly insuperable legal obstacle, it was a display of judicial resourcefulness to distinguish the Social Security Act from the Workmen's Compensation Act even if these laws are indeed closely related to each other. The Court drew up fine but useful distinctions when it said that whereas social security benefits were intended to provide social insurance against hazards like disability, sickness, old age or death, irrespective of whether they arose from or in the course of employment or not, the compensation received under Workmen's Compensation law was in the nature of indemnity for injury or damage suffered by the employee or his dependents on account of the employment.

With the above explanation as its justification, it was therefore easy for the Court to further state that the tenure and sources of the two benefits are so clearly different and dissimilar that they cannot be considered alternate remedies.

The Supreme Court revealed its desire to give the fullest benefits to covered employees not only in its decisions directly dealing with the benefit provisions of the Social Security Act. This positive attitude was also shown in its decision dealing with contributions. Cognizant of the contributory and even self-supporting nature of the social security program established by the Social Security Act, and

[137] See note 30
[138] See note 31
[139] Act No. 3428 (1928)
[140] *Op. cit,* Sec. 5

of the fact that its benefits were related to earning and contributions, the Supreme Court went along with resolutions adopted by the Social Security Commission that were legally vulnerable but were nevertheless justifiable because they ensured fullest possible benefits for covered employees. This was the significance of the Court's approval in the *Victorias Milling Co. Inc.*[141] case of the circular that included bonuses, overtime pay, similar forms of remuneration as included in the term "compensation" which is in turn the basis of contributions to and benefits of the Social Security System. In the *Insular Life Assurance Co.*[142] and related cases,[143] the Court validated the Circular that declared that the legal obligation to pay contributions to the Social Security System continued even when an employee receives no compensation as when he was on leave without pay as long as there existed an employer-employee relationship. This Circular was of doubtful legality — it was afterwards nullified by no less than a specific amendment to the Social Security Act[144] but at the time that the Court refused to invalidate it, the Circular provided the legal justification for employees to continue enjoying benefits which then required consecutive monthly contributions as conditions for the entitlement.[145]

The reach and effectiveness of a social security program is not measured simply by the comprehensiveness of the objectives articulated for it and by the effectiveness of the complex of legal rights and obligations drawn up for the attainment of these objectives. To a very large extent, the social security program is only as good as the government instrumentality created to implement the program makes it to be. With the above assumption in mind, one finds the decisions of the Supreme Court defining the powers of the Social Security Commission crucially important.

The Commission is the policy determining body under the Social Security Act. It is the Commission that directs and controls the social security program. To the extent, therefore, that the Supreme

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[141] See note 21

[142] See note 22

[143] Elizalde Rope Factory, Inc. v. Social Security Commission, G. R. No. 15163. Feb. 28, 1962; Insular Lumber Co. v. Social Security System, G. R. No. 17625, Jan. 31, 1963; Franklin Baker Co. of the Philippines v. Social Security System, G. R. No. 17361, April 29. 1963.

[144] Rep. Act No. 1161 (1954), Sec. 8 (f) as amended by Rep. Act No. 2658 (1960)

[145] See note 61

Court has supported the Commission in a number of instances when the latter decisively exercised its powers, this judicial validation reinforces the Commission and considerably increases its capacity to advance the cause of social security in the country.

The decisions of the Supreme Court on the Social Security Commission underscore the following:

1. Social Security adds a new and specialized dimension to the responsibilities of government. Because of this, the host of problems and issues that it entails could best be handled by a single body where the continuing need to resolve these problems and issues will result in the speedier accumulation of technical expertise which in turn could enlighten decisions. Thus, in the case of the *Philippine American Life Insurance Co.,*[146] the Supreme Court strongly rebuked a party aggrieved by a decision of the Social Security System for bringing the same to a Court of First Instance and not to the Social Security Commission. In the above case and in the two cases involving the *Poblete Construction Co.,*[147] the Court also stressed that it was the Commission and not any other body that has the power to initially resolve all questions arising under the Social Security Act.

2. If an institution is to discharge satisfactorily its responsibilities, it should be entrusted with adequate powers to do so. The Supreme Court obviously acted on this proposition when it explicitly recognized in a number of cases an almost plenary power on the part of the Commission to determine the coverage of the Social Security Act and adjudicate claims under the law. It should be noted that in vesting the above jurisdiction on the Commission, it was also accorded by the Supreme Court a high rank in the hierarchy of government. The Supreme Court said the Commission was subordinated in the exercise of its quasi-judicial functions only to the Court of Appeals and the Supreme Court.

3. The benefits derived from the establishment of a social security program are best secured not through a tedious legal process compounded by bureaucratic red tape but by a smoothly functioning agency that looks into the spirit and not the letter of law. Actuated by this orientation, the Supreme Court supported earnest efforts of the Commission to implement the Social Security Act without too

[146] See note 40
[147] See note 116

much legalism. Thus, in the *Jalotjot*[148] case, the Court approved of the Commission Acting *motu proprio* on matters incidentally discovered in its hearing, even if, technically speaking the matter was not formally brought to the attention of the Commission.

The above discussion of the Supreme Court decisions on social security has tended to praise the Court for the sympathy and wisdom it displayed towards the development of the social security program in the Philippines.

But not all of its decisions are beyond valid criticism.

It has earlier been stated that in the *Philippine Blooming Mills*[149] case, the Court seemingly endorsed as legal the policy of the Social Security Commission allowing the refund of the contributions of separated employees. This policy was implemented from the beginning of the operation of the Social Security System to 1964 when it was discontinued.

An analysis of this policy shows that it allowed a covered employee in a sense, to "contract out" of the Social Security System, to give up substantial rights to social security benefits that were already earned just so such employee may have some cash upon separation. Considered in this light, the Supreme Court, in recognizing the legality of refunds, in effect authorized a person to choose against his better interest in a social security program, something that he should not be allowed to do. This vital feature of a social security program is emphasized by the compulsory nature of the coverage of the Social Security Act.

Another basis for criticism of the Supreme Court and its decisions on social security is its limited view of the role of the Social Security System in the nation. When its declared the Social Security System as only engaged in proprietary functions, it may have promulgated a right decision in terms of its specific result, namely the recognition that it granted to the collective bargaining rights of over a thousand employees of the Social Security System.

In doing so, however, the Supreme Court missed a golden opportunity to modify its earlier decision in *Government Service Insurance System v. Castillo*[150] and to state in categorical terms that

[148] See note 26
[149] See note 37
[150] G. R. 7175, April 27, 1956

when a government seeks to achieve social security for its people i.e. to "provide protection against the hazards of disability, sickness, old age and death"[151] through social insurance, as this term is widely used all over the world, what is being undertaken is a program that is truly governmental, in the sense that it is not merely optional, but compulsory in nature because the social security objective goes to the very reason for being of a State. It is not altogether unrealistic, however, to hope that this view may yet be adopted in the near future by the Supreme Court, considering the explicit endorsement that it has indicated for the social security program in a large majority of its decisions.

[151] Rep. Act No. 1161 (1954), as amended, Sec. 2.