

Title:

****Philippine Blooming Mills Co., Inc. vs. Social Security System****

Facts:

The case involves the Philippine Blooming Mills Co., Inc. (hereinafter PBM), a domestic corporation that employed Japanese technicians under a contract with durations ranging from six to twenty-four months. During the period from April 28, 1957, to October 26, 1958, PBM had six Japanese technicians employed and had corresponded with the Social Security System (SSS) regarding the compulsory coverage of these alien employees under the SSS. Following SSS's affirmative response, PBM paid the required premium contributions for these employees from September 1957 until they left the Philippines in October 1958. Upon the termination of their employment, PBM, on behalf of and as attorney-in-fact for the Japanese technicians, sought a refund of the premiums paid, arguing that they were entitled to a rebate per the original Rule I, Section 3(d) of the SSS Rules and Regulations.

The SSS denied the claim for a refund, leading to PBM filing a petition with the Social Security Commission, which was also denied on the grounds that the rule granting rebate upon departure had been amended before the employees' departure, requiring membership in the System for at least two years before a refund can be allowed. This decision of the Commission to deny the petition for refund is what brought PBM to appeal to the Supreme Court.

Issues:

The primary legal issue in this case was whether the amendment of the SSS Rules and Regulations, specifically the elimination of the provision for the refund of premium contributions to temporarily employed aliens and their employers upon their departure from the Philippines, constituted an impairment of the obligations of contracts in violation of the Constitution.

Court's Decision:

The Supreme Court affirmed the decision of the Social Security Commission. It held that the relationship between the employees and the SSS, brought about by compulsory coverage under the SSS law (Republic Act 1161), did not constitute a contract in the sense protected against impairment by the Constitution. Membership in the SSS was deemed a mandate by law, a lawful exercise of the State's police power rather than a consensual agreement. As such, amendments to the SSS Rules and Regulations, including those concerning refunds of premium contributions, did not impair any contractual obligations.

The Court further emphasized that the amendment of the Rules, which took effect upon approval by the President (January 14, 1958), superseded the original provision regarding rebates for temporary alien employees and their employers. Despite the subsequent publication of the amendments in the Official Gazette, the effective date of the amendment remained the date of the President's approval, and therefore, at the time of the Japanese technicians' separation from employment, the requirement of at least two years of membership for eligibility for refund was in effect.

Doctrine:

This case reiterates the doctrine that membership in the Social Security System, being compulsory and established by law, does not constitute a contractual relationship in the sense protected by the Constitution against impairment. Moreover, the case enforces the principle that amendments to laws or regulations which have specified their effective dates are not subjected to the general requirement of publication for effectivity purposes.

Class Notes:

- **Compulsory Membership**: Membership in the SSS is not contractual but mandated by law (RA 1161), thus is a result of the exercise of the State's police power.
- **Amendments and Their Effectivity**: Amendments to the SSS Rules and Regulations take effect on the date of approval by the President, not when these amendments are published in the Official Gazette, provided such effective date is specified.
- **Protection against Impairment of Contracts**: The constitutional protection against the impairment of obligations of contracts does not apply to statutes and regulations born out of the State's police power that govern statutory relationships, such as mandatory SSS coverage.

Historical Background:

At the time of this dispute, the Philippines was enhancing its social security system to include broader coverage and protection for its working population, including alien employees. The case presents an instance where the government's regulatory adjustments in implementing social security laws intersected with the interests of foreign workers and their employers, set against the backdrop of increasing globalization and mobility of labor.