Republic of the Philippines
Supreme Court
Manila

EN BANC

JOINT SHIP MANNING GROUP, INC., PHILIPPINE ASSOCIATION OF MANNING AGENCIES & SHIP MANAGERS, INC., FILIPINO ASSOCIATION FOR MARINERS' EMPLOYMENT, INC., PHILIPPINE-JAPAN MANNING CONSULTATIVE COUNCIL, INC., INTERNATIONAL MARITIME ASSOCIATION OF THE PHILIPPINES, TOP EVER MARINE MANAGEMENT, TRANS-GLOBAL MARITIME AGENCY, INC., BARKO INTERNATIONAL INC., TARA TRADING SHIPMANAGEMENT, INC., CORP., CAPT. OSCAR D. ORBETA, MICHAEL J. ESTANIEL, CAPT. TEODORO B. QUIJANO and CAPT. JUANITO G. SALVATIERRA, JR.,
Petitioners,

- versus -

SOCIAL SECURITY SYSTEM and the SOCIAL SECURITY COMMISSION, represented by its President and Vice Chairman, respectively, Aurora C. Ignacio,
Respondents.

G.R. No. 247471

Present:

PERALTA, *C.J.*,
PERLAS-BERNABE,
LEONEN,
CAGUIOA,
GESMUNDO,
REYES, JR.,
HERNANDO,
CARANDANG,
LAZARO-JAVIER,
INTING,
ZALAMEDA,
LOPEZ,
DELOS SANTOS, and
GAERLAN, *JJ.*

Promulgated:
July 7, 2020

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DECISION

GESMUNDO, *J.*:

It is a basic postulate that the one who challenges the constitutionality of a law carries the heavy burden of proof for laws enjoy a strong presumption of constitutionality as it is an act of a co-equal branch of government.[1] *Petitioners failed to carry this heavy burden.*

This is a petition for *certiorari* and prohibition, with an urgent prayer for the issuance of a temporary restraining order or a writ of preliminary injunction, seeking to annul and declare as unconstitutional Section 9-B of Republic Act *(R.A.)* No. 11199, or the Social Security Act of 2018, for violation of substantive due process and equal protection of laws.

The Antecedents

R.A. No. 1161, or the Social Security Act of 1954, established the Social Security System *(SSS)*. Its declared policy was to develop a social security service to protect Filipino workers. At that time, Overseas Filipino Workers *(OFWs)* were not covered by the said law. Subsequently, in 1987, the 74th Geneva Maritime Session of the International Labour Organization *(ILO)* ruled that seafarers have the right to social security protection, an internationally accepted principle. Eighteen (18) countries, including the Philippines, signed the Session's act.[2]

On July 14, 1988, the SSS and the Department of Labor and Employment *(DOLE)* entered into a Memorandum of Agreement *(1988 MOA)*, stating that one of the conditions of the Standard Employment Contract *(SEC)* of seafarers would be that sea-based OFWs shall be covered by the SSS.[3]

In 1995, the Court promulgated *Sta. Rita v. Court of Appeals (Sta. Rita)*,[4] which stated that R.A. No. 1161 does not exempt seafarers from coverage of the SSS law. It was underscored therein that the SEC entered into by the seafarer and the manning agencies, which imposes SSS coverage, is valid and binding.

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[1] *British American Tobacco v. Camacho*, 603 Phil. 38, 54 (2009).
[2] *Rollo*, p. 6.
[3] Id.
[4] 317 Phil. 578 (1995).

In 1997, Congress enacted R.A. No. 8282 or the *1997 SSS Law.* However, the said law still did not consider the mandatory coverage of OFWs under the SSS. In 2006, the ILO adopted the Maritime Labour Convention *(2006 MLC)* to establish the minimum working living standards for all seafarers. It provides for the labor rights of a seafarer, including social protection, and the implementation and enforcement of these rights.[5]

In 2010, the Philippines Overseas Employment Administration *(POEA)* amended the SEC, declaring that the seafarer's SSS coverage is a duty of the principal, the employer, the master, or the company.[6]

On February 7, 2019, Congress enacted R.A. No. 11199, which mandated compulsory SSS coverage for OFWs. The purpose of the law is to provide OFWs with SSS benefits, especially upon retirement. It also increased the rates of SSS contributions to provide relief for the dwindling resources of the SSS. Sec. 9-B of R.A. No. 11199 covers the compulsory coverage of OFWs, to wit:

> SEC. 9-B. *Compulsory Coverage of Overseas Filipino Workers (OFWs).* —
>
> (a) Coverage in the SSS shall be compulsory upon all sea-based and land-based OFWs as defined under Republic Act No. 8042, otherwise known as the Migrant Workers and Overseas Filipinos Act of 1995, as amended by Republic Act No. 10022: *Provided*, That they are not over sixty (60) years of age.
>
> All benefit provisions under this Act shall apply to all covered OFWs. The benefits include, among others, retirement, death, disability, funeral, sickness and maternity.
>
> **(b) Manning agencies are agents of their principals and are considered as employers of sea-based OFWs.**
>
> **For purposes of the implementation of this Act, any law to the contrary notwithstanding manning agencies are jointly and severally or solidarily liable with their principals with respect to the civil liabilities incurred for any violation of this Act.**
>
> **The persons having direct control, management or direction of the manning agencies shall be held criminally liable for any act or omission penalized under this Act notwithstanding Section 28(f) hereof.**

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[5] *Rollo*, pp. 7-8.
[6] Id. at 8.

(c) Land-based OFWs are compulsory members of the SSS and considered in the same manner as **self-employed** persons under such rules and regulations that the Commission shall prescribe.

(d) The Department of Foreign Affairs (DFA), the Department of Labor and Employment (DOLE) and all its agencies involved in deploying OFWs for employment abroad are mandated to negotiate bilateral labor agreements with the OFWs' host countries to ensure that the employers of land-based OFWs, similar to the principals of sea-based OFWs, pay the required SSS contributions, in which case these land-based OFWs shall no longer be considered in the same manner as self-employed persons in this Act. Instead, they shall be considered as **compulsorily covered employees with employer and employee shares in contributions** that shall be provided for in the bilateral labor agreements and their implementing administrative agreements: *Provided,* That in countries which already extend social security coverage to OFWs, the DFA through the Philippine embassies and the DOLE shall negotiate further agreements to serve the best interests of the OFWs.

(e) The DFA, the DOLE and the SSS shall ensure compulsory coverage of OFWs through bilateral social security and labor agreements and other measures for enforcement.

(f) Upon the termination of their employment overseas, OFWs may continue to pay contributions on a voluntary basis to maintain their rights to full benefits.

(g) Filipino permanent migrants, including Filipino immigrants, permanent residents and naturalized citizens of their host countries may be covered by the SSS on a voluntary basis. (emphases supplied)

Hence, this petition assailing the constitutionality of Sec. 9-B of R.A. No. 11199 was filed before the Court against the Social Security System *(SSS)* and the Social Security Commission *(SSC, collectively hereafter referred to as respondents).*

Issue

WHETHER SEC. 9-B OF R.A. NO. 11199 IS UNCONSTITUTIONAL AS IT VIOLATES SUBSTANTIVE DUE PROCESS AND EQUAL PROTECTION OF RIGHTS.

Petitioners, consisting of Manning Associations, Manning Agencies, and their Manning Directors and Presidents, argue that Sec. 9-B of R.A. No. 11199 is unconstitutional for violation of the constitutionally guaranteed due process and equal protection of rights because it unreasonably discriminates against manning agencies. They underscore that the assailed

provision treats manning agencies of sea-based OFWs as employers and make them jointly and severally or solidarily liable insofar as the SSS coverages are concerned.

Petitioners point out that recruitment agencies of land-based OFWs are not treated in the same manner because they are not considered as employers and are not jointly and severally liable for the SSS coverage. Instead, land-based OFWs are only considered as self-employed members of the SSS. It is only when there is a bilateral labor agreement that the land-based OFW is treated as a compulsory covered member of the SSS.

Petitioners emphasize that the law does not provide for any valid justification of the difference in treatment between the manning agencies of sea-based OFWs and the recruitment agencies of land-based OFWs. While petitioners concede that there is a necessity to place OFWs under the compulsory coverage of the SSS, the manner of such coverage must be fair to all parties. They argue that the SSS coverage of sea-based OFWs is already provided by the 1988 MOA, 2006 MLC, and the POEA-SEC, thus, Sec. 9-B of R.A. No. 11199 is no longer required.

Petitioners also argue that the increased contribution of employers in R.A. No. 11199[7] is too high, which would prejudice the shipping industry in the country, as follows:

Year of Implementation	Contribution Rate	Share		Monthly Salary Credit	
		Employer	Employee	Minimum	Maximum
2019	12%	8%	4%	₱2,000.00	₱20,000.00
2020	12%	8%	4%	₱2,000.00	₱20,000.00
2021	13%	8.5%	4.5%	₱3,000.00	₱25,000.00
2022	13%	8.5%	4.5%	₱3,000.00	₱25,000.00
2023	14%	9.5%	4.5%	₱4,000.00	₱30,000.00
2024	14%	9.5%	4.5%	₱4,000.00	₱30,000.00
2025	15%	10%	5%	₱5,000.00	₱35,000.00[8]

In its Comment,[9] the Office of the Solicitor General *(OSG)*, representing the Government of the Philippines,[10] countered that the petition failed to comply with the requirement of justiciability to justify the exercise of the Court's power of judicial review. It underscored that the petition is

[7] Id. at 40-62.
[8] Id. at 43.
[9] Id. at 236-267.
[10] Id. at 297-299.

bereft of any allegation that petitioners had suffered actual and direct injury under R.A. No. 11199 because it has not been fully implemented.

The OSG also argues that there is no violation of the equal protection clause because there is a substantial distinction between land-based and sea-based OFWs. It underscored that unlike land-based OFWs, all seafarers have one standard contract which provides for the rights and obligations of the foreign ship owner, seafarer, and the manning agency. Seafarers are also required to be competently trained and qualified before being able to work on a ship. Due to these distinctions, they are properly classified separately from land-based OFWs. Further, it avers that this classification is germane to the purpose of the law because even if seafarers and land-based OFWs are differently situated, they both must be granted utmost social security protection.

The OSG further emphasizes that the joint and several liability of manning agencies with foreign ship owners under Sec. 9-B of R.A. No. 11199 are mere reiterations of the imposition under existing laws and regulations, particularly, No. 20, Rule II, Part I, and Section 4(F)(3), Rule II, Part II of the 2016 Revised POEA Rules and Regulations Governing the Recruitment and Employment of Seafarers *(2016 POEA Rules),* and Section 10 of R.A. No. 8042, or the Migrant Workers and Overseas Filipinos Act, as amended. Thus, even before the passage of R.A. No. 11199, manning agencies were already held jointly and severally liable with the foreign ship owners, which liability includes SSS contributions under the 2010 POEA-SEC.

Lastly, the OSG argues that increasing the rates of contributions is an act of the State in the exercise of its police power, and it is primarily for the general welfare of the OFWs, which cannot be considered an infringement of the existing contracts of manning agencies and foreign ship owners.

In its Comment/Opposition,[11] the SSS, as represented by the Office of the Government Corporate Counsel *(OGCC),*[12] argues that: petitioners did not present an actual case or controversy in their petition; they did not have *locus standi;* they violated the hierarchy of courts; they failed to exhaust administrative remedies; the matters raised in the petition can be disposed of by applying the 2018 SSS Law and not nullifying the same; and petitioners are not entitled to an injunctive relief.

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[11] Id. at 280-293.
[12] Id. at 307.

The Court's Ruling

The petition lacks merit.

Procedural Matters

The power of judicial review is the power of the Courts to test the validity of executive and legislative acts for their conformity with the Constitution. Through such power, the judiciary enforces and upholds the supremacy of the Constitution. For a court to exercise this power, certain requirements must first be met, namely:

> (1) an actual case or controversy calling for the exercise of judicial power;
>
> (2) the person challenging the act must have "standing" to challenge; he must have a personal and substantial interest in the case such that he has sustained, or will sustain, direct injury as a result of its enforcement;
>
> (3) the question of constitutionality must be raised at the earliest possible opportunity; and
>
> (4) the issue of constitutionality must be the very *lis mota* of the case.[13]

An actual case or controversy means an existing case or controversy that is appropriate or ripe for determination, not conjectural or anticipatory, lest the decision of the court would amount to an advisory opinion. The rule is that courts do not sit to adjudicate mere academic questions to satisfy scholarly interest, however intellectually challenging. The controversy must be justiciable—definite and concrete, touching on the legal relations of parties having adverse legal interests. In other words, the pleadings must show an active antagonistic assertion of a legal right, on the one hand, and a denial thereof, on the other; that is, it must concern a real, tangible and not merely a theoretical question or issue. There ought to be an actual and substantial controversy admitting of specific relief through a decree conclusive in nature, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.[14]

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[13] *Garcia v. Executive Secretary*, 602 Phil. 64, 73 (2009).

[14] *Spouses Imbong v. Ochoa, Jr.*, 732 Phil. 1, 123 (2014), citing *Information Technology Foundation of the Philippines v. Commission on Elections,* 499 Phil. 281, 304-305 (2005); citations omitted.

Corollary to the requirement of an actual case or controversy is the requirement of ripeness. A question is ripe for adjudication when the act being challenged has had a direct adverse effect on the individual challenging it. For a case to be considered ripe for adjudication, it is a prerequisite that something has then been accomplished or performed by either branch before a court may come into the picture, and the petitioner must allege the existence of an immediate or threatened injury to himself as a result of the challenged action. He must show that he has sustained or is immediately in danger of sustaining some direct injury as a result of the act complained of.[15]

Here, petitioners did not allege that they already sustained or are immediately in danger of sustaining some direct injury from R.A. No. 11199. The mere passage of the law does not *per se* absolutely determine the justiciability of a particular case attacking the law's constitutionality. Petitioners did not even allege that the law is already implemented against their interests. They simply gave a broad statement that "[t]he execution of Section 9-B of the 2018 SSS Law will definitely work injustice and irreparable damage to the petitioner manning agencies which are made to answer to so much liabilities as employer when it is not the seafarer's employer."[16] Again, there must be an immediate or threatening injury to petitioners as a result of the challenged action; and not a mere speculation.

In *Sourthern Hemisphere Engagement Network, Inc. v. Anti-Terrorism Council*,[17] a petition was filed attacking the constitutionality of R.A. No. 9372. The Court ruled that there was no actual justiciable controversy because the possibility of abuse in the implementation of the law does not make a petition justiciable. Allegations of abuse must be anchored on real events before courts may step in to settle actual controversies involving rights, which are legally demandable and enforceable.

In *Republic v. Roque,*[18] a similar petition assailing the constitutionality of R.A. No. 9372 did not have an actual justiciable controversy because it failed to demonstrate how the petitioners therein are left to sustain or are in immediate danger of sustaining some direct injury as a result of the enforcement of the assailed provisions of R.A. No. 9372.

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[15] Id. at 123-124; citations omitted.
[16] *Rollo,* p. 30.
[17] 646 Phil. 452 (2010).
[18] 718 Phil. 294 (2013).

Nevertheless, the Court, through the years, has allowed litigants to seek from it direct relief upon allegation of "serious and important reasons." *Diocese of Bacolod v. Commission on Elections*[19] summarized these circumstances in this wise:

> (1) when there are genuine issues of constitutionality that must be addressed at the most immediate time;
>
> (2) when the issues involved are of transcendental importance;
>
> (3) cases of first impression;
>
> (4) the constitutional issues raised are better decided by the Court;
>
> (5) exigency in certain situations;
>
> (6) the filed petition reviews the act of a constitutional organ;
>
> (7) when petitioners rightly claim that they had no other plain, speedy, and adequate remedy in the ordinary course of law that could free them from the injurious effects of respondents' acts in violation of their right to freedom of expression; [and]
>
> (8) the petition includes questions that are "dictated by public welfare and the advancement of public policy, or demanded by the broader interest of justice, or the orders complained of were found to be patent nullities, or the appeal was considered as clearly an inappropriate remedy."[20]

It must be clarified, however, that the presence of one or more of the so-called "serious and important reasons" is not the only decisive factor considered by the Court in deciding whether to permit the invocation, at the first instance, of its original jurisdiction over the issuance of extraordinary writs. Rather, it is the nature of the question raised by the parties in those "exceptions" that enables us to allow the direct action before the Court.[21]

In this case, the Court finds that petitioners may seek direct relief because of the existence of two of the exceptions, particularly: (1) that this case is of first impression; and (2) that present issue involves public welfare and the advancement of public policy, or demanded by the broader interest of justice. The assailed law concerns the welfare of OFWs, the modern-day Filipino heroes, and the grant of social protection in their favor. For the first

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[19] 751 Phil. 301 (2015).
[20] Id. at 331-335.
[21] *Gios-Samar, Inc. v. Department of Transportation and Communications,* G.R. No. 217158, March 12, 2019.

time, the social security membership and contributions of OFWs, specifically, the seafarers, are mandated by law. Indeed, the Court must ensure that this social security must be for the welfare of the seafarers and, at the same time, not unduly oppressive to other stakeholders, such as the manning agencies and foreign ship owners. Accordingly, the petition should be discussed on its substantive aspect.

Substantive Matters

When a law is questioned before the Court, the presumption is in favor of its constitutionality. To justify its nullification, there must be a clear and unmistakable breach of the Constitution, not a doubtful and argumentative one.[22] Moreover, the reason courts will, as much as possible, avoid the decision of a constitutional question can be traced to the doctrine of separation of powers which enjoins on each department a proper respect for the acts of the other departments. In line with this policy, courts indulge the presumption of constitutionality and go by the maxim that "to doubt is to sustain." The theory is that, as the joint act of the legislative and executive authorities, a law is supposed to have been carefully studied and determined to be constitutional before it was finally enacted.[23]

It is a basic axiom of constitutional law that all presumptions are indulged in favor of constitutionality and a liberal interpretation of the Constitution in favor of the constitutionality of legislation should be adopted. Thus, if any reasonable basis may be conceived which supports the statute, the same should be upheld. Consequently, the burden is squarely on the shoulders of the one alleging unconstitutionality to prove invalidity beyond a reasonable doubt by negating all possible bases for the constitutionality of a statute. Verily, to doubt is to sustain.[24]

R.A. No. 11199 was enacted, among others, to extend social security protection to Filipino workers, local or overseas, and their beneficiaries.[25] Sec. 9-B(a) states that OFWs shall have compulsory coverage by the SSS. Sec. 9-B(b) states that manning agencies are agents of their principals and are considered as employers of sea-based OFWs which make them jointly and severally or solidarily liable with their principals with respect to the civil liabilities therein. On the other hand, the recruitment agencies of land-based

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[22] *Lim v. People*, 438 Phil. 749, 755 (2002).
[23] *La Union Electric Cooperative, Inc. v. Judge Yaranon*, 259 Phil. 457, 466 (1989).
[24] *Central Bank Employees Association, Inc. v. Bangko Sentral ng Pilipinas*, 487 Phil. 531, 674 (2004); citations omitted.
[25] Section 2, R.A. No. 11199.

OFWs are not considered as agents of their principals, and thus, are not jointly and solidarily liable for the SSS contributions.

Petitioners chiefly argue that this different treatment between sea-based OFWs and land-based OFWs violate the equal protection of laws under the Constitution. They assert that it is unfair for manning agencies, who are not the employers of the seafarer, to be solidarily liable for SSS contributions.

One of the basic principles on which this government was founded is that of the equality of right which is embodied in Section 1, Article III of the 1987 Constitution. The equal protection of the laws is embraced in the concept of due process, as every unfair discrimination offends the requirements of justice and fair play. It has been embodied in a separate clause, however, to provide for a more specific guaranty against any form of undue favoritism or hostility from the government. Arbitrariness in general may be challenged on the basis of the due process clause. But if the particular act assailed partakes of an unwarranted partiality or prejudice, the sharper weapon to cut it down is the equal protection clause.[26]

It, however, does not require the universal application of the laws to all persons or things without distinction. What it simply requires is equality among equals as determined according to a valid classification. Indeed, the equal protection clause permits classification. Such classification, however, to be valid must pass the test of reasonableness.[27]

In *Gutierrez v. Department of Budget and Management,*[28] it was ruled that the fundamental right of equal protection of the laws is not absolute, but is subject to reasonable classification. If the groupings are characterized by substantial distinctions that make real differences, one class may be treated and regulated differently from another. The classification must also be germane to the purpose of the law and must apply to all those belonging to the same class.[29]

To be valid and reasonable, the classification must satisfy the following requirements: (1) it must rest on substantial distinctions; (2) it must be germane to the purpose of the law; (3) it must not be limited to existing conditions only; and (4) it must apply equally to all members of the same class.[30]

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[26] *Biraogo v. Philippine Truth Commission of 2010*, 651 Phil. 374, 458 (2010).
[27] Id. at 459.
[28] 630 Phil. 1 (2010).
[29] Id. at 23.
[30] Id. at 23-24.

Substantial distinction

The Court finds that Sec. 9-B of R.A. No. 11199 does not violate the equal protection of laws because there is a substantial distinction between sea-based OFWs and land-based OFWs.

As properly argued by respondents, seafarers constitute a unique classification of OFWs. Their essential difference against land-based OFWs is that all seafarers have only one (1) standard contract, which provides the rights and obligations of the foreign ship owner, the seafarer and the manning agencies. The 2016 POEA Rules define the POEA-SEC as follows:

> Employment Contract/Standard Employment Contract — refers to the POEA-prescribed contract containing the minimum terms and conditions of employment, which shall commence upon actual departure of the seafarer from the Philippine airport or seaport in the point of hire.

The POEA-SEC outlines all the duties and responsibilities of the foreign ship owners, manning agencies, and seafarers within its coverage. As long as the seafarer is employed or engaged in overseas employment in any capacity on board a ship, the POEA-SEC shall apply to him or her.[31] The latest POEA-SEC is covered by the POEA Memorandum Circular No. 010-10, or the Amended Standard Terms and Conditions Governing the Overseas Employment of Filipino Seafarers On-Board Ocean-Going Ships.[32]

According to respondents, such standardized contractual arrangement is possible because all seafarers have similarity of circumstances relating to work.[33] As they are working in the seas, they face the same perils and predicaments in their employment and enjoy the same benefits for their welfare. Thus, whether a seafarer is a chef on a cruise ship, or an engineer in a cargo ship, they are covered by a unified POEA-SEC. The rights and responsibilities of the seafarer, manning agency, and foreign ship owner are consistent and uniform in every POEA-SEC.

Contrary thereto, land-based OFWs do not have singular or uniform employment contract because of the variety of work they perform. Their contracts depend on the nature of their employment and their place of work.

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[31] No. 14, POEA-SEC.
[32] Issued on October 26, 2010.
[33] *Rollo,* p. 245.

This is not the first time that the issue of the substantial distinction between the sea-based OFWs and land-based OFWs has been raised before the Court. In *The Conference of Maritime Manning Agencies, Inc. v. Philippine Overseas Employment Administration (Conference of Maritime Manning Agencies, Inc.)*,[34] the petitioners therein assailed the constitutionality of the POEA's power to increase the minimum compensation and benefits in favor of seafarers under their SEC. One of their arguments was that there is violation of the equal protection clause because of an alleged discrimination against foreign shipowners and principals employing Filipino seamen and in favor of foreign employers employing overseas Filipinos who are not seamen, or land-based OFWs.[35]

In that case, the Court declared that there was no violation of the equal protection clause because there is valid substantial distinction between sea-based OFWs and land-based OFWs, particularly, in work environment, safety, dangers and risks to life and limb, and accessibility to social, civic, and spiritual activities. It was stated that:

> There is, as well, no merit to the claim that the assailed resolution and memorandum circular violate the equal protection and contract clauses of the Constitution. To support its contention of inequality, the petitioners claim discrimination against foreign shipowners and principals employing Filipino seamen and in favor of foreign employers employing overseas Filipinos who are not seamen.
>
> It is an established principle of constitutional law that the guaranty of equal protection of the laws is not violated by legislation based on reasonable classification. And for the classification to be reasonable, it (1) must rest on substantial distinctions; (2) must be germane to the purpose of the law; (3) must not be limited to existing conditions only; and (4) must apply equally to all members of the same class. **There can be no dispute about the dissimilarities between land-based and sea-based Filipino overseas workers in terms of, among other things, work environment, safety, dangers and risks to life and limb, and accessibility to social, civic, and spiritual activities.**[36] (emphasis supplied; citation omitted)

Accordingly, it is an indisputable fact that there is a substantial distinction between sea-based OFWs and land-based OFWs as enunciated in the cited case of *Conference of Maritime Manning Agencies, Inc.* Thus, these two (2) classifications of OFWs can be treated differently.

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[34] 313 Phil. 592 (1995).
[35] Id. at 607.
[36] Id. at 607-608.

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Reasonableness of classification; germane to the purpose of the law.

Petitioners also argue that the different classification of manning agencies of seafarers, who are held solidarily liable with the principal foreign ship owners for SSS contributions, is unfair. The Department of Foreign Affairs *(DFA)* and the Department of Labor and Employment *(DOLE)* are only mandated to secure bilateral labor agreements with land-based OFWs, but not for sea-based OFWs, which violates the equal protection clause.

The argument is unmeritorious.

Sec. 9-B(b) of R.A. No. 11199 simply reiterates the provisions in other existing laws and regulations that manning agencies are jointly and solidarily liable with the principal foreign ship owners for monetary claims. Under Section 1(A)(1) of the 2010 POEA-SEC, the principal foreign ship owner has the primary duty to extend SSS coverage to seafarers.[37] Nevertheless, several provisions of the 2016 POEA Rules, which governs the recruitment and employment of seafarers, state that:

PART I
General Provisions

x x x x

Rule II
Definition of Terms

For purposes of these Rules, the following terms are defined as follows:

x x x x

20. **Joint and Several Liability — refers to the nature of liability of the principal/employer and the licensed manning agency, for any and all claims arising out of the implementation of the employment contract involving seafarers**. It shall likewise refer to the nature of liability of

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[37] SECTION 1. Duties. —

A. Duties of the Principal/Employer/Master/Company:

x x x x

2. To extend coverage to the seafarers under the Philippine Social Security System (SSS), Philippine Health Insurance Corporation (PhilHealth), Employees' Compensation Commission (ECC) and Home Development Mutual Fund (Pag-IBIG Fund), unless otherwise provided in multilateral or bilateral agreements entered into by the Philippine government with other countries.

partners, or officers and directors with the partnership or corporation over claims arising from employer-employee relationship.

x x x x

PART II
Licensing and Regulation

x x x x

RULE II
Issuance of License

A. Application

SECTION 4. Pre-Qualification Requirements. — Any person applying for a license to operate a manning agency shall file a written application with the Administration, together with the following requirements:

x x x x

F. A duly notarized undertaking by the sole proprietor, the managing partner, or the president of the corporation, stating that the applicant shall:

x x x x

3. **Assume joint and several liability with the employer/shipowner/principal for all claims and liabilities which may arise in connection with the implementation of the contract**, including but not limited to unpaid wages, death and disability compensation and repatriation;[38] (emphases supplied)

The 2016 POEA Rules provides that manning agencies are jointly and severally liable with the principal employer for any and all claims arising out of the implementation of the SEC involving seafarers. Necessarily, this includes claims arising out of the SSS coverage and contributions in favor of seafarers. If the principal foreign ship owner fails to pay the SSS contributions, then the joint and several liability of the manning agencies can be invoked.

Notably, the joint and several liability of manning agencies with the principal foreign ship owners is a mandatory pre-qualification requisite before they can secure a license to operate. Upon applying and receiving their license to operate, which is merely a privilege granted to them by the State,[39] they accept all the conditions attached therein, including the joint and solidary

[38] 2016 Revised POEA Rules and Regulations Governing the Recruitment and Employment of Seafarers.
[39] See *Republic of the Philippines v. Humanlink Manpower Consultants, Inc.*, 759 Phil. 235, 246 (2015).

liability with principal foreign ship owners that may arise under the POEA-SEC, such as the payment of SSS contributions.

The joint and several liability of manning agencies indicated under the 2016 POEA Rules only echoes the statutory provision stated under Section 10 of R.A. No. 8042, or the Migrant Workers and Overseas Filipinos Act, as amended, to wit:

> SEC. 10. Money Claims. — Notwithstanding any provision of law to the contrary, the Labor Arbiters of the National Labor Relations Commission (NLRC) shall have the original and exclusive jurisdiction to hear and decide, within ninety (90) calendar days after the filing of the complaint, the claims arising out of an employer-employee relationship or by virtue of any law or contract involving Filipino workers for overseas deployment including claims for actual, moral, exemplary and other forms of damage. Consistent with this mandate, the NLRC shall endeavor to update and keep abreast with the developments in the global services industry.
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> **The liability of the principal/employer and the recruitment/placement agency for any and all claims under this section shall be joint and several.** This provision shall be incorporated in the contract for overseas employment and shall be a condition precedent for its approval. The performance bond to be filed by the recruitment/placement agency, as provided by law, shall be answerable for all money claims or damages that may be awarded to the workers. If the recruitment/placement agency is a juridical being, the corporate officers and directors and partners as the case may be, shall themselves be jointly and solidarily liable with the corporation or partnership for the aforesaid claims and damages. (emphasis supplied)
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> x x x x[40]

Thus, the solidary liability of manning agencies with respect to principal foreign ship owners has been established by law, particularly, R.A. No. 8049, as amended, and duly implemented by the 2016 POEA Rules. Sec. 9-B(b) of R.A. No. 11199, which treats manning agencies as employers for the sole purpose of recognizing their joint and solidary liability in favor of seafarers, simply acknowledged the existing law and regulations. This provision was not created by Congress out of thin air; instead, it was based on the cited law and regulations, which manning agencies already acceded to. Due to this existing and recognized solidary liability of manning agencies, it was reasonable for the law to no longer mandate the DFA and DOLE to secure

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[40] Section 7, R.A. No. 10022, or an Act Amending Republic Act No. 8042, Otherwise known as the Migrant Workers and Overseas Filipino Act of 1995, Republic Act No. 10022, (March 8, 2010).

bilateral labor agreements because the SSS coverage of the seafarers are already safeguarded.

Further, in the case of *Sta. Rita,*[41] the petitioner manning agency therein was criminally charged for non-payment of SSS contributions of its seafarers. It argued that the seafarers do not have mandatory SSS coverage. The Court upheld the validity of the 1988 MOA between SSS and DOLE, which requires a stipulation in the SEC providing for SSS coverage of the Filipino seafarer. Thus, the SEC is the legal contract that binds both principal foreign ship owner and manning agency regarding their solidary liability over the SSS coverage of the seafarers, to wit:

> Thus, the Standard Contract of Employment to be entered into between foreign shipowners and Filipino seafarers is the instrument by which the former express their assent to the inclusion of the latter in the coverage of the Social Security Act. **In other words, the extension of the coverage of the Social Security System to Filipino seafarers arises by virtue of the assent given in the contract of employment signed by employer and seafarer; that same contract binds petitioner Sta. Rita or B. Sta. Rita Company, who is solidarily liable with the foreign shipowners/employers.**[42] (emphasis and underscoring supplied)

While petitioners insist that the *Sta. Rita* ruling regarding the solidary liability of principal foreign ship owners and manning agencies regarding SSS coverage is a mere *obiter dictum,* such argument is inconsequential. As discussed above, there are several laws and regulations that already mandate the joint and several liability of principal foreign ship owners and manning agencies regarding claims arising from the employment of seafarers, including SSS coverage, particularly, R.A. No. 8049, as amended, and the 2016 POEA Rules.

Consequently, the different treatment of seafarers and manning agencies is justified and germane to the purpose of the law. A declared policy of R.A. No. 11199 is to extend social security protection to Filipino workers, local or overseas, and their beneficiaries. The law applied the existing law and regulations regarding the joint and solidary liability of manning agencies with principal foreign ship owners to attain the statutory purpose of the mandatory coverage of seafarers under the SSS. As a result, the joint and solidary liability of the manning agency with principal foreign ship owners was reasonably extended to the obligations regarding SSS contributions. This satisfies the second requisite that the classification be germane to the purpose of the law.

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[41] Supra note 4.
[42] Id. at 587.

In the same manner, the assailed provision does not only apply to existing conditions. Seafarers are completely covered by the SSS, and all the manning agencies, without any prior conditions, shall have a solidary liability with the principal foreign ship owners for the SSS contributions. Likewise, the mandatory coverage of SSS applies to all kinds of seafarers, regardless of position or designation on their respective vessels. Hence, the third and fourth requisites – that the classification must not be limited to existing conditions only and that it must apply equally to all members of the same class – are complied with. As there is a valid and legal classification between sea-based OFWs and land-based OFWs, there is no violation of the equal protection clause.

The law is not superfluous; manning agencies are not solely burdened.

Another argument raised by petitioners is that Sec. 9-B of R.A No. 11199, which imposes mandatory SSS coverage for sea-based OFWs, is superfluous and unreasonable because such SSS coverage is already provided for by existing rules and contracts; and that it is improper to treat manning agencies as employers under R.A. No. 11199 because they will be unreasonably held liable for the SSS coverage of seafarers.

The Court finds the arguments specious.

There are several provisions in contracts and existing regulations that mandate the SSS coverage of seafarers. The 74th Maritime Session of the ILO, held on September 24 to October 9, 1987, which was participated in by the Philippines, stated that there shall be social security protection for seafarers, including those serving in ships flying flags other than those of their own country.[43] It was observed by the Court in *Sta. Rita* that after a series of consultations with seafaring unions and manning agencies, it was the consensus that Philippine social security coverage be extended to seafarers under the employ of vessels flying foreign flags.[44] In accordance thereto, the SSS and the DOLE executed the 1988 MOA, which states that there shall be a stipulation in the SEC providing for coverage of the Filipino seafarer by the SSS. In the latest POEA-SEC, the foreign ship owners are still primarily required to extend SSS coverage to the seafarers.

Similarly, the 2006 MLC, to which the Philippines is a signatory, states that the members therein must provide social security protection to all seafarers:

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[43] Id. at 588.
[44] Id.

Regulation 4.5 – Social security

Purpose: To ensure that measures are taken with a view to providing seafarers with access to social security protection

1. Each Member shall ensure that all seafarers and, to the extent provided for in its national law, their dependents have access to social security protection in accordance with the Code without prejudice however to any more favorable conditions referred to in paragraph 8 of article 19 of the Constitution.

2. Each Member undertakes to take steps, according to its national circumstances, individually and through international cooperation, to achieve progressively comprehensive social security protection for seafarers.

3. Each Member shall ensure that seafarers who are subject to its social security legislation, and, to the extent provided for in its national law, their dependents, are entitled to benefit from social security protection no less favorable than that enjoyed by shoreworkers.[45]

In spite of the 74th Maritime Session of the ILO, 1988 MOA of the SSS-DOLE, 2010 POEA-SEC, and 2006 MLC, the mandatory coverage of social security to seafarers was not faithfully complied with. The discussion of the Technical Working Group of the Senate Committee on Government Corporations and Public Enterprises Joint with the Committee on Labor, Employment and Human Resources Development *(TWG)* is enlightening:

The Presiding Officer. … Sa sea-based po, ano ang arrangement natin with regard to the SSS contributions?

Mr. Bautista. Actually, for sea-based po, it is mandatory. We have this arrangement with the employer that the licensed manning agency is the one collecting the premium or the contribution of the employer and at the same time deducting from the remittance to the family of the seafarers the specific share of the seafarer. So[,] that is the arrangement po.

The Presiding Officer. Yes po.

Ms. Banawis. Just to add to that, Madam Chair.

The reason why it is compulsory for the sea-based workers is because there was an agreement between DOLE and SSS in 1988 where they agreed that the social security for sea-based workers shall be compulsory. So that agreement was witnessed by the POEA and the associations of manning agencies, Madam Chair.

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[45] International Labour Organization, Maritime Labour Convention 2006.

Ms. See. Madam Chair.

The Presiding Officer. Yes, from the SSS, please.

Ms. See. Yes. In addition to that, we have a standard employment contract which is signed by the principal, the manning agency and the seafarer. And in that standard employment contract, it already provides mandatory coverage of SSS and it is also espoused in the maritime labor convention which the Philippine government has ratified.

So[,] in terms of legal basis, we have mandatory provision for social security of seafarers.[46]

x x x x

The Presiding Officer. Thank you.

In practice po, paano siya?

May we ask from the SSS? For example, mayroon po tayong seafarer, one seaman, for example, paano po ba iyong [SSS coverage] mga agreements na ito? If you're going to look in the eyes of this particular seafarer, paano po nangyayari sa kanya iyong mga [SSS coverage] agreements na ito?

Ms. See. Thank you, Madam Chair.

Actually, the arrangement is that, typically, the manning agency in the Philippines access the employer of the sea-based workers. So as any other local employer in the Philippines, they report to SSS the sea-based workers that they deploy. Okay. And they deduct supposed to be from the employee's salary and remit to SSS.

So[,] in practice, there are problems in enforcement and implementation in that–there are actually sea-based workers who are not reported and registered to SSS. In fact, based on the latest statistics that we have, only about 60 percent are reported to SSS. And there are about 40 percent of sea-based workers who are deployed who are not reported by the manning agencies and the foreign principal. **That is the reason why we would like to make this mandatory and on our own enforce the coverability of the sea-based workers because – as of now, because it is voluntary under our law, we rely on the regulatory agency to enforce that provision under the contract.**

x x x x

The Presiding Officer. So right now they are supposed to be giving mandatory contributions to the SSS. But, according to the SSS, we only

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[46] Senate Committee on Government Corporations and Public Enterprises Joint with the Committee on Labor, Employment and Human Resources Development (Technical Working Group), June 29, 2017, pp. 13-14.

892

> have 60 percent coverage. There are 40 percent still that have yet to contribute. Am I clarified po? Sa lahat na po ng seafarers coming from the merchant ships and from the cruise ships regardless of whether or not they are actually, well, engaged in the actual work as a seafarer, iyong nagmamaneho talaga ng barko, are all considered seafarers after August 12, 2014 and, thus, they should have by now voluntary members of the SSS– sorry, mandatory members of the SSS. But right now ang coverage po natin sa kanila is 60 percent only; 40 percent pa ang iko-cover po natin.
>
> **Ms. See. Actually, let me correct that, Madam Chair. I have the exact figures here as of June 2017. Out of the 442,820 deployments, reported for SSS coverage only number 207,729, so[,] that's 47 percent po. That is only on the basis of the list of deployments of the POEA.**
>
> **The Presiding Officer.** Forty-seven percent lang po ang covered?
>
> **Ms. See.** Yes po. That is based on the POEA deployment po.[47] (emphases supplied)

As shown above, despite the mandatory SSS coverage under the 1988 MOA of the SSS-DOLE, 2010 POEA-SEC, and 2006 MLC, foreign principal employers and manning agencies do not comply with their obligation. There are still thousands of seafarers deployed who are not covered by the SSS, and foreign principal employers and manning agencies are not paying their SSS contributions.

Hence, Congress found that the best solution to resolve the failure to report the seafarers for SSS coverage is to, once and for all, make the seafarer's SSS coverage mandatory under the law. In that manner, the foreign principal employers and manning agencies are jointly and solidarily liable under R.A. No. 11199 to ensure that they will report their seafarers to the SSS and pay their contributions. Failure to comply with the law shall lead to different sanctions. This is the decree employed by Congress to give significant effect to the constitutional mandate of the State to afford protection to labor, whether local or overseas.[48]

Likewise, the apprehension of petitioners that the law places the burden of the SSS coverage entirely upon the shoulders of manning agencies because they are treated as employers is more illusory than real. Evidently, Sec. 9-B(b) of R.A. No. 11199 treats manning agencies of seafarers as employers only for the purpose of enforcing their solidary liability with the principal foreign ship owners. The law is anchored on the existing law and regulations. This is to guarantee the SSS coverage of the seafarers.

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[47] Id. at 15-24.

[48] See Section 3, Article XIII, of the 1987 Constitution.

Again, Sec. 9-B(b) of R.A. No. 11199 clearly states that manning agencies are mere "agents of their principals." They are only treated as employers for the exclusive purpose of enforcing their solidarity liability with the foreign principal employer in favor of the seafarers, including claims arising from SSS coverage. This mechanism was deemed sufficient by Congress to ensure that seafarers would be fully protected under their social security coverage.

Manning agencies are sensibly covered by R.A. No. 11199 when their joint and several liability with the principal foreign ship owner is invoked. Contrary to petitioners' argument that manning agencies are unnecessarily saddled with the SSS obligations, they still have available recourses under the Civil Code against their solidary obligors, particularly, the foreign principal shipowners. The law is reasonable because it is bereft of any provision that absolutely and unequivocally transfers the entire responsibility of the SSS coverage to the manning agencies alone. It simply found an innovative method to utilize the existing solidary liabilities of the parties involved in the hiring of sea-based OFWs to enforce the mandatory coverage of the SSS.

There is no automatic criminal liability against officers of manning agencies.

Petitioners likewise argue that Sec. 9-B of R.A. No. 11199 violates the managers, officers, owners, or directors of manning agencies' right to substantive due process when it imposes criminal liability on them for the crimes that others, such as the principal foreign employer, might commit against such OFWs under the law.

The argument is unmeritorious.

Sec. 9-B(b), last paragraph, of R.A. No. 11199 states:

> The persons having direct control, management or direction of the manning agencies shall be held criminally liable for any act or omission penalized under this Act notwithstanding Section 28(f) hereof.

On the other hand, this provision should be read in conjunction with Sec. 28(f) of R.A. No. 11199, which states:

894

SEC. 28. *Penal Clause.*

x x x x

(f) If the act or omission penalized by this Act be committed by an association, partnership, corporation or any other institution, its managing head, directors or partners shall be liable for the penalties provided in this Act for the offense.

Verily, before a managing head, director or partner is penalized, their association, partnership, corporation or any other institution must first commit a criminal act under R.A. No. 11199. Consequently, the officers shall only have criminal liability for their organization's own acts. There is no *ipso jure* criminal liability of the officers of manning agencies because some other separate entity, such as a foreign principal employer, committed a crime entirely unrelated to such manning agency.

The Senate deliberations show the intent of lawmakers not to mindlessly charge officers of the manning agencies for criminal acts when the liability is only civil in nature, especially when there are no separate acts of collusion in the criminal acts of other entities, to wit:

INTERPELLATION OF SENATOR DRILON

He stated that at present, there are two systems of salary remittances in the shipping industry – one is when the manning agency does payroll services wherein sums of money are remitted by the shipping company to the manning agent and the latter would be the one to pay the salary of the sea-based OFW, remit usually 70% of his/her salary to his family, and, at the same time, remit the SSS contributions of both the OFW and the shipping company; and second is when the manning agency only performs manning of the vessel for a fee and it is the shipping company that would remit the salary of the Filipino seafarer including the company's and seafarer's SSS contributions, if so decreed. He said that he saw no problem as far as being jointly and solidarily liable for the civil aspect is concerned, but what he found difficult to accept, he said, is the proposition that the manning agency would be criminally liable for failure to remit the SSS premium because, to him, there must be a finding that it conspired with shipping agency or violated the provisions of the Act either intentionally or through negligence; meaning, there must be an act attributable to the manning agency before becoming criminally liable. **He said that equity and fairness dictate that while civilly liable, the manning agency should not be criminally liable unless it commits separate acts of collusion and other acts which would show that it had participation.**

Senator Gordon agreed that joint and solidary liability should only be limited to the civil aspect, notwithstanding a Supreme Court

> decision that there is no impediment for filing a criminal complaint against the petitioner for his failure as a manning agent, as held in the case of *Ben Sta. Rita vs. Court of Appeals.*[49] (emphasis supplied)

Thus, contrary to the position of petitioners, the officers of the local manning agencies do not immediately incur criminal liability whenever the foreign principal commits a wrongdoing. Instead, their respective manning agencies must first commit a criminal act before the said officers can be criminally charged.

For example, when a foreign principal remitted to the manning agency the required SSS contributions but the latter failed to remit such to the SSS. In that case, the manning agency commits a criminal act, which is a criminal violation of Sec. 28(b) of R.A. No. 11199,[50] because it participated in the illegal act of not remitting the SSS contributions duly given by the foreign principal. In another instance, a manning agency deducted the remittance of the seafarers for the payment of the contributions but it neither reported the seafarers nor remitted their contributions to the SSS. This constitutes as a criminal violation of Sec. 28(e) of R.A. No. 11199[51] because the manning agency did not report the seafarers and remit their contributions to the SSS. Only in those instances, when the manning agency participates in a criminal act, shall the officers of such agency be held criminal liable.

In *Ching v. Secretary of Justice*,[52] the Court explained that when a corporation commits a criminal violation, the law may specifically hold its officers responsible for such offense. The rationale for this rule is that the corporate officers are vested with the authority and responsibility to devise means necessary to ensure compliance with the law and, if they fail to do so, are held criminally accountable, to wit:

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[49] *Rollo,* pp. 259-260.

[50] Section 28. *Penal Clause.* –

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(b) Whoever shall obtain or receive any money or check under this Act or any agreement thereunder, without being entitled thereto with intent to defraud any member, employer or the SSS, shall be fined not less than Five thousand pesos (₱5,000.00) nor more than Twenty thousand pesos (₱20,000.00) and imprisoned for not less than six (6) years and one (1) day nor more than twelve (12) years.

[51] Section 28. *Penal Clause* –

x x x x

e) Whoever fails or refuses to comply with the provisions of this Act or with the rules and regulations promulgated by the Commission, shall be punished by a fine of not less than Five thousand pesos (₱5,000.00) nor more than Twenty thousand pesos (₱20,000.00), or imprisonment for not less than six (6) years and one (1) day nor more than twelve (12) years, or both, at the discretion of the court: *Provided,* That where the violation consists in failure or refusal to register employees or himself, in case of the covered self-employed or to deduct contributions from the employees' compensation and remit the same to the SSS, the penalty shall be a fine of not less than Five thousand pesos (₱5,000.00) nor more than Twenty thousand pesos (₱20,000.00) and imprisonment for not less than six (6) years and one (1) day nor more than twelve (12) years.

[52] 517 Phil. 151 (2006).

> Though the entrustee is a corporation, nevertheless, the law [Presidential Decree No. 115, or the Trust Receipts Law] specifically makes the *officers; employees or other officers or persons responsible for the offense, without prejudice to the civil liabilities of such corporation and/or board of directors, officers, or other officials or employees responsible for the offense.* The rationale is that such officers or employees are vested with the authority and responsibility to devise means necessary to ensure compliance with the law and, if they fail to do so, are held criminally accountable; thus, they have a responsible share in the violations of the law.
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> If the crime is committed by a corporation or other juridical entity, the directors, officers, employees or other officers thereof responsible for the offense shall be charged and penalized for the crime, precisely because of the nature of the crime and the penalty therefor. A corporation cannot be arrested and imprisoned; hence, cannot be penalized for a crime punishable by imprisonment. However, a corporation may be charged and prosecuted for a crime if the imposable penalty is fine. Even if the statute prescribes both fine and imprisonment as penalty, a corporation may be prosecuted and, if found guilty, may be fined.
>
> A crime is the doing of that which the penal code forbids to be done, or omitting to do what it commands. A necessary part of the definition of every crime is the designation of the author of the crime upon whom the penalty is to be inflicted. When a criminal statute designates an act of a corporation or a crime and prescribes punishment therefor, it creates a criminal offense which, otherwise, would not exist and such can be committed only by the corporation. But when a penal statute does not expressly apply to corporations, it does not create an offense for which a corporation may be punished. On the other hand, if the State, by statute, defines a crime that may be committed by a corporation but prescribes the penalty therefor to be suffered by the officers, directors, or employees of such corporation or other persons responsible for the offense, only such individuals will suffer such penalty. Corporate officers or employees, through whose act, default or omission the corporation commits a crime, are themselves individually guilty of the crime.
>
> The principle applies whether or not the crime requires the consciousness of wrongdoing. It applies to those corporate agents who themselves commit the crime and to those, who, by virtue of their managerial positions or other similar relation to the corporation, could be deemed responsible for its commission, if by virtue of their relationship to the corporation, they had the power to prevent the act. Moreover, all parties active in promoting a crime, whether agents or not, are principals. Whether such officers or employees are benefited by their delictual acts is not a touchstone of their criminal liability. Benefit is not an operative fact.[53] (citations omitted)

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[53] Id. at 177-178.

199

As R.A. No. 11199 is fair and reasonable with respect to its penal provisions, there is no violation of substantial due process.

The law does not violate the constitutional right against infringement of contracts; the wisdom of the law cannot be questioned by the Court.

Finally, petitioners argue that the imposition of the new rates under R.A. No. 11199 violates their constitutional right against infringement of their existing contracts with sea-based OFWs.

This argument is not novel and has been squarely addressed by the Court in *Conference of Maritime Manning Agencies, Inc.* In that case, it was explained that:

> The constitutional prohibition against impairing contractual obligations is not absolute and is not to be read with literal exactness. It is restricted to contracts with respect to property or some object of value and which confer rights that may be asserted in a court of justice; it has no application to statutes relating to public subjects within the domain of the general legislative powers of the State and involving the public rights and public welfare of the entire community affected by it. It does not prevent a proper exercise by the State of its police power by enacting regulations reasonably necessary to secure the health, safety, morals, comfort, or general welfare of the community, even though contracts may thereby be affected, for such matters cannot be placed by contract beyond the power of the State to regulate and control them.
>
> **Verily, the freedom to contract is not absolute; all contracts and all rights are subject to the police power of the State and not only may regulations which affect them be established by the State, but all such regulations must be subject to change from time to time, as the general well-being of the community may require, or as the circumstances may change, or as experience may demonstrate the necessity**. And under the Civil Code, contracts of labor are explicitly subject to the police power of the State because they are not ordinary contracts but are impressed with public interest. Article 1700 thereof expressly provides:
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> > ART. 1700. The relations between capital and labor are not merely contractual. They are so impressed with public interest that labor contracts must yield to the common good. Therefore, such contracts are subject to the special laws on labor unions, collective bargaining, strikes and lockouts, closed shop, wages, working conditions, hours of labor and similar subjects.

199

> The challenged resolution and memorandum circular being valid implementations of E.O. No. 797, which was enacted under the police power of the State, they cannot be struck down on the ground that they violate the contract clause. To hold otherwise is to alter long-established constitutional doctrine and to subordinate the police power to the contract clause.[54] (emphasis supplied; citations omitted)

Indeed, the constitutional right to inviolability of contracts is not absolute. It is subject to the proper exercise of the police power by the State. Further, the contracts referred to by petitioners are labor contracts. Under the Civil Code, labor contracts are impressed with public interest and must yield to the common good.[55]

Here, the Court finds that the State reasonably exercised its police power in increasing the SSS contribution under R.A. No. 11199. The new rates are not a drastic increase based on the previous rates; these are imposed gradually; and these are justifiably and rationally shouldered between the employer and the seafarer. Glaringly, petitioners failed to present any credible evidence or argument that would show that the exercise of the State's police power in increasing the SSS contributions are unreasonable and will cause irreversible and significant economic damages and liabilities to the stakeholders and the entire maritime industry.

Rather, the increased rate of the SSS coverage is in line with the State's objective to establish, develop, promote and perfect a sound and viable tax-exempt social security system suitable to the needs of the people throughout the Philippines which shall promote social justice through savings, and ensure meaningful social security protection to members and their beneficiaries against the hazards of disability, sickness, maternity, old age, death, and other contingencies resulting in loss of income or financial burden.[56]

Further, it must be emphasized that the provision of the law in equitably increasing the SSS contribution rates is within the wisdom of Congress. As long as there is no grave abuse of discretion in enacting the increased rates, the Court must respect the intent of Congress to achieve a dynamic social security service for our seafarers. In *St. Joseph's College v. St. Joseph's College Workers' Association*,[57] the Court held that:

> Amidst these opposing forces the task at hand becomes saddled with the resultant implications that the interpretation of the law would bear upon such varied interests. But this Court cannot go beyond what the legislature has laid down. Its duty is to say what the law is as enacted by the lawmaking

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[54] Supra note 34, at 609-611.
[55] Article 1700, Civil Code.
[56] Section 2, R.A. No. 11199.
[57] 489 Phil. 559 (2005).

> body. That is not the same as saying what the law should be or what is the correct rule in a given set of circumstances. **It is not the province of the judiciary to look into the wisdom of the law nor to question the policies adopted by the legislative branch.** Nor is it the business of this Tribunal to remedy every unjust situation that may arise from the application of a particular law. It is for the legislature to enact remedial legislation if that would be necessary in the premises. But as always, with apt judicial caution and cold neutrality, the Court must carry out the delicate function of interpreting the law, guided by the Constitution and existing legislation and mindful of settled jurisprudence. The Court's function is therefore limited, and accordingly, must confine itself to the judicial task of saying what the law is, as enacted by the lawmaking body.[58] (emphasis supplied)

Indeed, only congressional power or competence, not the wisdom of the action taken, may be the basis for declaring a statute invalid. This is as it ought to be. The principle of separation of powers has in the main wisely allocated the respective authority of each department and confined its jurisdiction to such a sphere. There would then be intrusion not allowable under the Constitution if on a matter left to the discretion of a coordinate branch, the judiciary would substitute its own. If there be adherence to the rule of law, as there ought to be, the last offender should be the courts of justice, to which rightly litigants submit their controversy precisely to maintain unimpaired the supremacy of legal norms and prescriptions. The attack on the validity of the challenged provision likewise, insofar as there may be objections, even if valid and cogent, on its wisdom cannot be sustained.[59]

As petitioners failed to prove that Sec. 9-B of R.A. No. 11199, to the extent that sea-based OFWs are concerned, violates the Constitution, then this statutory provision must be upheld in favor of the obligatory SSS coverage of the seafarers.

WHEREFORE, the petition is **DENIED.** Section 9-B of Republic Act No. 11199, or the Social Security Act of 2018, insofar as sea-based Overseas Filipino Workers are concerned, is **CONSTITUTIONAL.**

SO ORDERED.

ALEXANDER G. GESMUNDO
Associate Justice

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[58] Id. at 572-573.
[59] *Garcia v. Corona*, 378 Phil. 848, 866 1999).

WE CONCUR:

DIOSDADO M. PERALTA
Chief Justice

ESTELA M. PERLAS-BERNABE
Associate Justice

MARVIC M.V.F. LEONEN
Associate Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

JOSE C. REYES, JR.
Associate Justice

RAMON PAUL L. HERNANDO
Associate Justice

ROSMARI D. CARANDANG
Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

HENRI JEAN PAUL B. INTING
Associate Justice

RODIL V. ZALAMEDA
Associate Justice

MARIO V. LOPEZ
Associate Justice

EDGARDO L. DELOS SANTOS
Associate Justice

SAMUEL H. GAERLAN
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I hereby 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.

DIOSDADO M. PERALTA
Chief Justice

CERTIFIED TRUE COPY

EDGAR O. ARICHETA
Clerk of Court En Banc
Supreme Court

89