

REUTER V. CITY OF METHUEN: BAD NEWS FOR MASSACHUSETTS EMPLOYERS

Background

Unlike employees who voluntarily resign, the so-called Massachusetts Wage Act (M.G.L. chapter 149, section 148) requires that terminated employees be paid the full amount of wages owed to them on the date they are discharged. This includes regular wages, at the then current rate, plus earned commissions and payment for unused vacation. The penalties for failure to make timely payment to employees under the Wage Act include triple the amount of the wages due, plus attorney's fees and court costs.



A long line of cases in Massachusetts has consistently interpreted the Wage Act as requiring a late paying employer to pay the amount of the wages due, plus interest from the date payment was due under the statute. However, triple damages were not assessed as long as the employer paid the terminated employee in full before he or she filed a complaint with the court to recover the unpaid wages.

Reuter v. City of Methuen

On April 4, 2022, the Massachusetts Supreme Judicial Court overturned this long line of Massachusetts cases by holding that employers are strictly liable for the payment of triple damages if they are late in paying amounts due under the Wage Act, without regard to whether the employee has commenced a lawsuit.

The facts of the case are straightforward. Ms. Reuter was terminated as an employee of the City of Methuen after a criminal conviction.

On the date of her termination, she was paid the full amount of her regular compensation through that date. However, she also had several thousand dollars of vacation pay accrued. That amount was not paid for approximately three weeks. A year after she received this payment her lawyer sent a demand letter to the city seeking roughly \$24,000. This amount represented three times her late vacation pay, less a credit for the amount the city previously paid her, plus attorneys' fees. The city declined to pay and Ms. Reuter sued the city. That case ultimately found its way to Massachusetts' highest court.

Reasoning of the Court

The SJC noted that the Wage Act does not provide any defense to late paying employers and concluded that the earlier line of cases, holding that no triple damages were owed as long as the employer paid the employee before the employee commenced a lawsuit, was incorrect. The court noted that the underlying purpose of the Wage Act was to protect employees from losing wages they had previously earned and which they presumably needed to pay living expenses. Accordingly, the wording of the Wage Act required that late paying employers were obligated to pay three times the amount of wages which were paid late, as liquidated damages, without regard to whether a lawsuit had been commenced.

Practical Considerations

The court acknowledged that its interpretation of the Wage Act will be burdensome for employers. However, given the legislative intent of the Wage Act and the language of the statute, it will apparently be left up to the Legislature to decide if it wants to ease the potential burden now placed on employers. While the most common context for the application of this decision is a case where an employee is to be terminated immediately for cause, as was the case with Ms. Reuter, the decision is not limited to those situations. Any delay in payment of employee compensation beyond the period permitted by the statute, even if it results from an honest mistake or a computer glitch, can now result in liability for three times the amount of the late payment. However, there are some ways to mitigate the risk to employers, at least in the case of a termination for cause.

If you have further questions on the Massachusetts Wage Act or other business matters, please contact PLDO Partner William F. Miller at 508-420-7159 or email wmiller@pldolaw.com.



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