

SJC Rules Wage Act Plaintiffs Are Entitled to Prejudgment Interest, But Not on Treble Damages

Written by Jonathan A. Keselenko, Christopher Feudo, Erin Olesen

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Last week, the Massachusetts Supreme Judicial Court (“SJC”) resolved a contested issue under the Massachusetts Wage Act, ruling that successful Wage Act plaintiffs are entitled to prejudgment interest on the unpaid wages and other benefits they are awarded. However, the SJC held that employees cannot recover interest on the liquidated damages they are awarded for Wage Act violations.

The SJC’s decision in *George, et al. v. National Water Main Cleaning Company, et al.* arose out of a class action suit against a company and its parent for nonpayment of wages under the Wage Act. After the suit was removed from Superior Court to the United States District Court of Massachusetts, the District Court judge approved a class settlement agreement that resolved all issues except one: whether statutory interest is available when liquidated (treble) damages are awarded under the Wage Act. Plaintiffs in Massachusetts have long been able to recover 12% interest on damages in a variety of cases, including any cases where interest is not otherwise provided by law. However, when the Legislature amended the Wage Act to make the trebling of damages mandatory under the Wage Act, it also expressly characterized those treble damages as “liquidated damages,” leaving open the question of whether plaintiffs were still entitled to recover prejudgment interest under the Wage Act or whether the liquidated damages were intended to include prejudgment interest. Given this uncertainty, the District Court certified the question to the SJC.

The SJC rejected the notion that an award of liquidated damages under the Wage Act would prevent a plaintiff from also recovering interest on their unpaid wages. Because Massachusetts law specifically guarantees interest on most forms of damages, the SJC was unwilling to find that the Legislature’s amendment to the Wage Act describing trebled damages as “liquidated damages” changed this longstanding right absent explicit language reflecting that intent. The SJC also noted that prejudgment interest and liquidated damages are different types of damages, so treating interest as a form of liquidated damages under the Wage Act was inappropriate. Thus, SJC held that, despite the 2008 amendment, successful Wage Act plaintiffs could still recover prejudgment interest on their lost wages and benefits. However, it ruled that prejudgment interest is not to be added to the treble damages awarded to plaintiffs as liquidated damages.

In the end, the SJC’s ruling is a mixed bag for employers. By confirming that employers will have to pay employees who bring successful claims under the Wage Act prejudgment interest on any damages they are awarded for lost wages and other benefits, the SJC increased the value of an employee’s Wage Act claim against his or her employer. However, the costs for employers could have become significantly greater had the SJC ruled that interest is added to an employee’s treble damages. Yet, the decision serves as another cautionary tale for Massachusetts employers: when they fail to pay workers in compliance with the Wage Act, they face significant liability.

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