

Recent Decisions Illustrate Strict Interpretation of Massachusetts Wage Act

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Two recent decisions from Massachusetts courts again highlight the strict requirements of the Massachusetts Wage Act, which details how and when employees must be paid. The cases address the treatment of sales commissions and vacation time, both of which are considered “wages” under the law.

In *McAleer v. Prudential*, a former Prudential employee alleged that the company failed to pay him earned sales commissions. Prudential's defense to the claim was that because its commission plan gave the company discretion to interpret the plan and determine whether commissions were due, the commissions at issue were not earned wages under Massachusetts law.

U.S. District Judge Douglas P. Woodlock of the District of Massachusetts disagreed, explaining that although Prudential's plan did afford the company some discretion over factual determinations and decisions relating to eligibility, the plan did not give the company the right to withhold or change commission payments for no reason. The court further found that the commission payment was covered under the Wage Act because the amount owed was “arithmetically determinable.” Finally, the court rejected Prudential's argument that it did not owe the commission because the former employee was not an “active employee” when the commission became due and payable. Judge Woodlock reasoned that the employee's status on the date the commission became payable was inconsequential if the commissions were earned during a period of active employment.

In the second recent Wage Act decision, the Massachusetts Supreme Judicial Court (SJC) considered a case involving a former employee who sued the City of Malden for failure to pay accrued but unused vacation time upon his termination, as is required by the MA Wage Act. The city argued that it did not owe the former employee for unpaid vacation time because it continued to pay his salary and benefits after his termination. These payments, Malden argued, added up to far more than the city owed him for unpaid vacation time.

The SJC rejected Malden's argument and found that the city violated the Wage Act by failing to pay the employee for his unused vacation time. The court determined that salary and benefit continuation after termination does not mitigate the employer's obligation to pay accrued but unused vacation time. The Court suggested that had the City made clear that its post-termination payments encompassed unpaid vacation time and accounted for the payments in this way on its payroll records, the claim would not have succeeded.

Both cases illustrate the importance of compliance with the Wage Act, even in the post-employment context. Employers with commission plans must ensure that employees who earn commissions are paid all amounts due, even if they leave the company before payment is made. In addition, all employers should be aware that salary continuation or severance pay does not substitute for the employer's obligation to pay an employee for accrued but unused vacation time. Because penalties for violation of the Wage Act are substantial (including automatic treble damages and attorneys' fees), employers should ensure that they have appropriate policies and procedures in place pertaining to the end-of-employment and post-employment contexts.

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