

Proper Precedence in Payments

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When money is scarce, who gets paid first?

Question: What are the general parameters for a business, regarding paying employees vs. paying the company's bills? Does COVID-19 affect the halacha in any way?

Answer: The general halacha is that one must pay his workers first. There are quite a number pesukim in the Torah related to this. There is a mitzvas "lo saseh" of "Lo salin pe'ulas sachir itcha ad boker" and there is a mitzvas aseh of "byomo titein sechoro".

The Chafetz Chaim in sefer ahavas chesed expounds on a business owner's responsibility to pay his workers with the following.

1. If he has accounts receivable, he has to collect them to pay his workers.
2. If someone is holding money for him, he must make sure to collect it so that he can pay his employees.
3. If one has unsold merchandise and can sell it, he should do so in order to pay his employees in a timely manner.

The Chafetz Chaim continues, quoting the "Chinuch" which says that the exception to the aforementioned rules would be if one is going to have a hefsed merubah (great loss), by not paying certain debts. In this situation, he may pay off the debts before paying his employees.. So if one has payments that he must make to keep his business afloat, such as rent, vendors, and other bills that may carry significant interest and penalties, he may do so even before he pays his employees.

Although COVID-19 makes these shailos more prevalent due to the financial constraints of many businesses, the halacha may change regarding what constitutes a hefsed merubah. As many states and municipalities have passed laws which prevent landlords from evicting their tenants, and bill collectors from charging interest during these times, it could be that the worker would come first regarding payment in these circumstances, even if he normally would not.

The best thing for an owner to do is to discuss this with his employees before hiring them. If the worker is hired with the understanding that the payments will not be on time, the owner will not be ovair (transgress) on bal talin if he finds it difficult to pay them when their wages are due.