



Paying "Current" Versus "In Arrears"

Insights

2.11.16

Some employers use the colloquialisms "current" and "in arrears" to describe the timing of employees' wage payments.

Not surprisingly, many employees who are told they are paid "in arrears" rather than "current" react negatively to this. They often take it to mean that the employer is not paying them the compensation they are entitled to at the time they should be receiving it, or that something else improper or even nefarious is afoot.

But in many if not most instances, this is simply not so.

So-Called "Current" Pay

One way to illustrate the fallacy of these common expressions is with a hypothetical. Assume that an employer has established a Monday-through-Sunday workweek for federal Fair Labor Standards Act purposes. Management wants to distribute paychecks to non-exempt employees each Friday afternoon for the workweek that began on Monday.

But in order to have paychecks ready by Friday afternoon, the employer must process them *before* that time. Therefore, when these paychecks are prepared, management does not yet know what an employee's *actual* FLSA hours worked will be for that workweek. For example, maybe she ends up working more or less than the scheduled worktime on Friday, and/or maybe she works on the Saturday or Sunday of that workweek.

The employer deals with this by *assuming* that the employee will work the scheduled hours or some other projected number of hours and computes her pay accordingly. If it turns out that she worked a different number of hours in that workweek, the employer makes the necessary adjustment (to add or subtract pay) in the next Friday's paycheck. This is frequently referred to as paying "current".

Supposed "In Arrears" Pay

Now assume that, instead, this employer distributes the paychecks for the workweek on the *following* Friday, that is, seven days later than in the above scenario. At the time the employer prepares those payments, it knows exactly what the employee's total hours worked were for the workweek that ended on the preceding Sunday. There is no built-in need for assumptions, approximations, or future corrections.

On the contrary, management can compute her wages accurately and can give her a paycheck that in fact represents her actual wages due for that workweek. Nevertheless, simply because the wages *actually* due were paid after the close of the workweek to which the pay relates, some refer to this approach as somehow representing payment "in arrears".

The Bottom Line

This illustrates that so-called "current" pay, that is, a sum computed when an employee's wages due cannot be accurately calculated until later in many instances, might instead be better described as *projected* pay or even payment *in advance*. Viewed in this light, timely computing an employee's wages based upon known and accurate information would seem to be the very *opposite* of "in arrears".

Employers should avoid characterizing employees' pay by using labels such as "in arrears" that are both misdescriptive and likely to generate bad-feeling (or worse). And attaching the term "current" to payments that are instead only projected or approximate can also lead to difficulties, including confusion about what pay is due at the end of a worker's employment. It is normally possible to tell employees how often and when they will be paid, and what these payments will represent, in a straightforward, neutral way that does not include descriptors carrying unfavorable or inapt connotations.

Employers should of course be sure that how often and when they pay employees, as well as what those payments represent, are consistent with the requirements of all applicable laws, including those of state and local jurisdictions.