



Federal Trade Commission

600 FTC's Noncompete Rulemaking

The Commission determined that noncompetes are an unfair method of competition and therefore violate Section 5 of the Federal Trade Commission Act ("FTC Act").

The final rule prohibits employers from entering into new noncompetes with workers on or after the effective date. The rule also prohibits employers from enforcing existing noncompetes with workers other than senior executives.

The rule is set to go into effect on September 4, 2024.

Noncompetes restrict the freedom of American workers and suppress wages.

Noncompetes restrict workers' fundamental freedom to leave for a better job or to start their own business.

In many cases, noncompetes are take-it-or-leave-it contracts that exploit workers' lack of bargaining power and coerce workers into staying in jobs they would rather leave, or force workers to leave a profession or even relocate.

By restricting workers from moving freely, noncompetes prevent workers from accepting higher-paying jobs.

Noncompetes even reduce the wages of workers who aren't subject to noncompetes.

Noncompetes stifle new businesses and new ideas.

Noncompetes prevent workers from starting their own firms and block new businesses from hiring qualified workers.

Noncompetes restrict the flow of knowledge between firms, and studies have found that noncompetes reduce innovation. This affects not just workers but also consumers by

depriving consumers of better products and lower prices that result from competition and innovation.

Roughly one in five Americans, totaling nearly _____, are subject to noncompetes.

The Commission received over _____, with thousands of workers describing how noncompetes blocked them from taking a better job, negotiating better pay, or starting their own business.

The Commission also heard from entrepreneurs and small businesses who said noncompetes prevented them from starting new ventures or hiring knowledgeable workers to help grow their businesses.

Over _____ supported a categorical ban on noncompetes.

New business formation will grow by _____, creating over _____ each year.

American workers' earnings will increase by _____ over the next decade, with workers' earnings rising an estimated _____ a year on average.

Health care costs will be reduced by _____ over the next decade in reduced spending on physician services.

Innovation will increase, with an average estimated increase of _____ more patents each year over the next decade.

- As a result, the rule prohibits employers from entering into new noncompetes with workers as of the effective date, set

