



FEDERAL TRADE COMMISSION  
PROTECTING AMERICA'S CONSUMERS

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For Release

# FTC Proposes Rule to Ban Noncompete Clauses, Which Hurt Workers and Harm Competition

Agency estimates new rule could increase workers' earnings by nearly \$300 billion per year

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**Tags:** [Competition](#) | [Office of Policy Planning](#) | [Bureau of Competition](#) | [Unfair Methods of Competition](#)

The Federal Trade Commission [proposed a new rule](#) that would ban employers from imposing noncompetes on their workers, a widespread and often exploitative practice that suppresses wages, hampers innovation, and blocks entrepreneurs from starting new businesses. By stopping this practice, the agency estimates that the new proposed rule could increase wages by nearly \$300 billion per year and expand career opportunities for about 30 million Americans.

The FTC is seeking public comment on the proposed rule, which is based on a preliminary finding that noncompetes constitute an unfair method of competition and therefore violate Section 5 of the Federal Trade Commission Act.

"The freedom to change jobs is core to economic liberty and to a competitive, thriving economy," said Chair Lina M. Khan. "Noncompetes block workers from freely switching jobs, depriving them of higher wages and better working conditions, and depriving businesses of a talent pool that they need to build and expand. By ending this practice, the FTC's proposed rule would promote greater dynamism, innovation, and healthy competition."

Companies use noncompetes for workers across industries and job levels, from hairstylists and

warehouse workers to doctors and business executives. In many cases, employers use their outsized bargaining power to coerce workers into signing these contracts. Noncompetes harm competition in U.S. labor markets by blocking workers from pursuing better opportunities and by preventing employers from hiring the best available talent.

“Research shows that employers’ use of noncompetes to restrict workers’ mobility significantly suppresses workers’ wages—even for those not subject to noncompetes, or subject to noncompetes that are unenforceable under state law,” said Elizabeth Wilkins, Director of the Office of Policy Planning. “The proposed rule would ensure that employers can’t exploit their outsized bargaining power to limit workers’ opportunities and stifle competition.”

The evidence shows that noncompete clauses also hinder innovation and business dynamism in multiple ways—from preventing would-be entrepreneurs from forming competing businesses, to inhibiting workers from bringing innovative ideas to new companies. This ultimately harms consumers; in markets with fewer new entrants and greater concentration, consumers can face higher prices—as seen in the health care sector.

To address these problems, the FTC’s proposed rule would generally prohibit employers from using noncompete clauses. Specifically, the FTC’s new rule would make it illegal for an employer to:

- enter into or attempt to enter into a noncompete with a worker;
- maintain a noncompete with a worker; or
- represent to a worker, under certain circumstances, that the worker is subject to a noncompete.

The proposed rule would apply to independent contractors and anyone who works for an employer, whether paid or unpaid. It would also require employers to rescind existing noncompetes and actively inform workers that they are no longer in effect.

The proposed rule would generally not apply to other types of employment restrictions, like non-disclosure agreements. However, other types of employment restrictions could be subject to the rule if they are so broad in scope that they function as noncompetes.

This NPRM aligns with the [FTC’s recent statement](#) to reinvigorate Section 5 of the FTC Act, which bans unfair methods of competition. The FTC recently used its Section 5 authority to ban comp from imposing onerous noncompetes on their workers. In one complaint, the FTC took action against

a Michigan-based security guard company and its key executives for using coercive noncompetes on low-wage employees. The Commission also ordered two of the largest U.S. glass container manufacturers to stop imposing noncompetes on their workers because they obstruct competition and impede new companies from hiring the talent needed to enter the market. This NPRM and recent enforcement actions make progress on the agency's [broader initiative](#) to use all of its tools and authorities to promote fair competition in labor markets.

The Commission voted 3-1 to publish the Notice of Proposed Rulemaking, which is the first step in the FTC's rulemaking process. Chair Khan, Commissioner Rebecca Kelly Slaughter and Commissioner Alvaro Bedoya [issued a statement](#) . Commissioner Slaughter, joined by Commissioner Bedoya, [issued an additional statement](#) . Commissioner Christine S. Wilson voted no and [also issued a statement](#) . The NPRM invites the public to submit comments on the proposed rule. The FTC will review the comments and may make changes, in a final rule, based on the comments and on the FTC's further analysis of this issue. Comments will be due 60 days after the *Federal Register* publishes the proposed rule.

The Federal Trade Commission works to [promote competition](#), and protect and educate consumers. You can learn more about [how competition benefits consumers](#) or [file an antitrust complaint](#). For the latest news and resources, [follow the FTC on social media](#), [subscribe to press releases](#) and [read our blog](#).

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