

Fact Sheet on the FTC's Noncompete Rule

Background

On April 23, 2024, the Federal Trade Commission voted to [finalize a new rule](#) to prohibit employers from enforcing noncompetes against workers.

- The Commission has 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 takes effect 120 days from publication in the Federal Register.

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.

Noncompetes are widespread throughout the U.S. economy.

- Roughly one in five Americans, totaling nearly 30 million people, are subject to noncompetes.
- The Commission received over 26,000 comments, 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 25,000 commenters supported a categorical ban on noncompetes.

By banning noncompetes, the FTC estimates that:

- New business formation will grow by 2.7%, creating over 8,500 new businesses each year.
- American workers' earnings will increase by \$400-\$488 billion over the next decade, with workers' earnings rising an estimated \$524 a year on average.
- Health care costs will be reduced by \$74-\$194 billion over the next decade in reduced spending on physician services.
- Innovation will increase, with an average estimated increase of 17,000-29,000 more patents each year over the next decade.

Noncompete Rule

- The rule states that noncompetes are an unfair method of competition. As a result, the rule prohibits employers from entering into new noncompetes with workers, as of the effective date.
- The rule prohibits employers from enforcing noncompetes with workers other than senior executives as of the effective date.
 - Less than 1% of workers are estimated to be senior executives under the final rule.
 - Specifically, the final rule defines the term “senior executive” as workers earning more than \$151,164 who are in a “policy-making position.”
- The rule requires employers to notify workers whose noncompetes are no longer enforceable that their noncompetes are no longer in effect and will not be enforced. The FTC provides [model language](#) that employers can use to notify employees.
- The rule includes an exception that allows noncompetes between the seller and buyer of a business.
- The final rule differs from the proposed rule in several respects. For example:
 - The rule does not ban existing noncompetes with senior executives.
 - The rule simplifies the notice and compliance requirements for employers.
 - The rule expands the sale of business exception.

How to Report a Violation of the Noncompete Rule

Once the rule becomes effective, you can submit information about a suspected violation of the rule to the Bureau of Competition by sending an email to noncompete@ftc.gov.

Please note that the FTC cannot provide legal advice, take action on behalf of private individuals, or answer questions about its investigations.

Complaints may also be sent by mail to:

Office of Policy and Coordination
Bureau of Competition
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

NOTE: Confidential information should be marked “Confidential” and sent via regular mail. To learn how we may use the information you provide, please read our [Privacy Policy](#).

RESPONSES: All incoming messages are forwarded to the appropriate division within the Bureau of Competition. The FTC may use these reports to investigate and bring enforcement actions for violations of the rule, but it can’t respond to each message or resolve reports on behalf of individuals.