

**AG**

AG Nessel Joins Multistate Coalition Supporting Federal Trade Commission's Proposed Rule Limiting Non-Competes in Employment

April 20, 2023

AG Press

agpress@michigan.gov

LANSING — Michigan Attorney General Dana Nessel joined a coalition, led by California, New Jersey, and the District of Columbia, in submitting comments in support of the Federal Trade Commission's proposed rule that would eliminate non-compete clauses in employment contracts in most circumstances.

[In a letter](#) sent to Federal Trade Commission Chair Lina Khan, AG Nessel joined 18 states in supporting the proposed national rule.

In January, the FTC proposed the Non-Compete Clause Rule, which would bar employers from preventing workers from working for or establishing a competing business within a certain time period after leaving a job. Approximately 18 percent of labor force participants were bound by non-competes in 2014, and 38 percent had agreed to one in the past, usually because employers insisted on them, and employees lacked a meaningful ability to negotiate them. The proposed rule concludes that non-competes are an unfair method of competition that can depress worker wages, reduce racial and gender equality in workplaces, and create legal hurdles for employees looking to advance their careers. Currently, the legality of such non-compete agreements is left to the states, creating confusion for workers and distorting labor markets that cover more than one state.

“Post-employment restrictions like these have an adverse effect on workers, especially low-wage workers and those who are part of the ‘gig economy’ and tend to change jobs often,” Nessel said. “Non-compete statutes are also often misused for anti-competitive purposes that do not protect legitimate business interests. I stand firmly with my colleagues in supporting the FTC’s proposed rule to provide workers with additional protections in this area.”

Low- and middle-wage workers would benefit the most from this proposed rule, with a high potential for increases in wages and job mobility. The proposed rule would also promote gender and racial equity, as studies have found that non-compete clauses cause women and non-white workers to see earnings reductions two times greater than that experienced by white male workers. The states also note that the elimination of non-competes would benefit businesses and the economy as a whole, as non-competes restrict entrepreneurship and start-up activity.

The states also argue that the rule will particularly improve conditions in the healthcare industry, which is becoming increasingly concentrated in fewer employers in the United States. Non-competes are widely used in the healthcare industry and restrict the re-entry of healthcare workers into their employment market, which inflates prices and decreases wages.

The states support the FTC’s definition of “non-compete clause,” support the Commission’s broad definition of “worker,” and urge the Commission to clarify that the proposed rule does not overtake similar laws at the state level that provide similar or greater protections.

In filing the comment letter, AG Nessel joined the attorneys general of California, Colorado, Delaware, the District of Columbia, Illinois, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, and Washington.

###

MI Newswire

Attorney General

Press Release

Related News

Suspect Who Pled No Contest to Defrauding U.S. VA Administration and MI Treasury Receives Sentencing Date