An explosion of state laws curtailing the use of noncompete agreements (NCA) and President Biden’s July 2021 executive order, which highlighted the negative effects of NCAs on low-wage workers, has sparked a renewed interest in addressing these agreements. In a new insight, Fred Ashton and Isabella Hindley explain how NCAs can harm employees – especially low-wage workers – and offer potential avenues of reform.

Key points:

- NCAs contractually prohibit employees from actions including working for a competitor, starting a competing business, developing a competing product or service, and hiring former colleagues for a specified number of years in a certain geography upon separation from the employer.

- While employment contracts that include NCAs were historically reserved for C-suite executives and employees with knowledge of trade secrets, these agreements have trickled down the organizational chart to include even entry-level employees – limiting worker mobility and suppressing wages.

- Federal legislation can incrementally or aggressively reform NCAs to promote a more dynamic employment market by removing barriers to employee mobility and fostering competition for talent among employers.

Read the analysis