



## Testimony in Support of Senate Bill 698 Senate Committee on the Judiciary April 25, 2019

The **Economic Progress Institute** supports Senator Goodwin’s bill **S698**, which prohibits enforcing noncompetition agreements on low-wage workers.

As originally designed, noncompetition agreements aimed to prevent highly-compensated, executive-level or other highly-skilled employees from leaving one company for another within a competitive industry and harm competition through their knowledge and possibly bringing trade secrets from their former employers. Increasingly, however, such “agreements” have been imposed upon workers at all levels, including, for example, low-wage workers at fast food franchises. In such cases, there is simply no legitimate business need for noncompetition restrictions.<sup>1</sup>

What do noncompetition restrictions do to low-income workers and to the economy?

- Keep workers in jobs they might otherwise leave for better pay or benefits.
- Decrease workers’ bargaining power to improve wages and benefits.
- Depress wages in general for low-wage workers, even those not trapped by noncompetition restrictions.
- Lessen competition among businesses.

Which workers would be protected?

- Workers earning under Rhode Island’s average weekly wage (in the range of \$1,000 per week)
- Workers ages 18 and below
- Non-exempt, hourly workers
- College students

In Massachusetts, legislation prohibiting noncompetition clauses went into effect on October 1, 2018. The new law includes what **S698** will do and goes even further in its protection of workers.

Noncompetition restrictions for low-wage and younger workers are harmful to them and hurt the economy. We urge you to pass **S698**.

**40%**

of workers in the United States have signed a non-compete agreement at some point in their careers

**20%**

of workers are currently working under such an agreement.

**14%**

are workers without a college degree

**14%**

of workers earning less than \$40,000 per year have signed these agreements

<sup>1</sup> Graphic from *Keeping Secrets? How non-compete agreements for low-wage workers hurt business hiring and hold down wages* By Allan Freyer, Director, and Carol Brooke, Senior Attorney, Workers’ Rights Project, May 2017, <https://www.ncjustice.org/wp-content/uploads/2018/11/NCJC-BRIEF-Non-compete-Agreements-KEEPING-SECRETS.pdf>; data originally from Evan Starr, J.J. Prescott, and Norman Bishara, “Noncompetes in the U.S. Labor Force,” University of Michigan Law School, Law and Economics Research Paper Series no. 18-013, May 2018, <http://dx.doi.org/10.2139/ssrn.2625714>.