

## **U.S. Government Accountability Office Report**

### Noncompete Agreements: Use Is Widespread To Protect Business' Stated Interests, Restricts Job Mobility, And Stifles Wage Growth And Innovation

**Background:** In 2019, U.S. Senators Chris Murphy (D-Conn.), Todd Young (R-Ind.), Elizabeth Warren (D-Mass.), Marco Rubio (R-Fla.), Ron Wyden (D-Ore.), and Tim Kaine (D-Va.) requested a nonpartisan Government Accountability Office (GAO) investigation into the prevalence and effects of non-compete agreements (NCAs) on workers and the economy as a whole. Their [request](#) cited concerns about the spread of these agreements from highly technical fields into lower wage work, and the impact they could have on entrepreneurship and innovation, economic and wage growth, and productivity and competition in labor markets.

**Report Findings:** The GAO found the use of NCAs is widespread throughout the U.S. labor market. Specifically, NCAs serve to protect the stated interests of businesses while restricting job mobility, lowering wages for workers, and discouraging innovation. GAO reviewed existing studies, surveyed 446 private sector employers, and conducted a separate survey of 25 state attorney general offices on state statutes related to NCAs. GAO also interviewed stakeholders, such as worker advocates, employer groups, and researchers, and reviewed relevant federal laws.

#### ***Recent Nationally Representative Studies GAO Reviewed Estimated:***

- 18 percent of workers were subject to NCAs at the time the study was conducted.
- One study estimated that 38 percent of workers had been subject to an NCA at some time in their careers.
- Over half of the 446 private sector employers responding to GAO's survey reported that they enforced NCAs on at least some of their workers.
- Studies and GAO's employer survey also found that a wide range of workers, from executives to hourly workers, are required to sign NCAs. Among employers who use NCAs, more than half subjected all of their part-time workers to them. Among these same employers, 70 percent of all of their salaried employees were subject to NCAs.
- In a survey of employers, more than 30 percent reported having enforced an NCA against hourly and part-time workers.

#### ***Studies Show NCAs Restrict Job Mobility, and May Reduce Wages and New Firm Creation:***

- GAO reviewed ten studies that generally found that in states where courts are more likely to enforce NCAs, workers experience reduced job mobility. Lack of mobility can result in lower wages, as workers have less ability to find higher-paying jobs or leverage job offers to negotiate wage increases with their current employer.
- One study showed that NCA enforcement led to a decline in the creation of knowledge-intensive firms, and that NCAs make it more difficult to recruit start-up workers.
- Surveys revealed that while most businesses report NCAs are needed to protect their sensitive information, such as trade secrets or client lists, most workers subject to NCAs do not have access to this information.
- Studies show NCA enforcement may suppress entrepreneurship and the creation of new businesses, especially in the tech and science industries. 60 studies noted that workers with NCAs may be discouraged from founding new businesses due to an increased probability of litigation and greater costs of recruiting and hiring staff.