

Fact Sheet on FTC's Proposed Final Noncompete Rule

April 23, 2024

The following outline provides a high-level overview of the FTC's [proposed final rule](#):

- The final rule bans new noncompetes with all workers, including senior executives after the effective date.
 - Specifically, the final rule provides that it is an unfair method of competition—and therefore a violation of Section 5 of the FTC Act—for employers to enter into noncompetes with workers after the effective date.
- For existing noncompetes, the final rule adopts a different approach for senior executives than for other workers. For senior executives, existing noncompetes can remain in force. Existing noncompetes with workers other than senior executives are not enforceable after the effective date of the final rule.
 - Fewer than 1% of workers are estimated to be senior executives under the final rule.
 - Specifically, the final rule defines the term “senior executive” to refer to workers earning more than \$151,164 annually who are in a “policy-making position.”
- The FTC estimates that banning noncompetes will result in:
 - **Reduced health care costs:** \$74-\$194 billion in reduced spending on physician services over the next decade.
 - **New business formation:** 2.7% increase in the rate of new firm formation, resulting in over 8,500 additional new businesses created each year.
 - **Rise in innovation:** an average of 17,000-29,000 more patents each year for the next ten years.
 - This reflects an estimated increase of about 3,000 to 5,000 new patents in the first year noncompetes are banned, rising to about 30,000-53,000 in the tenth year.
 - This represents an estimated increase of 11-19% annually over a ten-year period.
 - **Higher worker earnings:** \$400-\$488 billion in increased wages for workers over the next decade.
 - The average worker's earnings will rise an estimated extra \$524 per year.

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