



Testimony Presented to the House Commerce and Tourism Committee House Bill 4874 to Prohibit Noncompete Agreements for Certain Employees

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Good afternoon, Chairman Marino and members of the House Commerce and Tourism Committee. My name is Peter Ruark and I am a Senior Policy Analyst at the Michigan League for Public Policy. The League is a public policy research and advocacy organization that promotes economic opportunity for all. Thank you for letting me testify today in support of House Bill 4874, a bill to prohibit employers from subjecting lower-paid workers to noncompete agreements.

We recognize that in some high-paying, professional jobs in which an employee has clients and is in possession of proprietary information, having the employee sign a noncompete agreement may be necessary. Our concern is with lower-wage workers for whom this is clearly not the case: retail and restaurant workers, for example. Such workers do not possess trade secrets or proprietary information, nor is there a danger that they will take their clients with them to the business across the street. In these situations, a noncompete requirement is clearly an attempt to take away a worker's ability to seek a job with better pay or work conditions. Even if the noncompete agreement is not enforced, being required to sign one can intimidate and discourage a low-paid employee from seeking better work.

In Michigan, many full-time workers, despite working hard, remain below the poverty line or below the household income level commonly considered "low income." For some workers, this is due to having children to support; for others, it may be due to erratic weekly schedules that do not always provide 40 hours per week even if the employee wants it. These workers are also often subject to unpredictable scheduling, do not have paid sick leave, and are sometimes even vulnerable to adverse work conditions such as sexual harassment, bullying, or health and safety risks.

Such workers should have the right to seek and find jobs with better pay, benefits or work environments—this is a core American value. Allowing businesses to limit a low-paid worker's ability to find better work takes away that right. This issue goes far beyond employer-employee relationships, as it's really about an employer's right to put conditions on the employment of its former employees and not just its current employees. We believe allowing businesses to dictate the future work prospects of workers after they have left their employment, for no reason other than to discourage the employees from leaving their jobs, is fundamentally undemocratic and is a violation of individual liberties.

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We believe this bill sets a very reasonable salary threshold (\$15 an hour, 150% of the minimum hourly wage, or annual compensation of \$31,200 adjusted for inflation, whichever is greatest). If anything, this threshold ought to be even higher, given that \$31,200 is still below the level considered "low income" for a single parent with one child. But this is a good step, nonetheless, as it will protect the lowest-paid workers from unreasonable and undemocratic restrictions as they try to become economically self-sufficient.

We urge this committee to pass House Bill 4874. Thank you.