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Testimony of Representative Sophie Warren Presenting
LD 1496, An Act to Prohibit Noncompete Clauses
Before the Joint Standing Committee on Labor and Housing

Good morning Senator Tipping, Representative Roeder and respected members of the Labor and Housing Committee. My name is Sophie Warren, and I represent House district 124. Thank you for the opportunity to present **LD 1496, An Act to Prohibit Noncompete Clauses**.

The problem this bill seeks to address is not new. I'm talking about our states' long-standing labor shortage. In a state where our workforce participation rate has for a period — arguably spanning at least thirty years — been declining due to young Mainers leaving the state to take their talents to states with greater opportunities, Mainers aging out of the workforce, and our inability to sufficiently nor sustainably attract new workers. Combine these longstanding labor challenges with the pandemic, we need to be doing everything we can to make sure people can work in our state.

This bill offers one such proposal — free workers in our state of restrictions from noncompete agreements.

Noncompete clauses are often seen as bad for workers and the economy because they can limit job mobility and innovation.

In Maine, noncompete clauses have been a subject of debate because they can be seen as a barrier to economic growth and job creation.

In response to these concerns, Maine passed legislation in 2019 that limits the use of noncompete clauses in employment contracts. Under the law, employers in Maine cannot require low-wage workers, interns, or employees who have been terminated without cause to sign noncompete agreements. The law also requires that all noncompete agreements be written in clear and concise language and be provided to employees before they accept a job offer.

The bill before you today takes this effort an important step further. Though you will see a few reasonable exceptions modeled by a recent proposal by the FTC proposing a federal ban on noncompete clauses released in January of this year, the broader elimination of these clauses is a increasingly valuable policy tool our state can choose to address cross-sector and decades-long workforce shortages.

Noncompete clauses can prevent workers from leaving one company for another, even if they have skills that are in demand. This can limit workers' ability to negotiate for better wages and

working conditions, and it can also limit companies' ability to hire the best talent. This can ultimately lead to a less dynamic and less competitive job market.

Another concern is that noncompete clauses can limit innovation. When workers are bound by noncompete agreements, they may be hesitant to start their own businesses or work for startups, which can be a major source of innovation and job creation. This can make it harder for Maine to attract and retain entrepreneurs and other highly skilled workers who could contribute to the state's economy.

Thank you for your time and consideration of how we can continue and further our efforts to address our long-standing labor shortage, keep young Mainers in our state, and attract the workers we need to strengthen and sustain our economic development. I am happy to answer any questions that you have.