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Investors Applaud the FTC's Ban of Non-Compete Agreements, Safeguarding the Rights of Low- and Middle-Income Workers

Boston, MA, Thursday, April 25, 2024 – Zevin Asset Management and the Interfaith Center on Corporate Responsibility (ICCR) today welcomed the [Federal Trade Commission's](#) (FTC's) passage of a ban on non-compete agreements (noncompetes).

Noncompetes, ostensibly used by employers in contracts to protect proprietary information and intellectual property, prevent tens of millions of employees from working for competitors or starting a competing business after they leave a job. The agreements are often non-negotiable and have long been seen by worker rights advocates as unnecessarily restrictive and exploitative, particularly for low-wage and frontline workers who often need to change jobs to increase their pay.

Due to take effect 120 days after it is published in the Federal Register, the final rule would ban new noncompete agreements for all workers and require companies to let current and past employees know they won't enforce any agreements currently in effect. The exception to the rule is that noncompetes for executives may remain in effect.

Zevin Asset Management and ICCR submitted a comment letter last year to the FTC backed by investors representing \$436B in assets in support of the ban. "Long-term public equity investors believe an inclusive and equitable labor market is integral to corporate long-term value creation. We applaud the FTC's decision," said Marcela Pinilla, Director of Sustainable Investing at Zevin." By removing a barrier to job mobility and bargaining power for higher wages, banning noncompetes can increase workers' earnings by nearly [\\$300 billion](#) annually. Eliminating noncompetes will make the economy more dynamic, innovative, and equitable, to the benefit of all stakeholders."

According to the National Employment Law Project (NELP), today, nearly [1 in 5 U.S.](#) workers are asked to sign a noncompete during their onboarding for a new job. Low- and middle-wage workers without the ability to hire lawyers to negotiate employment terms are particularly disadvantaged by noncompetes as it restricts them from pursuing other opportunities where they can grow their wages.

Moreover, there is ample evidence demonstrating that noncompete clauses have increased racial/ethnic and gender wage gaps by systematically suppressing the wages of non-white workers. Across industries, Black and Hispanic workers are disproportionately represented in



the lowest-paid frontline occupations. Removing noncompetes will ensure that the pay gaps between Black Americans and white Americans are reduced as more Americans experience wage growth and job mobility.

Women and people of color are less likely to negotiate or violate noncompetes than their white counterparts. These outcomes artificially restrict the talent pool for companies to recruit from, which also hinders corporate growth, particularly during the current period of worker shortage. “We recognize that deep-rooted and longstanding systemic and institutional discriminatory policies, including noncompete contracts, have disadvantaged these populations. These enduring disparities affect corporate culture and hinder the freedom to negotiate for better pay or seek new employment,” said Renee Morgan with Adasina Social Capital.

“Nobody wins long-term by restricting worker mobility and suppressing wages,” said Vincent Kaufmann, CEO of Ethos Foundation. “This ban helps to address important, market-wide, systemic risks from inequality and can help to build a more resilient workforce and economies globally.”

On the heels of the FTC announcement, the U.S. Chamber of Commerce, the Business Roundtable and other business groups [sued the FTC](#) calling the ban “an unlawful power grab” which will likely extend the timetable for passage of the final rule.

Said ICCR’s CEO Josh Zinner, “As long-term investors, we believe companies that invest in their workforce for long-term retention and growth, without using the artificial barrier of noncompete agreements, will be better positioned to respond to labor shortages and economic downturns.”

About Zevin Asset Management

Zevin Asset Management is an investment manager with a global focus that integrates sustainability into active investment management for our clients—[individuals](#), [families](#), [foundations](#), [religious institutions](#), and [non-profits](#). With a more than 25-year track record, help our clients to reach dual objectives of achieving financial returns and advocating for also social and environmental change in the capital markets.

About the Interfaith Center on Corporate Responsibility (ICCR)

The Interfaith Center on Corporate Responsibility (ICCR) is a broad coalition of more than 300 institutional investors collectively representing over \$4 trillion in invested capital. ICCR members, a cross-section of faith-based investors, asset managers, pension funds, foundations, and other long-term institutional investors, have over 50 years of experience engaging with companies on environmental, social, and governance (“ESG”) issues that are critical to long-term value creation. ICCR members engage hundreds of corporations annually in an effort to foster greater corporate accountability. Visit the ICCR website at www.iccr.org and follow on Twitter/X (@iccronline), [LinkedIn](#), and [Facebook](#).