

SUBJECT:	Prohibiting covenants not to compete for certain low-wage workers
COMMITTEE:	Business & Industry — favorable, without amendment
VOTE:	6 ayes — Longoria, Cole, J. González, Hinojosa, Lambert, Neave Criado 3 nays — Vasut, Frazier, Isaac
WITNESSES:	For — Emily Amps, Texas AFL-CIO (<i>Registered, but did not testify</i> : Caitlin Boehne, Equal Justice Center; Ryan Pollock, IBEW Local 520; Thomas Kennedy, Texas Building Trades Council; Jacob Smith, Texas Employment Lawyers Association; Cynthia Van Maanen, Travis County Democratic Party; Daniela Hernandez, Workers Defense Action Fund; and nine individuals) Against — None
BACKGROUND:	Some have suggested that employers should be prohibited from requiring certain low-wage workers to enter into a covenant not to compete as there is little need for these agreements for employees under a certain income threshold.
DIGEST:	HB 1043 would prohibit an employer from requiring an employee who makes less than the greater of the federal minimum wage or \$15 an hour to enter into a covenant not to compete that restricted the employee from performing work: <ul style="list-style-type: none">• for another employer for a specified period of time;• in a specified geographical area; or• for another employer similar to the employee’s work for the current employer. A covenant not to compete that included such provisions would be void, unenforceable. Certain statutory provisions for procedures and remedies in actions to enforce covenants not to compete would not apply to a covenant not to compete under the bill.

The bill would preempt any other criteria of enforceability of a covenant not to compete and would make conforming changes in statute.

The bill would take effect September 1, 2023 and would apply only to a covenant entered on or after the effective date.