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USMCA: Labor Provisions

The U.S.-Mexico-Canada Agreement (USMCA) entered into force in 2020 (P.L. 116-113), replacing the 1994 North American Free Trade Agreement (NAFTA). Concerns among some Members of Congress about the protection of worker rights and enforceability were prominent issues in the NAFTA negotiation and debate over USMCA. Historically, U.S. labor advocates have expressed concerns over free trade agreements (FTAs) with developing countries, due to those countries' relatively lower wages and labor standards and the potential for higher adjustment costs for U.S. workers and firms. They generally have sought more enforceable labor provisions. Supporters of such FTAs view them as tools to improve labor standards, build capacity to support worker rights in less developed countries, and enhance economic development and growth. NAFTA included an innovative labor side agreement that advanced North American labor cooperation. Some stakeholders criticized its shortcomings in coverage and implementation, however, and subsequent labor provisions evolved to become integral chapters in U.S. FTAs, with rules grounded in internationally recognized labor rights and subject to dispute settlement (DS) procedures.

At the direction of Congress, USMCA underwent changes following its initial conclusion and signing by the parties. In 2019, a group of House Representatives and the Trump Administration reached a deal on revised provisions in selected USMCA areas, including labor and enforcement. The resulting labor provisions were more expansive than past U.S. FTAs and negotiating objectives laid out by Congress in trade promotion authority statutes. As a result, U.S. trade officials and some Members have framed USMCA labor provisions as the most comprehensive among U.S. FTAs and a possible template for future trade deals. Some policymakers and stakeholders remain concerned over implementation and advocate for changes to labor commitments as part of the 2026 USMCA joint review being held by the North American partners.

NAFTA Background

The North American Agreement on Labor Cooperation (NAALC) was a side agreement to NAFTA. It contained 11 "guiding principles" on worker rights, and provisions on technical assistance, capacity building, and separate DS procedures. NAALC aimed to resolve issues largely via cooperation, dialogue, and ministerial consultations in areas including freedom of association and collective bargaining. Full DS applied to a "persistent pattern of failure" to enforce "occupational safety and health, child labor or minimum wage technical labor standards," where the matter was trade-related and covered by mutual labor laws.

USMCA Provisions

USMCA includes components similar to more recent U.S. FTAs. It strengthens NAFTA labor provisions and provides recourse to the same DS mechanism that applies to other parts of USMCA. Core USMCA commitments require the parties to

- adopt and maintain in statutes, regulations, and practices, worker rights as stated in the 1998 International Labour Organization (ILO) Declaration, as well as "acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health";
- not waive or otherwise derogate from such statutes or regulations in a manner affecting trade or investment;
- not fail to effectively enforce labor laws "through a sustained or recurring course of action or inaction in a manner affecting trade or investment" between parties.

In addition, for the first time in an FTA, USMCA commits the parties to prohibit imports of goods made by forced labor—reflecting U.S. practice under Section 307 of the Trade Act of 1930. The labor chapter also includes new commitments to address violence against workers, migrant worker protections, and workplace discrimination. Annex 23-A to the labor chapter also commits Mexico to implement labor laws and reforms related to the effective recognition of the right to collective bargaining.

Mexico's Labor Reforms

After years of domestic debate and constitutional reforms, in 2019, Mexico's government enacted significant labor reforms, which went into effect in 2023. USMCA Annex 23-A was intended to support and reinforce such efforts, committing Mexico to provide in its labor laws measures that

- protect the right of workers to organize, form, and join the union of their choice;
- prohibit employer interference in union activities, discrimination, or coercion against workers;
- provide for the exercise of a personal, free, and secret vote of workers for union elections and agreements; and
- establish and maintain independent and impartial bodies to register union elections and resolve disputes relating to collective bargaining agreements, including through the establishment of independent labor courts.

In 2019, then-U.S. Trade Representative (USTR) Robert Lighthizer described Mexico's reforms as "exactly what labor leaders in the United States and Mexico have sought for decades."

The USMCA labor chapter is enforced by state-to-state DS procedures, which address complaints over a government's failure to uphold labor obligations. USMCA includes DS provisions that aim to prevent a party from blocking the formation of a dispute panel and require the development of rules of evidence. Other changes to the USMCA labor and DS chapters aimed to remove perceived hurdles to enforcement actions. USMCA adds, for example, a new rebuttable presumption that an alleged failure to enforce labor laws is in "a manner affecting trade or investment" unless the respondent party demonstrates otherwise.

Some Members of Congress sought the creation by USTR of a new labor enforcement mechanism, amid concerns that state-to-state DS alone was not sufficient to ensure compliance with labor commitments. The resulting facility-specific rapid response mechanism (RRM, Annex 31-A) addresses complaints over the denial of the right of free association and collective bargaining at covered facilities in the United States and Mexico. Canada and Mexico have a separate mechanism; there is no U.S.-Canada RRM.

Labor Enforcement and the RRM

The U.S.-Mexico RRM allows a government to take action regarding a worksite in another country if it believes workers are being denied the right to organize and bargain collectively. Facilities must be in a "priority sector" involving manufactured goods, services, or mining and must produce goods or supply services that are traded between the parties or that compete in the territory of the other party. Agriculture is not covered. For Mexico, a claim can be brought with respect to an alleged denial of rights under legislation that complies with Annex 23-A. For the United States, a claim can be brought with respect to a covered facility under an enforced order of the National Labor Relations Board. Some experts contend such conditions limit the applicability of the RRM to U.S.-based facilities. In 2019, some Members framed these conditions as "important safeguards." Following a complaint by one party and review by the responding party, a panel of independent labor experts may be convened to conduct verifications of compliance. Adverse determinations may potentially result in tariffs/penalties on goods produced by the facility and blocking imports in some cases (e.g., for repeat offenders).

To date, USTR has invoked the RRM in about 40 cases to review facilities in Mexico in industries such as autos, garments, mining, food manufacturing, and services. Many of the cases resulted in remediation plans between the United States and Mexico or were resolved during the initial review; six involved an RRM panel. Mexico has never invoked the RRM against a U.S. facility.

Compliance and Monitoring Tools

P.L. 116-113 authorized funds for monitoring and enforcing USMCA labor obligations and established new interagency mechanisms. In H.Rept. 116-358, some Members indicated that FTA obligations "are valuable only if they are actively monitored and enforced" and that the United States "has failed to effectively monitor" FTA labor provisions. The act allocated $180 million over four years (2020-2023) to the Department of Labor, Bureau of International Labor Affairs (ILAB), for "worker-focused capacity building" and other technical assistance to support Mexico's implementation of labor reforms, and $30 million over eight years (2020-2027) for ILAB to monitor USMCA compliance, including for labor attachés in Mexico. The act established an Interagency Labor Committee (ILC) to monitor compliance and play a role in the enforcement of labor provisions. It also established an Independent Mexico Labor Expert Board of 12 trade and labor policy experts (including appointments by Congress) to evaluate Mexico's compliance, advise the ILC, and issue reports to Congress.

Issues for Congress

Congress played a key role in shaping USMCA labor provisions, and implementation remains an oversight issue. In October 2025, the Labor Advisory Committee—part of statutorily established federal trade advisory committees—assessed that USMCA "contained important improvements" in worker rights over previous FTAs, while calling for improvements in Mexico's implementation and the RRM. Many experts have framed the RRM as an important accomplishment, with one group calling it a "massive improvement to complaint mechanisms" in previous FTAs. In a 2025 letter to USTR, the Congressional Labor Caucus asserted that while USMCA was "an improvement … as it relates to labor standards for workers across North America," it was "intended to be a floor, and not a ceiling."

In July 2026, during a meeting under the first joint review of USMCA, the United States did not agree to renew USMCA "in its current form" for an additional 16-year term. Mexico and Canada had supported renewal. USMCA remains in effect through 2036 and is now subject to annual reviews until it is renewed or expires. U.S.-Mexico talks related to the joint review are ongoing; in July, the parties reviewed the status of discussions on labor issues. It is unclear to what extent the three parties may prioritize labor issues in future discussions. In 2025, USTR Jamieson Greer said that U.S. priorities for the review may include, for Mexico, "improvements to labor law enforcement," and for Canada and Mexico, "improving implementation" of import bans on goods made with forced labor. Canada and Mexico were subject to USTR's recent Section 301 investigation, which determined in June 2026 that both had "failed to effectively enforce" import bans. Both countries have contested the findings and the 10% tariff imposed by USTR. Congress may consider whether, and to what extent, to shape U.S. priorities related to the review of USMCA.

With respect to labor enforcement, USMCA set a precedent with the creation of the RRM. In 2024, then-USTR officials framed the RRM as "key to the overwhelming bipartisan support" for the passage of USMCA. Several experts have credited the RRM with producing improvements for some workers, while some have assessed shortcomings in RRM use and enforcement. Some Members express concerns over the extent to which Mexico has implemented labor reforms and urge USTR to strengthen the RRM. Other observers advocate for the RRM to be more effectively applied to U.S. and Canadian facilities. Congress may consider the effectiveness of USMCA in resolving labor disputes and what, if any, changes should be U.S. priorities for USMCA or similar mechanisms in future trade deals.

Some Members have expressed concerns about Mexico's ability to implement its labor obligations and over the Trump Administration's reduced funding for ILAB and termination of technical assistance projects, including in Mexico. In 2026, ILAB announced an award of $23 million in funding related to labor law enforcement in Mexico. Congress may also consider to what extent U.S. assistance should continue and the effectiveness of related programs.

Cathleen D. Cimino-Isaacs, Specialist in International Trade and Finance

Danielle M. Trachtenberg, Analyst in International Trade and Finance

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