



**April 19, 2024**

# **Arizona Jobs and Labor Force Update**

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# Introduction

Arizona gained 8,700 nonfarm jobs in March (+0.27%) – putting Arizona near the middle of the pack with the 19<sup>th</sup> fastest month-over-month gain. For perspective, the total U.S. job growth rate in March was 0.19%; seven states reported job losses.

Despite overall job growth figures, Arizona’s manufacturing employment declined by 400 jobs (-0.2%) between February and March (the 4<sup>th</sup> consecutive month stagnant or declining manufacturing jobs). On a year-over-year basis, manufacturing employment declined -0.5% since March 2023. Twenty-six states including Arizona experienced job losses in their manufacturing sectors in the last year, with twenty-one experiencing monthly losses in March - providing ongoing evidence that the American manufacturing renaissance that began in 2017 may be coming to an end.

Arizona’s unemployment rate decreased to 3.8% from 4.1% while its labor force participation rates remained unchanged from its January level of 62.2%. On a national level, the unemployment rate decreased a tenth of a percentage point to 3.8%, and the labor force participation rate increased to 62.7%. For context, the Arizona and United States participation rates were 62.2% and 63.3% at the end of 2019, respectively.

While the month-over-month employment gains for Arizona put it near the middle of all states, its year-over-year growth rate (4.2%), March 2023 – March 2024) was the 6<sup>th</sup> fastest out of all U.S. states and Washington DC.

Arizona has added 70,300 jobs since March 2023. As a rule of thumb, to keep pace with roughly estimated population growth the state needs to add about 75,000 jobs annually.



**Arizona’s  
Labor Market**

**Total Jobs**  
3,250,100

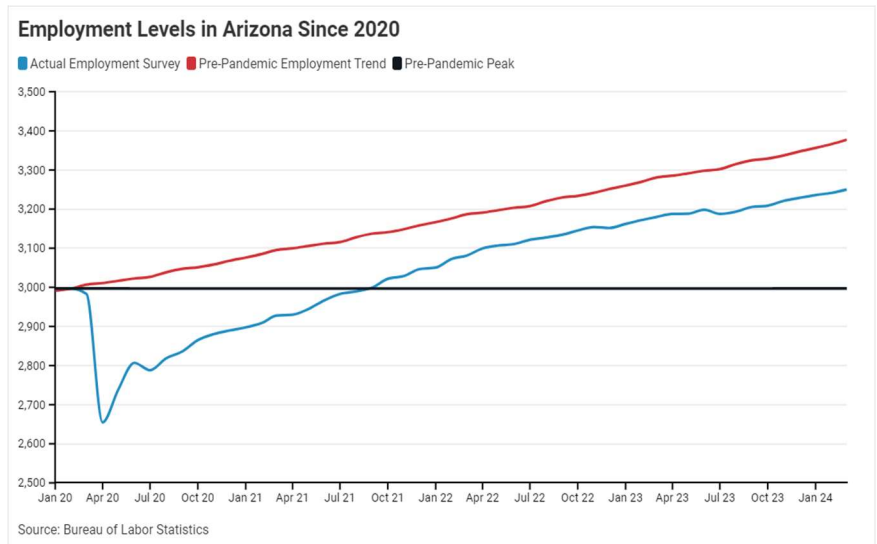
**Jobs Added in  
March:**  
+8,700

**Year-Over-  
Year Growth:**  
+2.2%

## Key Findings – Arizona March 2024 Employment Data (BLS CES Survey)<sup>i</sup>

Job growth was strong in March, with the Grand Canyon state posting a gain of 8,700 jobs (+0.27%) over February. Year-over-year growth was 2.2%.

This year-over-year growth is slightly slower than the growth experienced in 2022 and 2023, reflecting the slowing pace of job growth over the past twelve months. However, the monthly growth of 0.27% translates to a more positive 3.3% annualized growth – nearly matching the rapid pace experienced in 2022



(3.45%). While monthly growth rates are subject to considerable volatility, March was stronger for job growth than the state's recent past.

The gap between total Arizona employment and its pre-2020 growth trend reached its smallest point in July 2022 and has been largely increasing since. Today the state has 127,400 fewer workers than it would have had on its 2017-2019 growth trend (up from 124,900 in February). Given its average job growth rate since 2020, the state will not return to this pre-pandemic trend.

## Wages & Time Worked

Average hourly wages (nominal) in Arizona decreased -23 cents in March (-0.7%) – putting Arizona near the bottom in terms of wage growth for the month (39<sup>th</sup>). The average among all states was a decrease of just -11 cents (-0.3% month-over-month growth). However, the vast majority of states (36) experienced wage declines in March.

- Arizona private sector workers are now earning an average of \$32.38/hour, compared to \$31.07 a year ago (+4.2%).
- Nationally, the average hourly wage (seasonally adjusted) increased 0.3% in March (month-over-month) and +4.1% since last year (year-over-year).
- Non-seasonally adjusted figures at the national level showed nearly flat wage growth in March (+0.09%), suggesting that the nearly unanimous wage declines at the state level are a function of seasonal changes. BLS does not release seasonally adjusted wage data at the state level.

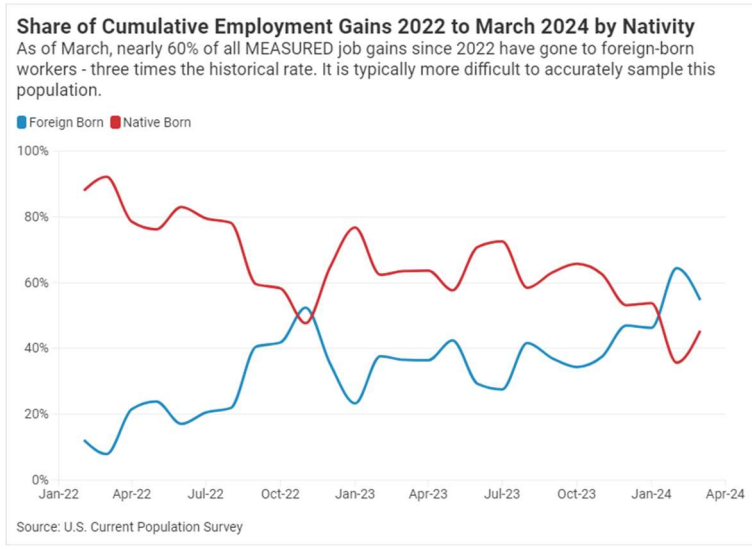
Given the persistence of high inflation rates we [highlighted](#) earlier this month, recent wage trends bode ill for Arizona household budgets.

## The Disconnect Between Household and Establishment Surveys

In recent reports, CSI has highlighted the increasing unreliability of headline monthly jobs numbers due to various post-2020 phenomena (falling survey response rates, pandemic-era disruptions, etc.). One artifact we have been tracking was the growing disconnect between the so-called “establishment survey” (which produces the monthly headline job gain/loss numbers by measuring payroll activity at a sample of employers) and the “household survey” (which asks a sample of private households to self-report their employment activity and is used to produce the headline unemployment rate).

While the two surveys have historically differed, the discrepancy – particularly over the past six months – has been particularly large. This month's report focuses on a potential natural explanation for the divergence in the employment data from the Current Population Survey (CPS), or “household survey”.

Despite consistent job growth in the U.S. over the last 3 years, survey data of individuals and households captured through the CPS shows no net new job creation since September of 2023. In fact, four of the last six months exhibited overall job *losses*, according to survey reports by households – a stark departure from continued and persistent labor market *growth* in the payroll data.



What explains this discrepancy? The answer may lie in recent population growth and in particular the undocumented-immigrant share of recent population growth.

As described by a recent MSN article<sup>ii</sup>, the process through which the Labor Department calculates employment figures from the household survey means that declines in participation rates coupled with underestimates of the true population can lead to *flat or declining* measured employment numbers in the household survey while actual employment is *increasing*. This happens when the official

population estimates (measured by the Census Bureau using surveys) diverge from actual population growth (for example, when migration via unlawful pathways surges).

As it turns out, this is precisely what the U.S. experienced in the last half of 2023 – falling labor force participation rates accompanied employment declines in the household survey and increases in the establishment survey. Additionally, while the Census Bureau estimates a 0.5% rise in the population for 2023, updated estimates from the Congressional Budget Office (CBO) – which attempts to account for surging migration across the southern border – more than doubles that figure (+1.1% growth), with the vast majority coming from in-migration<sup>iii</sup>.

This phenomenon suggests that a growing share of overall employment gains are going to foreign-born workers (nearly 60% of all *measured* jobs growth since 2022, according to the latest data). Non-seasonally adjusted data from the household survey, which includes both native and foreign born employment separately, reinforces this hypothesis.

Given that rates of in-migration remain elevated relative to historical levels, and that most of this migration is unlawful, it is likely that the official employment statistics will continue to struggle with accurately assessing the underlying labor market.

<sup>i</sup> <https://data.bls.gov/cgi-bin/dsrv?sm>

<sup>ii</sup> Justin Lahart, "[The Jobs Numbers Aren't Adding Up. Immigration Helps Explain Why](#)", MSN. April 3, 2024.

<sup>iii</sup> "[The Demographic Outlook: 2024 to 2054](#)", Congressional Budget Office, January 18, 2024.