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# **Arizona Jobs and Labor Force Update**

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# Introduction

Arizona gained just 1,400 nonfarm jobs in July (+0.04%) – 30th in month-over-month employment growth among all states. For perspective, the average U.S. job growth rate was 0.12%, and 15 states reported negative job growth. The Arizona unemployment rate increased to 3.6% (+0.1%). While the unemployment rate increased, the labor force participation rate increased to 61.8% in July (+0.1%) and the state gained jobs; the slight unemployment increase was likely driven by labor force growth.

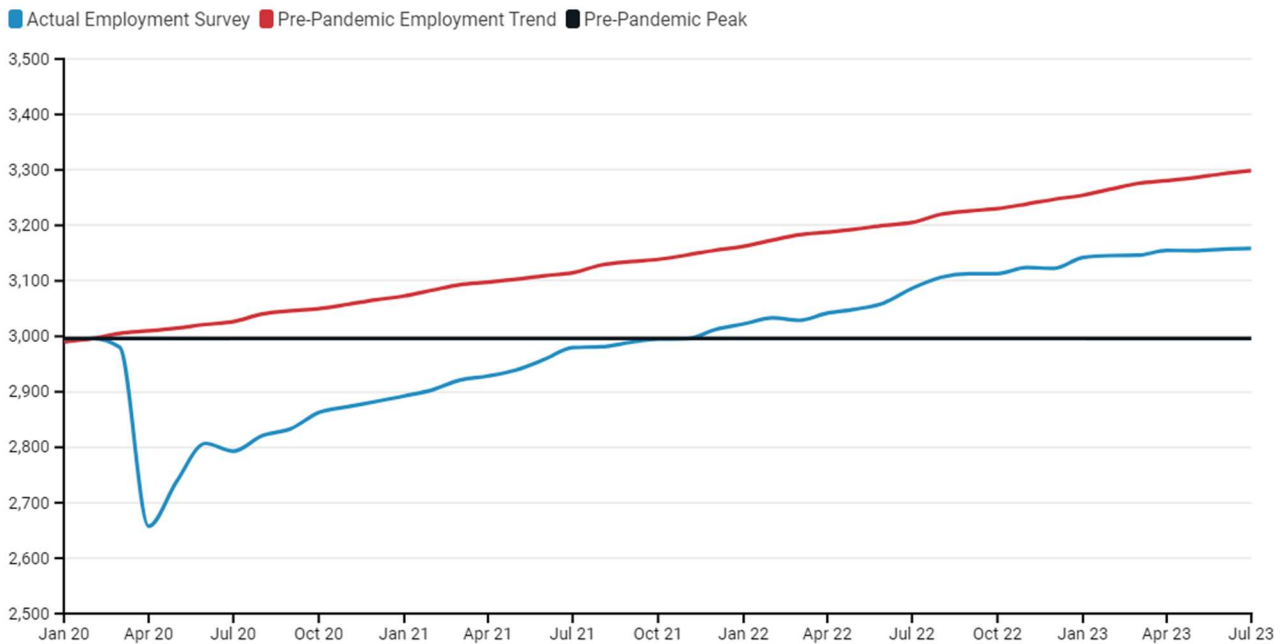
On a year-over-year basis, job growth was +1.8% through July (down from +3.92% at this time last year), and Arizona now ranks 24<sup>th</sup> in the country in year-over-year job growth rates.

Since April 2020, the State has added over 502,700 jobs and regained 105.5% of its pandemic-related job losses. Arizona has added 35,900 jobs since December 2022.

## Key Findings – Arizona July 2023 Employment Data (BLS CES Survey<sup>1</sup>)

Arizona gained 1,400 nonfarm jobs in July (a monthly increase of +0.04% and a total year-on-year gain of +1.8%). Because job growth in Arizona has slowed so much and is statistically very close to zero, it is difficult to reliably read the initial release estimates. Subsequent routine revisions can change not just the level but the *sign* of employment gains (from adding to subtracting jobs, and vice versa). In May, for example, it appeared that Arizona lost jobs but after corrections that loss was less severe, measuring a loss of -400 jobs in May (instead of -3,300).

### Employment Levels in Arizona Since 2020



Source: Bureau of Labor Statistics

- The state surpassed its pre-pandemic peak level of jobs in November 2021 – making it only the fifth state at the time to have done so.

However:

- Arizona slowed to 30th in job growth this month and the state remains about 140,000 jobs below its 2017-2019 employment trend; at current rates it is not expected to reach this level until April 2026 (up from October 2025 last month).

Arizona outpaced 15 states reporting negative job growth in July. Arizona’s labor market outperformed the United States throughout the pandemic years – losing fewer jobs than all but 10 other states during the 2020 recession and regaining lost jobs faster than all but 4 other states. But growth in recent months has slowed dramatically.

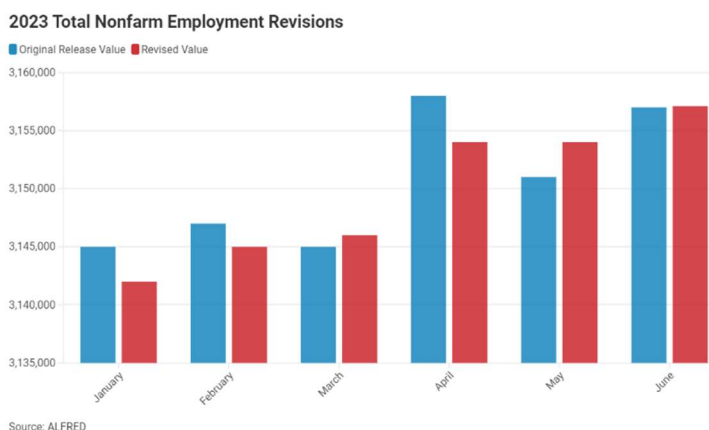
- While 37 states (and the country overall) have now surpassed their pre-pandemic peak employment numbers, Arizona and the country remain well below prior employment trends and population-adjusted numbers.

Average hourly wages in Arizona increased \$0.54 in July (+1.7%) – the 14th fastest rate of wage growth in the country (up from 44th in May).

- While the average private sector worker is now making 16.3% more (per hour) than they were prior to the pandemic, inflation over the same period grew 25.4% - meaning real average hourly wages are down approximately 9.1% since February 2020.
- Arizona reported the 14<sup>th</sup> fastest month-over-month wage growth rate in the country. A solid recovery after having the 44<sup>th</sup> fastest wage rate growth in April, although because wage rate growth, like job growth, is close to zero and noisy (positive one month and negative the next), volatility in the future months should be expected. Arizona private sector workers are now earning an average of \$31.87/hour, compared to \$30.24 a year ago.
- On a year-over-year basis, Arizona wages are up 5.4% over 2022 levels – the 17<sup>th</sup> fastest growth rate in the country. Nationally, for perspective, wages increased +0.4% in July (+4.4% year-over-year).

## Data Quality & Reliability Issues

While Arizona continues adding jobs, the pace is much slower than it was during late 2020 and most of 2021. Current monthly job growth numbers are small enough that data revisions can dramatically change the picture, and this makes interpreting those numbers difficult. For example, May preliminary establishment employment numbers suggested we lost 3,300 jobs; July's revisions suggest we lost only 400.



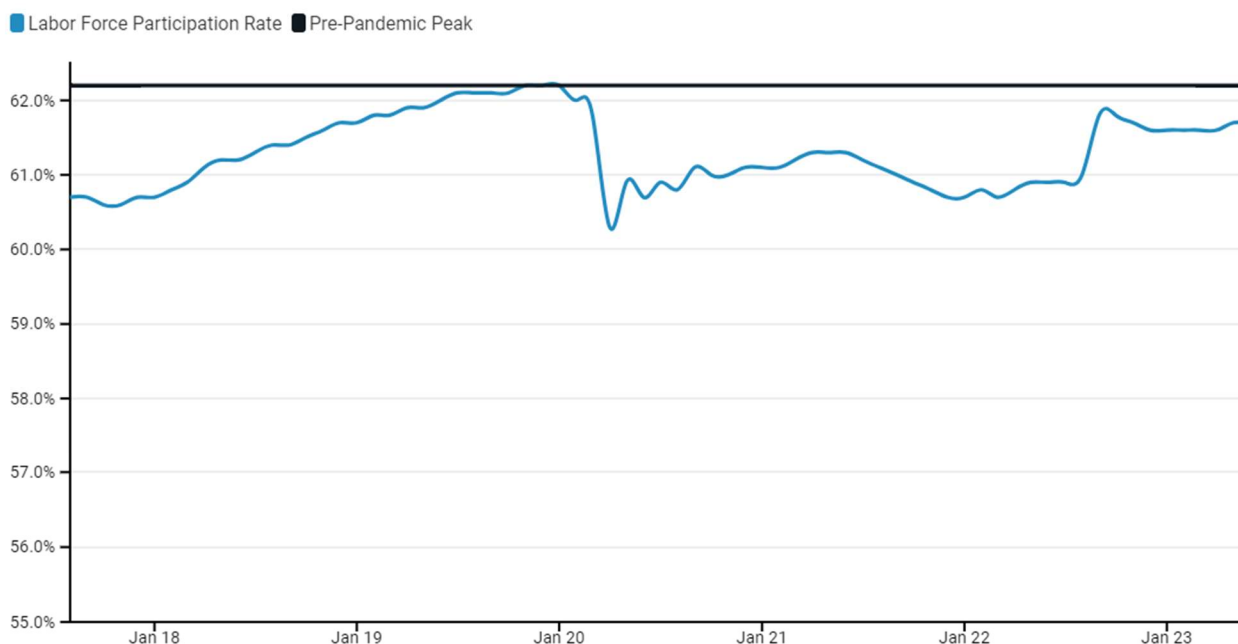
A continued slowing in the Arizona labor market and the increasing volatility in the Establishment survey of job growth makes interpreting the month-to-month changes in jobs numbers difficult and risky. Longer-term, we suspect the quarterly and annual numbers are more reliable, but their cadence is also much slower.

Month-to-month users of this data should be cautious when interpreting positive or negative preliminary numbers, however – the true story is probably no more than job growth has slowed and statistical noise in the employment survey numbers has increased since the pandemic.

## Arizona Labor Force Update

Arizona's labor force participation rate (LFPR) decreased to 61.8% in July. The measure remains 1.3-percentage points lower than its revised pre-pandemic peak of 62.2%. There are now 3.69 million people in the state's labor force –the largest it has ever been since the Bureau of Labor Statistics began keeping track in 1976.

### Labor Force Participation in Arizona Since 2017



Source: Bureau of Labor Statistics

### Key Findings – Arizona July 2023 Labor Force Data (FRED<sup>ii</sup>)

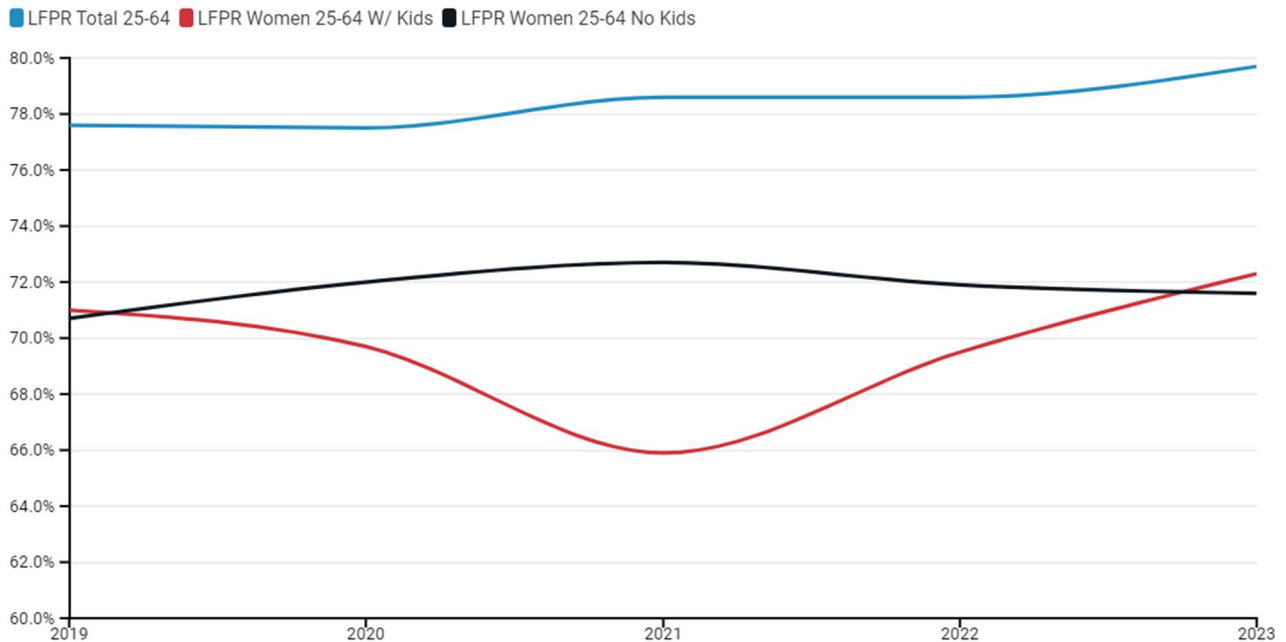
In July, the Labor Force Participation Rate (LFPR) increased to 61.8% (+0.1%), and it remains below its pre-pandemic level of 62.2%.

- Were the Participation Rate at its pre-pandemic level, there would be 23,800 more willing workers in Arizona's labor force today.
- The unemployment rate was 3.6% July. This is a +0.1% increase from last month.

## Women in the Labor Force

- Since 2020 the labor force participation rate was essentially flat for prime age adults in Arizona, with little to no change for men with or without kids.
- Women, on the other hand, saw more movement. Prime age women without kids **joined** the workforce during the pandemic, bringing the Labor Force Participation Rate for this group from 70% in 2019 to 72% since 2020.
- Prime age women with kids, however, show a different story. From a Labor Force Participation Rate of 70% in 2019, this group **began leaving** the labor force during the pandemic in 2020, until their participation rate reached a low of 65% in 2021.

### Labor Force Participation in Arizona Women Since 2019



Source: IPUMS Current Population Survey

- With schools and childcare businesses closing due to the public health emergency in early 2020, it seems that during 2020 and 2021 there was a higher demand for at home care. Mothers may have had to leave the work force to care for young children during these closures.
- Once businesses were able to resume, the social unwinding of pandemic responses took about 2 years to work their way through Arizona's households. As of mid-2023, prime age mothers now surpass the labor force participation rate of those without kids at a 72% Labor Force Participation Rate

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

<sup>ii</sup> <https://fred.stlouisfed.org/>