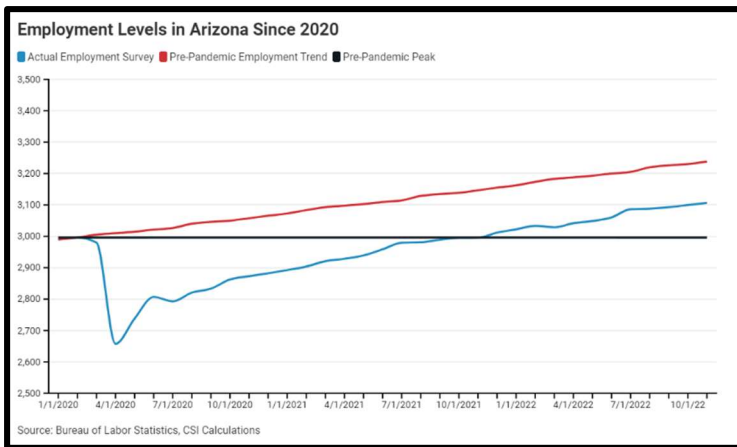


Arizona Jobs and Labor Force Update: December 2022

Arizona added 7,000 nonfarm jobs in November (+0.23%) – reflecting a continued slowdown from the labor market we saw earlier this year - and the Unemployment Rate rose to 4.1% (+0.3%). This is the fifth consecutive monthly increase in state Unemployment Rate, from an historic low of 3.2% in May. On a year-over-year basis, job growth was 3.7% through November (down from 4.63% at this time last year), and Arizona had the 14th fastest job growth rate in the country. Since April 2020, the State has added over 449,200 jobs and regained 103.7% of its pandemic-related job losses. While State and national jobs continue to increase, the monthly growth rate has slowed and the Unemployment Rate is steadily ticking up off of historic lows. This suggests the labor market – the economy's strongest performer this year – continues to cool but only very gradually. While the resiliency of the labor market remains striking, one thing CSI is keeping an eye on is the gap between household and establishment employment surveys. There has been a wide divergence between these surveys in 2022 and this could mean significant revisions to this year's employment data in 2023.

Key Findings—Arizona November 2022 Employment Data (BLS CES Survey¹)



- **Arizona added 7,000 total nonfarm jobs in November (a monthly increase of 0.23% and a total year-on-year change of +3.7%).**
 - 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, the state remains about 131,600 jobs below its 2017-2019 trend, and at current rates is not expected to reach this level until May 2025.
- **Arizona's labor market has 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.

- While 25 states (and the country overall) have now surpassed their pre-pandemic peak employment numbers, Arizona and the country remain well below prior job trends and population-adjusted numbers.
- **Average hourly wages in Arizona increased \$0.13 in November (0.4%) – the 9th fastest rate of wage growth in the country.**
 - While the average private sector worker is now making 14.2% more (per hour) than they were prior to the pandemic, inflation over the same period is over 30% - meaning real average hourly wages are down approximately (16.8%) since February 2020.
 - Arizona private sector workers are now earning an average \$30.95/hour, compared to \$28.78 a year ago. Arizona was among 16 states posting positive month-over-month hourly wage growth rate in November.
 - On a year-over-year basis, Arizona wages are up 7.5% over 2021 levels – the 6th fastest growth rate in the country.
 - While Arizona's average hourly wage initially lowered in October, the labor market continues to be resilient and we saw increased wages and continued growth in November.

A Deeper Dive into Arizona's Manufacturing Industry

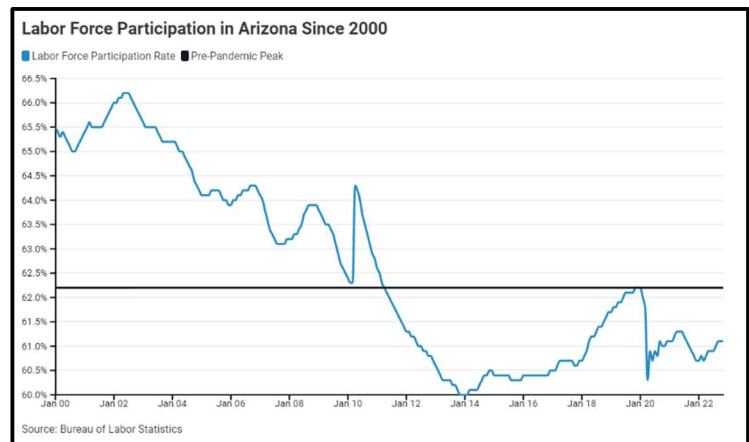
- Arizona added 500 manufacturing jobs in November (+0.3%) - the 20th fastest increase in the country. **Over the past year manufacturing employment has grown by 8.3% (1st in the US).**
- Manufacturing employment is up over 17,700 jobs relative to its pre-pandemic peak. Remarkably, 15,200 of those job increases were added in just the past year. Arizona’s manufacturing sector has recovered faster than all but 2 other states.
- The average manufacturing job pays \$31.65/hour in Arizona – about 2.3% higher than the Arizona average wage rate overall.

Arizona Labor Force Update

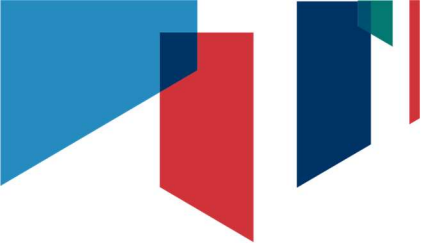
Arizona’s labor force participation rate (LFPR) remained at 61.1% in November for the 3rd consecutive month and still well below its pre-pandemic peak of 62.2%. There are now 3.6 million people in the state’s labor force – the largest it has ever been since the Bureau of Labor Statistics began keeping track in 1976.

Key Findings—Arizona November 2022 Labor Force Data (FREDⁱⁱ)

- **In November, the Labor Force Participation Rate (LFPR) was unchanged at 61.1%, though it remains below its pre-pandemic level of 62.2%.**
 - At the current population, this gap would equate to approximately 81,000 additional willing workers.
 - However, even at a reduced participation rate, in-migration has surged as Arizona added over 125,000 new residents during the pandemic, contributing to the labor force reaching its largest level ever.
- **The Unemployment Rate increased in November to 4.1%.**
 - This follows the state reaching its lowest-ever recorded unemployment rate of 3.2% in April and May and is consistent with a labor market that is at a cyclical peak. Additional household employment gains must come from population and labor force growth, rather than falling unemployment rates. Rising unemployment off all-time lows may in fact be healthy for an overheated market.
- **After reversing a 20-year trend and growing its Labor Force Participation Rate between 2017-2019, Arizona’s participation rate declined precipitously during the pandemic, and has not recovered.**
 - Labor force participation in Arizona increased 0.3-percentage points over the past year but is down 1.1-percentage points from its pre-pandemic peak.
 - Given demographic trends suggesting slower overall natural population growth, the state’s economy is even more dependent today on both in-migration and high labor force participation to fuel growth.
 - Policies which increase these measures will exhibit particularly high returns, especially if national demographic and macroeconomic trends remain relatively cooler.



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

ⁱⁱ <https://fred.stlouisfed.org/>