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Arizona Jobs and Labor Force Update

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Introduction

Arizona gained 3,500 nonfarm jobs in December (+0.10%, +1.7% year-over-year) – putting Arizona 30th among all states in monthly job growth. For perspective, the total U.S. job growth rate in December was 0.16%; seven states reported job losses. National year-over-year job growth was unchanged at +1.4% in December. Overall, Arizona added jobs at a slower rate in 2024 than in 2023 (+2.44%) or 2022 (+3.45%).

Arizona’s manufacturing employment – once a standout enjoying its fastest growth in decades – did not grow or shrink between November and December; however over the past twelve months Arizona has shed 1,200 manufacturing jobs (-0.6%). These changing fortunes reflect national headwinds; twenty-nine states experienced job losses in their manufacturing sectors both in the last year, and in December. Manufacturing employment in Arizona peaked in November 2022.

Arizona’s unemployment rate increased to 3.8% (+0.1 percentage point) and its labor force participation decreased two-tenths of a percentage point (to 61.7%). On a national level, the unemployment rate decreased from 4.2% to 4.1%, and the labor force participation rate was unchanged (62.5%). For context, the participation rates in Arizona and the United States were 62.2% and 63.3% at the end of 2019, respectively.

On a year-over-year basis, Arizona’s job growth rate was the 18th fastest out of all U.S. states and Washington DC. Arizona has added 54,800 jobs since December 2023.



Arizona’s Labor Market

Total Jobs
3,283,500

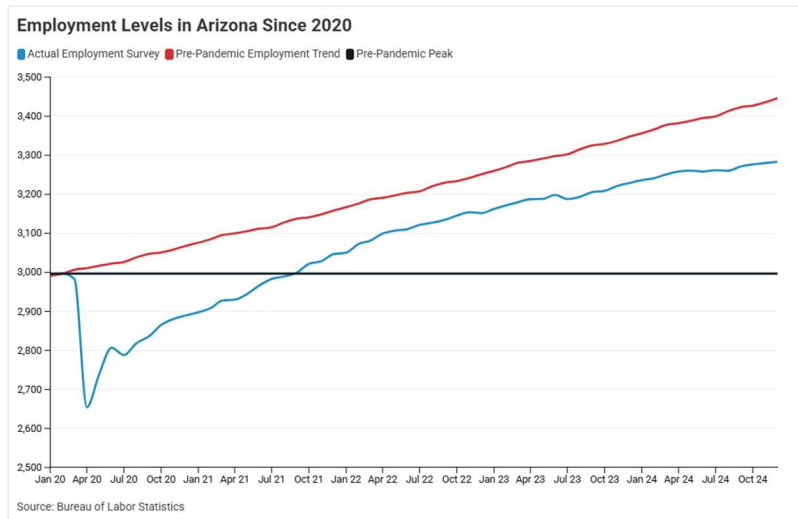
Jobs Added in November:
+3,500

Year-Over-Year Growth:
+1.7%

Key Findings – Arizona December 2024 Employment Data (BLS CES Survey)ⁱ

Job growth was slower than the U.S. average, with the Grand Canyon state gaining 3,500 jobs (+0.10%) in December. Year-over-year growth was 1.7% (down one-tenth of a percentage point from November to December).

This year-over-year growth is significantly slower than the pace experienced in 2022 and 2023. Arizona’s year-over-year job growth rates peaked at 10.3% forty-five months ago, and has been slowing since. Although month-to-month jobs figures can be volatile, the monthly growth of +0.10% would translate to a +1.25% annualized growth rate – indicating even slower real-time job growth relative to what we have seen in the past year.



The gap between total Arizona employment and its pre-2020 growth trend reached its smallest point in July 2022 and has been increasing since. Today the state has 162,000 fewer workers than it would have had on its 2017-2019 growth trend (up from 155,000 in November). Given its average job growth rate since 2020, the state will never return to this pre-pandemic trend.

The state's fastest growing sector over the past twelve months was education and health services, adding 25,400 jobs (+4.7%). Its slowest growing sector was construction, which lost 2,900 jobs (-1.3%). The education and health services sector has steadily grown since 2020 (losing only 48,000 jobs during the pandemic) and is now at its all time highest level of employment. Construction on the other hand saw steady growth through 2023 but has been stagnant in 2024.

Wages & Time Worked

Average hourly wages (not seasonally adjusted) in Arizona increased \$1.01 in December (+3.0%) – making Arizona 2nd in the U.S. for wage growth. Four states experienced wage declines in December. The U.S. hourly wages (not seasonally adjusted) increased +39 cents (+1.10% average month-over-month growth). On a year-over-year basis, Arizona is outperforming the average U.S. State, and wages have grown \$2.43 (+7.6%).

- Arizona private sector workers are now earning an average of \$34.37/hour, compared to \$31.94 a year ago (+7.6%). This growth ranks Arizona 3rd in year-over-year wage growth.
- Nationally, the average hourly wage (not seasonally adjusted) increased +1.10% in December (month-over-month) and +4.6% since last year (year-over-year)

As of the latest inflation report released in January, real wages were up +5.9% (year-over-year and after CPI inflation, compared to the December nominal increase of 7.6%).

However, since April 2020, real, inflation-adjusted wages in Arizona have declined -3.5%.

ⁱ ["Employment, Hours, and Earnings – State and Metro Area,"](#) U.S. Bureau of Labor Statistics, 2024.