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Arizona Jobs and Labor Force Update

Author: Kamryn Brunner

Introduction

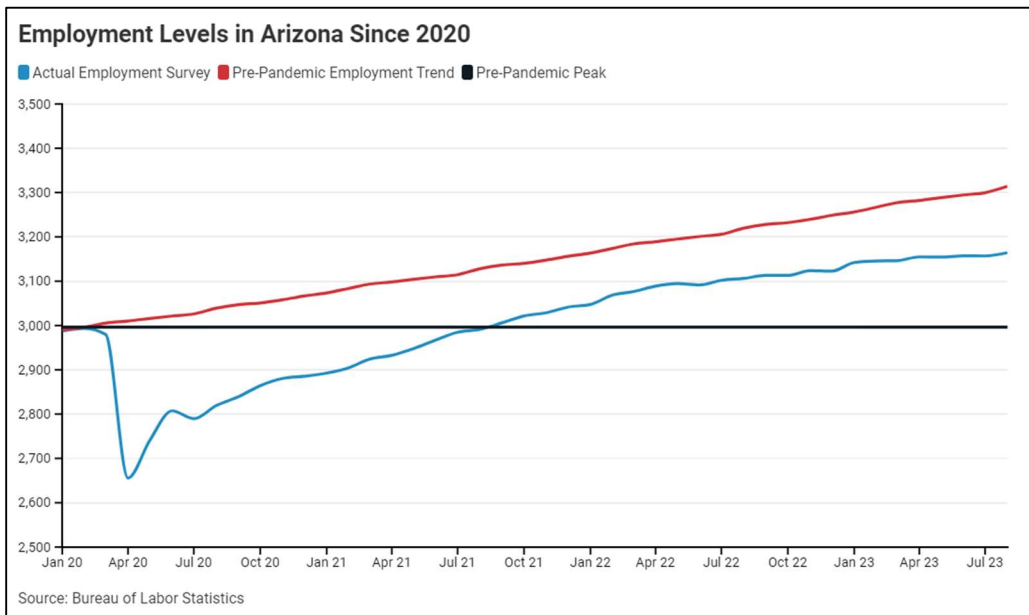
Arizona added 8,200 nonfarm jobs in September (+0.26%) - the 21st-highest month-over-month employment growth rate among all states. For perspective, the total U.S. job growth rate was 0.37% and 9 states reported job losses. The state’s manufacturing sector gained 1,400 jobs in September - the 10th-highest relative growth rate among all states. This is the largest number of job gains for this sector since December 2022; manufacturing employment had been flat for most of 2023.

Despite strong job gains, Arizona’s unemployment rate increased to 4.0% (+0.2 percentage points). The labor force participation rate increased to 61.9% (+0.1 percentage points).

On a year-over-year basis, job growth was +1.9% through September (down from +3.5% at this time last year), and Arizona now ranks 18th in the country in year-over-year job growth rates.

Since April 2020, the state has added 516,600 jobs and regained 106% of its pandemic-related job losses. Arizona has added 49,800 jobs since December 2022; just to keep pace with population growth the state needs to add about 75,000 jobs annually.

Key Findings – Arizona September 2023 Employment Data (BLS CES Survey)ⁱ



Arizona gained 8,200 nonfarm jobs in September (a monthly increase of +0.26% and a total year-on-year gain of +1.9%). Job growth in 2023 remains slower than 2022, which in turn was slower than 2021. In December 2021, year-over-year employment growth rates were 5.4%; in 2022 the rate was 2.6%. The gap between total Arizona employment and its pre-2020 growth trend reached its smallest point in April 2022 and has been increasing since; today the state has 147,000 fewer workers than it would have had on its 2017-2019 growth trend.

However:

- The state’s manufacturing sector gained 1,400 jobs last month, recovering some of the job loss this sector has experienced through 2023.
- Total (seasonally adjusted) employment by Arizona manufacturers peaked in December 2022 at 196,600 workers; today the sector has 194,300 workers.

Arizona outpaced 30 states in terms of relative job growth in September. 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. Growth in recent months has slowed dramatically.

- While 38 states (and the country overall) have now surpassed their pre-pandemic peak employment numbers, Arizona and the country remain well below both prior employment trends and population-adjusted numbers.

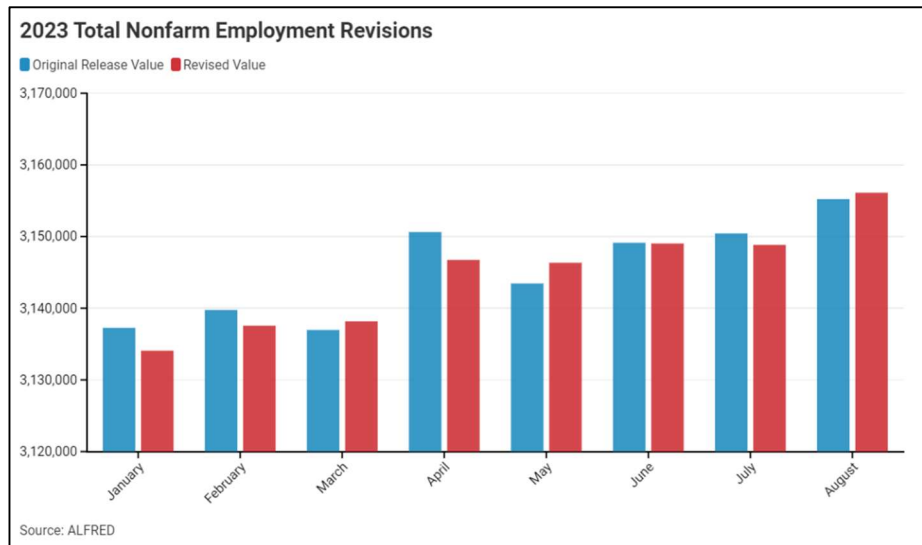
Average hourly wages in Arizona decreased 7 cents in September (-0.2%) - the 3rd-slowest rate of wage growth in the country.

- Although the average private sector worker is now making 16% more per hour than prior to the pandemic, inflation over the same period was 22% - meaning that the real average hourly wage has declined more than 6% since February 2020.
- Arizona private sector workers are now earning an average of \$31.80/hour, compared to \$30.67 a year ago (+3.7%).
- On a year-over-year basis, Arizona’s average hourly wage increased 3.7% in September - the 27th-fastest growth rate in the country. Nationally, the average hourly wage *increased* +0.2% in September (month-over-month) and +4.2% since last year (year-over-year).

Data Quality & Reliability Issues

To calculate the monthly labor force numbers, the U.S. Bureau of Labor Statistics relies on responses by households and businesses to a large number of regular surveys. Since 2020, response rates to these surveys have declined significantly – particularly for establishment surveys of businesses.

This has raised concerns about data quality issues; specifically, any sample can have issues of both *bias* (do respondents systematically differ from the population at large, e.g. are they larger or smaller than an average business) and *reliability* (do fewer respondents increase error rates in survey data).



Using the gaps between preliminary and final revised BLS data before and after the pandemic, CSI estimates that BLS employment data for Arizona remains *unbiased* (it does not systematically over- or under-estimate employment gains in an average month) but *less reliable* (on average, **the revisions between preliminary and final monthly jobs data today are 2-3 times larger than during the two years prior to the pandemic**).

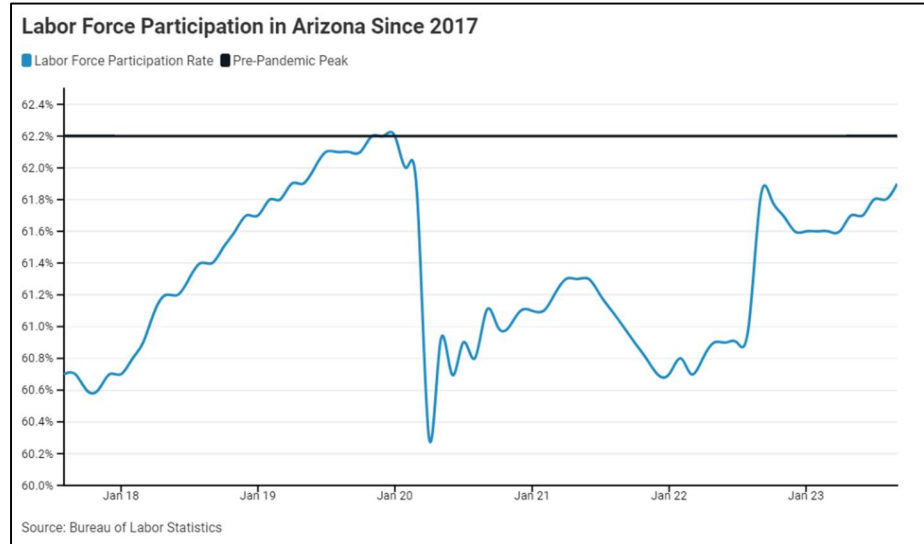
We caution users of employment data about relying too much on changes in headline monthly numbers, therefore – especially if those changes are extreme.

Arizona Labor Force Update

Arizona’s labor force participation rate (LFPR) increased to 61.9% in September. The measure has still never recovered to its pre-pandemic peak of 62.2%.

There are now 3.7 million people in the state’s labor force.

Were the participation rate at its pre-pandemic level, there would be 17,975 more willing workers in Arizona’s labor force today.



The unemployment rate was 4.0% in September. This is a +0.2% increase from August.

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