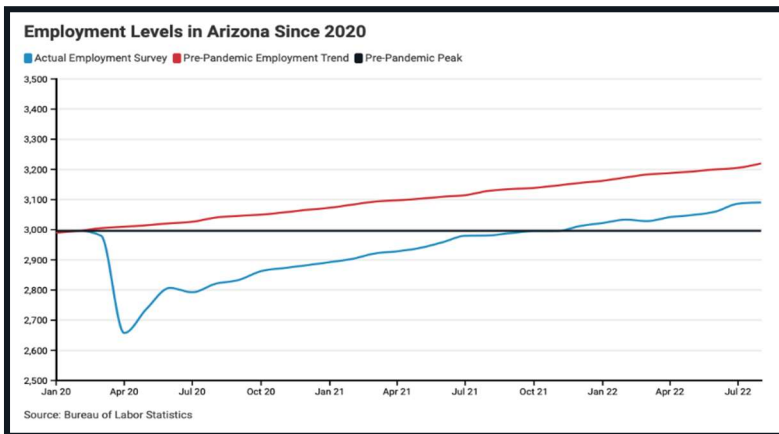


Arizona Jobs and Labor Force Update: September 2022

Arizona added 4.2 thousand nonfarm jobs in August (+0.1%) – a slowdown in the increase we have seen earlier this year - and the Unemployment Rate rose to 3.5% (+0.2%). On a year-over-year basis job growth was 3.7% in August (down from 5.7% at this time last year), and Arizona had the 14th fastest job growth in the country. Since April 2020, the State has added over 433,000 jobs and regained 103.1% of its pandemic-related job losses. State and national job growth has begun to slow and the Unemployment Rate is slowing ticking up off of historic lows, suggesting the labor market – the economy's strongest performer this year – may be beginning to crack.

Key Findings—Arizona July 2022 Employment Data (BLS CES Survey)¹



- **Arizona added 4.2 thousand total nonfarm jobs in August (a monthly increase of 0.1% 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 129,000 jobs below its 2017-2019 trend, and at current rates is not expected to reach this level until December 2024.
- **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 seventeen 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 \$0.01 in August (+0.00%) – the 25th fastest rate of wage growth in the country.**
 - While the average private sector worker is now making 12.0% more (per hour) than they were prior to the pandemic, inflation over the same period is over 19% - meaning real average hourly wages are down approximately (7%) over the past two years.
 - Arizona private sector workers are now earning an average \$30.35/hour; this is the highest nominal pay rate on record. 25 states posted negative month-over-month hourly wage growth in August.

A Deeper Dive into Arizona’s Manufacturing Industry

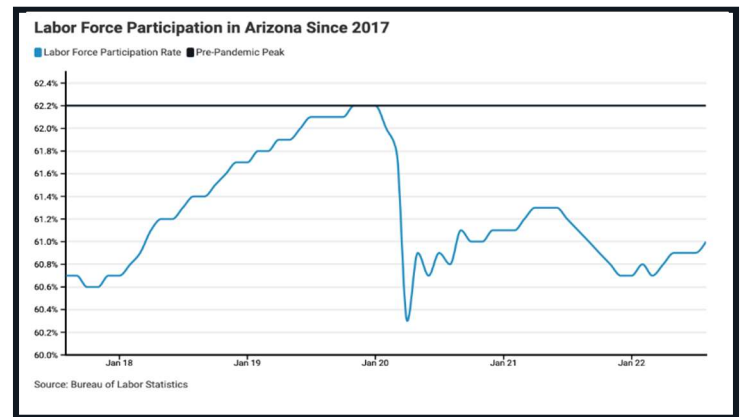
- Arizona added 1,600 manufacturing jobs in August (+0.8%) - the 3rd fastest increase in the country. Over the past year manufacturing employment has grown by 7.4%.
- Manufacturing employment is up over 13,600 jobs relative to its pre-pandemic peak. Remarkably, 13,400 of those job increases were added in just the past year. Arizona’s manufacturing sector has recovered faster than all but 3 other states.
- The average manufacturing job pays \$31.52/hour in Arizona – about 3.8% higher than the average wage rate overall.

Arizona Labor Force Update

Arizona’s labor force participation rate (LFPR) increased slightly to 61.0% (+0.1%) in August - the first monthly increase since May 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 July '22 Labor Force Data (FREDⁱⁱ)

- **In August the Labor Force Participation Rate (LFPR) increased to 61.0%, though it remains below its pre-pandemic level of 62.2%.**
 - At the current population, this gap would equate to approximately 88,000 additional willing workers.
 - However, even at a reduced participation rate, in-migration - Arizona added over 125,000 new residents during the pandemic – has surged the states labor force to its largest level ever.
- **The Unemployment Rate increased in August to 3.5%.**
 - 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. There simply may not be capacity for the unemployment rate to fall further, and additional household employment gains must come from population and labor force growth.
- **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 declined 0.1-percentage points over the past year, and 1.2-percentage points from its pre-pandemic peak.
 - While older demographics exhibited particularly strong volatility over the pandemic and post-pandemic periods, prime age adults have failed to return to the workforce over the past 18 months.
 - Given demographic trends suggesting slower overall natural population growth, the state’s economy is even more dependent today on both in-migration and 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/>