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Arizona Jobs and Labor Force Update

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Introduction

Arizona lost 3,500 nonfarm jobs month-over-month in May (-0.11%) – putting the state 46th among all states in monthly job growth. For perspective, the total U.S. job growth rate in May was 0.09%; eleven states reported job losses.

On a year-over-year basis, Arizona gained 25,100 (+0.77%), slightly below the 1.1% growth at the national level and ranking the state 32nd among all 50 states and D.C. Although the May figures represent a slight improvement from April, this is only the second month of year-over-year job gains for Arizona in 2025.

Arizona’s manufacturing employment – once a standout enjoying its fastest growth in decades – continued its decline in May (-0.5% month-over-month); over the past twelve months Arizona has shed 4,200 manufacturing jobs (-2.1%). These changing fortunes reflect an ongoing national slowdown in this sector that began in 2023 – twenty-nine states experienced job losses in their manufacturing sectors in May and thirty-four experienced losses in the last year.

Arizona’s unemployment rate remained steady at 4.1% and Arizona’s labor force participation rate decreased 0.1 percentage point 61.4%. On a national level, the unemployment rate also remained steady at 4.2%, and the labor force participation rate decreased 0.2 percentage points to 62.4%. For context, the participation rates in Arizona and the United States were 62.2% and 63.3% at the end of 2019, respectively.



Arizona’s Labor Market

Total Jobs
3,265,300

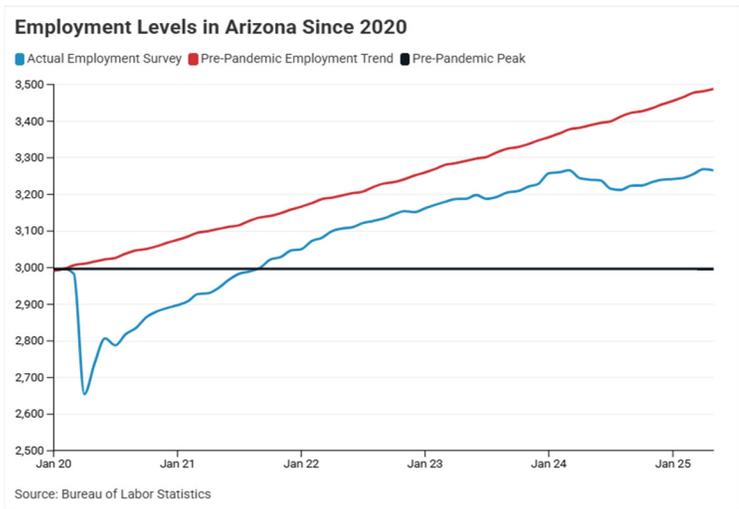
Jobs Added in May:
-3,500
(+0.11%)

Year-Over-Year Growth:
25,100
(+0.77%)

Key Findings – Arizona May 2025 Employment Data (BLS CES Survey)ⁱ

Job growth in the Grand Canyon State turned negative in May, with Arizona losing 3,500 jobs (-0.11%) representing the 6th worst monthly performance out of all 51 states and D.C. and trailing the nation overall. Year-over-year growth was +0.77% (up from +0.76% in April) – much slower than the average U.S. state over the same period.

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% in April 2021 and have slowed since. While job figures can be volatile month to month, May’s decline of -0.11% would translate to an annualized decline of 1.3% in



the state's total employment levels. As of May, the state has 223,100 fewer workers than it would have had on its 2017-2019 growth trend (a further deterioration from April's shortfall of 212,000). 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 24,700 jobs (+4.6%); its slowest growing sector, Information, shed 2.5% of its jobs in the last year, followed by Manufacturing which lost 2.1%. The Education and Health Services sector has steadily grown since 2020 both in its own employment levels and as a share of overall state employment, accounting for over 17% of state employment in May (16% in January 2020) and currently at its all-time highest level of employment. Overall, six of the ten private employment sectors experienced monthly job losses in May; four out of ten experience job losses in the last year.

Wages & Time Worked

Average hourly wages (not seasonally adjusted) in Arizona increased +\$0.03 in May (+0.09%) – making Arizona 21st in the U.S. for wage growth. Twenty-eight states experienced wage declines in May. The U.S. hourly wage (seasonally adjusted) increased +\$0.15 in May (+0.42% month-over-month). On a year-over-year basis, Arizona is outperforming the average U.S. State, and wages have grown \$1.65 (+5.0%).

- Arizona private sector workers are now earning an average of \$34.72/hour, compared to \$33.07 a year ago (+5.0%). This growth ranks Arizona 14th in year-over-year wage growth.
- Nationally, the average hourly wage (seasonally adjusted) increased +0.42% in May (month-over-month) and +3.9% since last year (year-over-year)

As of the latest inflation report released in April, real wages were up +4.5% (year-over-year and after CPI inflation, compared to the April nominal increase of 4.8%). However, since April 2020, real, inflation-adjusted wages in Arizona have declined -3.9%.

ⁱ "[Employment, Hours, and Earnings – State and Metro Area](#)," U.S. Bureau of Labor Statistics, 2025.