



September 2023

Arizona Jobs and Labor Force Update

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Introduction

Arizona gained just 6,400 nonfarm jobs in August (+0.2%)—the 18th-highest relative month-over-month employment growth among all states. For perspective, the total U.S. job growth rate was 0.13% and 17 states reported job losses. While the state’s manufacturing sector experienced a 5th straight month of job losses, the section sector experienced its largest monthly growth since 2005.

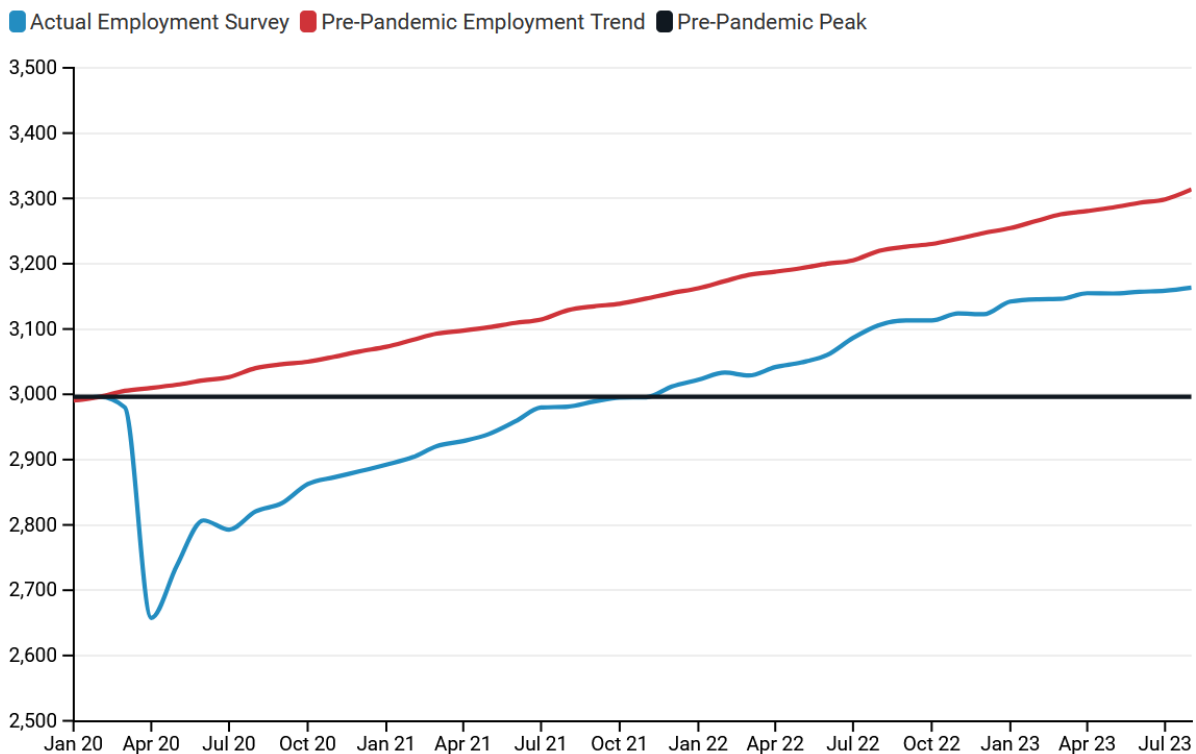
Arizona’s unemployment rate increased to 3.8% (+.2 percentage points). Though the unemployment rate increased, the labor force participation rate was unchanged at 61.8% and the state gained jobs; this apparent contradiction suggests problems within the initial data that will likely be resolved by revisions next month.

On a year-over-year basis, job growth was +1.8% through August (down from +3.84% at this time last year), and Arizona now ranks 19th in the country in year-over-year job growth rates.

Since April 2020, the state has added 507,500 jobs and regained 106.5% of its pandemic-related job losses. Arizona has added 40,700 jobs since December 2022.

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

Employment Levels in Arizona Since 2020



Source: [Bureau of Labor Statistics](#)

Arizona gained 6,400 nonfarm jobs in August (a monthly increase of +0.2% and a total year-on-year gain of +1.8%). Because job growth in Arizona has been so slow in 2023, it is difficult to reliably read the initial release estimates. Subsequent routine revisions can change not just the level but the *sign* of an estimate of employment change (from adding to subtracting jobs, or vice versa). In July, for example, it appeared that Arizona gained 1,400 jobs; after corrections, though, that change was reported to be a loss of 200. Reported job growth in August, however, significantly exceeded the monthly average in 2023.

- 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.
- Arizona’s construction industry grew by 3,500 jobs in August, which is its largest single-month increase since 2005.

However:

- Arizona has slowed to 35th in 2023 job growth through August and the state remains about 150,000 jobs below its 2017–2019 employment trend; at August’s level of growth, it will not reach its pre-pandemic trajectory until May 2026.
- The state’s manufacturing sector lost another 500 jobs last month, which makes August its fifth-straight month of decline.

Arizona outpaced 33 states in terms of relative job growth in August. 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, but growth in recent months has slowed dramatically.

- While 37 states (and the country overall) have now surpassed their pre-pandemic peak employment numbers, Arizona and the country remain well below prior employment trends and population-adjusted numbers.

Average hourly wages in Arizona increased by \$0.16 in August (+0.5%)—the 5th-fastest rate of wage growth in the country (up from 50th in May).

- Although the average private sector worker is now making 16.9% more per hour than s/he was prior to the pandemic, inflation over the same period was 23.8%—meaning that the real average hourly wage is down approximately 5.9% since February 2020.
- Arizona’s wage growth has recovered significantly since May, when it exhibited the second-slowest wage growth in the country. Because wage rate growth, like job growth, is represented by very small numbers from month-to-month, similar volatility in the future months should be expected. Arizona private sector workers are now earning an average of \$32.03/hour, compared to \$30.41 a year ago.
- On a year-over-year basis, Arizona’s average hourly wage is up by 5.3%—the 15th-fastest growth rate in the country. Nationally, the average hourly wage decreased by 0.7% in August but has grown by 4.2% over the last year.

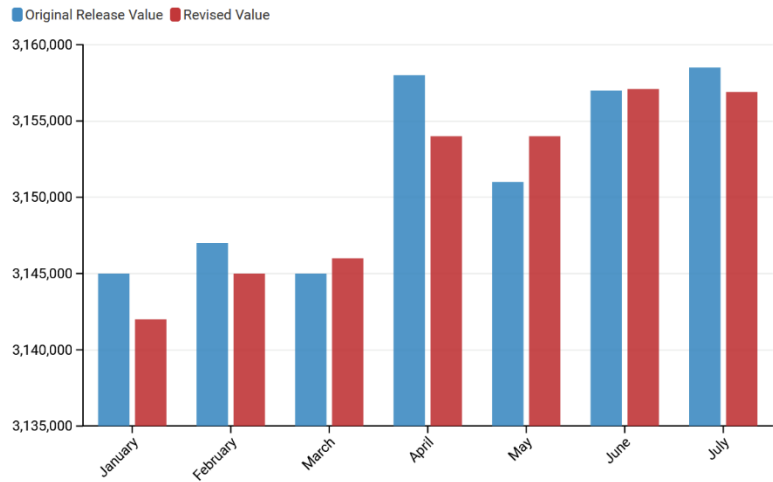
Data Quality & Reliability Issues

Though Arizona continues adding jobs, the pace is much slower than it was during late 2020 and most of 2021. Current monthly job growth numbers are small enough that data revisions can dramatically change the picture, and this makes interpreting those numbers difficult. For example, preliminary establishment employment numbers for May suggested that we lost 3,300 jobs; June’s revisions confirm that we lost only 400.

Slow job growth in Arizona and increasing volatility in the establishment employment survey make interpreting the month-to-month changes in jobs numbers difficult and risky. In the longer term, we suspect that the quarterly and annual numbers are more reliable, although subject to a much slower cadence.

Month-to-month users of these data should be cautious when interpreting positive or negative preliminary numbers—the true story is probably just that job growth has slowed and statistical noise in the employment survey numbers has increased since the pandemic.

2023 Total Nonfarm Employment Revisions

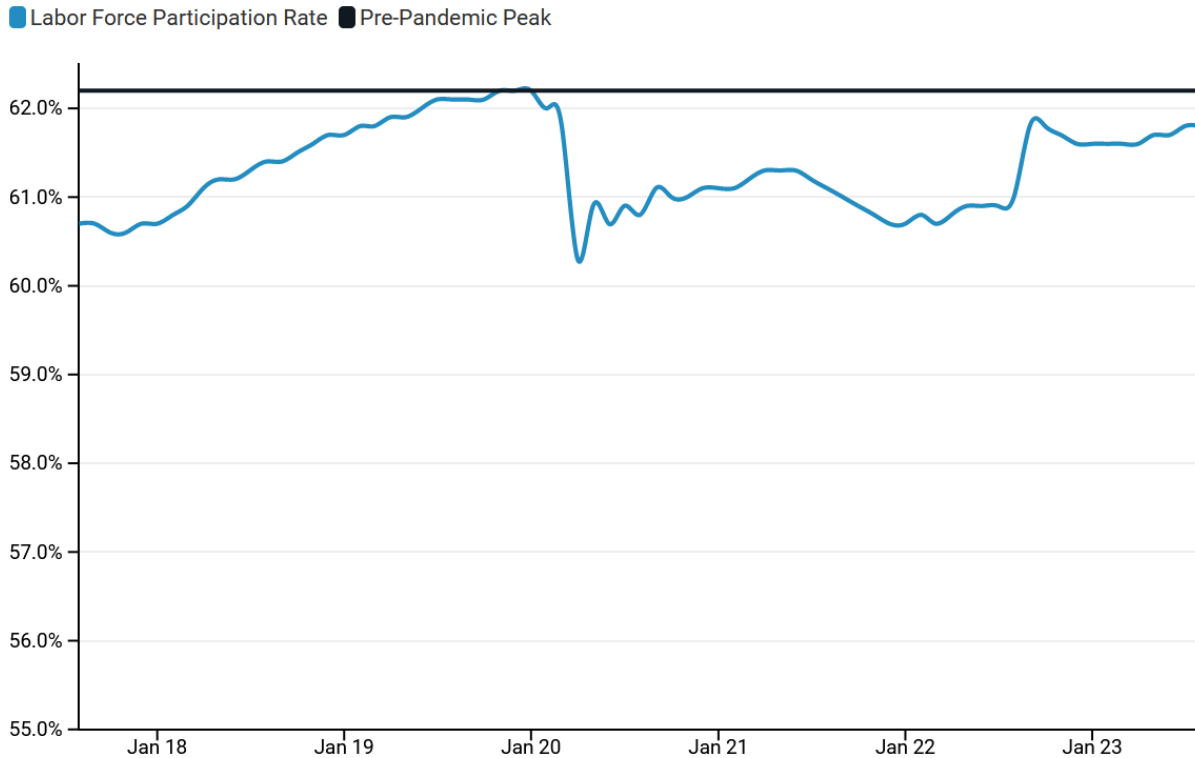


Source: ALFRED

Arizona Labor Force Update

Arizona’s labor force participation rate (LFPR) was unchanged in August. The measure has still never recovered to its revised pre-pandemic peak of 62.2%. There are now 3.7 million people in the state’s labor force—the most ever since the Bureau of Labor Statistics began keeping track in 1976.

Labor Force Participation in Arizona Since 2017



Source: [Bureau of Labor Statistics](#)

Key Findings – Arizona August 2023 Labor Force Data (FRED)ⁱⁱ

In August, the labor force participation rate remained at 61.8%, which is .4 of a percentage point below its pre-pandemic level of 62.2%.

- Were the participation rate at its pre-pandemic level, there would be 23,800 more willing workers in Arizona’s labor force today.
- The unemployment rate was 3.8% in August. This is a +0.2% increase from last month.

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

ⁱⁱ <https://fred.stlouisfed.org/>