

Arizona Jobs and Labor Force Update: May 2022

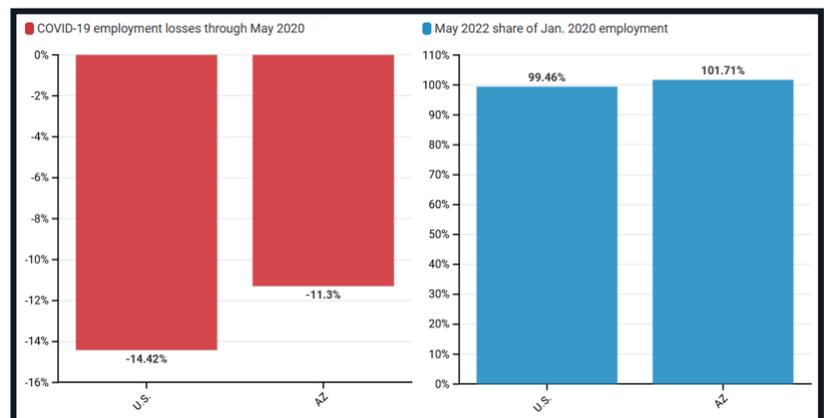
Arizona added 5,800 nonfarm jobs in May (+0.19%) and the Unemployment Rate was unchanged at 3.2% - suggesting labor market conditions remain historically tight even as the Arizona and national job markets continue to exhibit real-time signs of cooling. Revisions to April were minor. On a year-over-year basis job growth slowed to 3.7% in May, and Arizona fell to 20th in the country. Since April 2020, the State has added over 390,000 jobs and regained 101.7% of its pandemic-related job losses. But for the first time in over a year, Arizona's red-hot manufacturing sector joined 13 other states in shedding jobs (-700) last month.

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

- **Arizona added 5,800 total nonfarm jobs in May (a monthly increase of 0.19% 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 145,600 jobs below its 2017-2019 trend, and given cooling labor market conditions it is no longer clear when/whether the state will return to this level.
- **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.**
 - Twenty-three states have employment levels above what they were at the start of the pandemic. Utah continues to have the highest differential (+8.8%).
- **Hourly wages in Arizona increased by 5.3% over the 12-months ending in May – roughly the same rate as the United States as a whole and ranking the state 26th for wage growth.**
 - While the average private sector worker is now making 10.1% more than they were prior to the pandemic, inflation over the same period is over 15% - meaning real average hourly wages are down (4.1%) over the past two years.
 - Average hourly earnings fell 18 cents in May (-0.6%) to \$29.84, after posting rapid growth in April. Conditions remain uncertain for Arizona's labor market after relatively tepid reads now in both March and May.

A Deeper Dive into Arizona Industries

- Arizona's economy continues to exhibit divergent trends between its service and goods-producing sectors. Though the leisure and hospitality industry has accelerated recently - adding 34,500 jobs over the past year - it is still down 6,900 jobs relative to February '20. On the other hand, manufacturing employment held up well during 2020 and continued growing after, but is now slowing.
 - Arts, entertainment, and recreation is down 6.1% (2,900 jobs).
 - After revisions, accommodation is approaching but not quite above its pre-pandemic peak.



- Manufacturing employment is up over 8,400 jobs relative to its pre-pandemic peak. But after a red-hot April, Arizona shed 700 manufacturing jobs last month and year-over-year growth slowed to 4.9%.

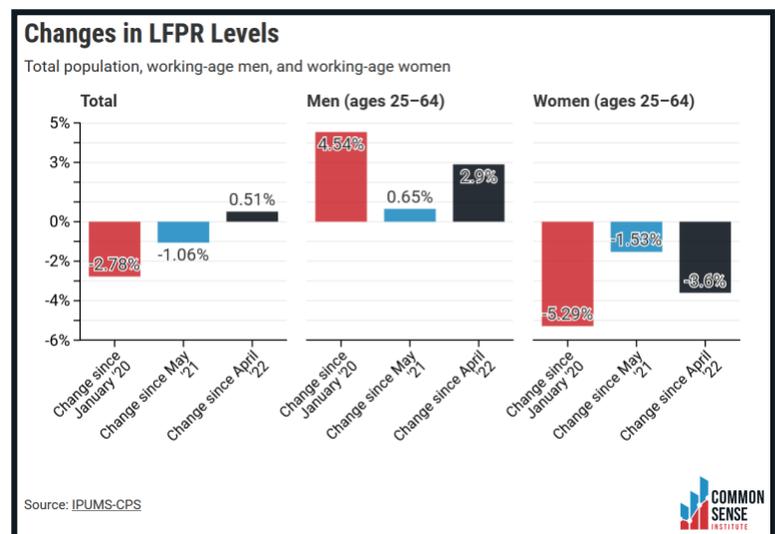
Arizona Labor Force Update

Joining broader labor market trends in slowing off a very strong April reading, the labor force participation rate (LFPR) nonetheless increased 0.51 percentage points to 61.24% in May. There are now nearly 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 May '22 Labor Force Data (FREDⁱⁱ, and IPUMS-CPSⁱⁱⁱ)

- **May LFPR increased to 61.24%, and remains below its 2019 level of 62.2%.**
 - At the current population, this gap would equate to approximately 56,000 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 was unchanged in May at 3.2%.**
 - This is the lowest unemployment rate ever recorded for the state of Arizona, and as we reported last month, it is unlikely this rate can continue falling. This will likely be the low point of the post-Covid expansion cycle.
- **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 fully recovered.**
 - Labor force participation in Arizona declined (1.06%) over the past year, and (2.78%) since January 2020 and the start of the pandemic.
 - Declines were concentrated among working-age women and older workers. Since 2020 the participation rate for women aged 20-64 has decreased (2.33%), while the participation rate for working-aged men increased 1.86%.
 - But, during much of the post-covid recovery that trend reversed, with working-aged males entering the states labor force more slowly than population growth even as younger women began returning to the workforce.
 - To the extent that economic conditions continue to deteriorate nationally, there is an increasing risk that the state will never return to the labor force participation rates seen immediately prior to the pandemic. At the same time, though, inflationary cost pressures will likely keep folks in the labor force even in the event of another economic contraction.

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

ⁱⁱ <https://fred.stlouisfed.org/>

ⁱⁱⁱ <https://cps.ipums.org/cps/>