

## Arizona Jobs and Labor Force Update: June 2022

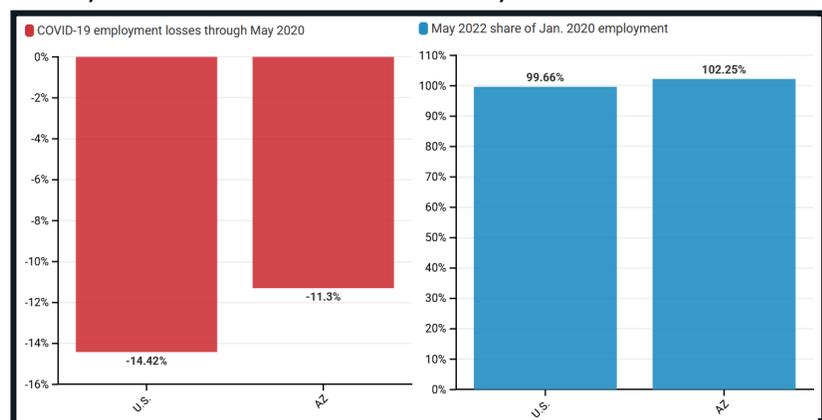
Arizona added 15,000 nonfarm jobs in May (+0.49%) and the Unemployment Rate increased to 3.3% (+0.1%) - and though this is the largest monthly job increase in six months, the job market continues to show signs of softening as general national economic conditions deteriorate. Revisions to May were minor. On a year-over-year basis job growth continued slowing to 3.5% in June (down from 5.5% last year), and Arizona had the 19<sup>th</sup> fastest job growth in the country. Since April 2020, the State has added over 406,000 jobs and regained 102.3% of its pandemic-related job losses. Differences between the establishment and household surveys continued to dog the data nationally and in Arizona, making it more difficult to draw firm conclusions about household and firm health from the monthly reports.

### Key Findings—Arizona June 2022 Employment Data (BLS CES Survey<sup>i</sup>)

- **Arizona added 15,000 total nonfarm jobs in May (a monthly increase of 0.49% and a total year-on-year change of +3.5%).**
  - 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 136,300 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.**
  - Fifteen states have employment levels above what they were at the start of the pandemic. Utah continues to have the highest differential (+5.7%).
- **Hourly wages in Arizona increased 5.4% over the 12-months ending in June – again consistent with the US average and ranking the state 27<sup>th</sup> for wage growth.**
  - While the average private sector worker is now making 9.6% more than they were prior to the pandemic, inflation over the same period is over 18% - meaning real average hourly wages are down (8%) over the past two years.
  - Arizona joined 47 other states in again posting negative month-over-month wage gains in June. Nominal average hourly wages are now effectively flat over the first half of this year.

### 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 25,400 jobs over the past year - it is still down 9,600 jobs relative to February '20. On the other hand, manufacturing employment held up well during 2020 and continued growing after, but is now slowing.
- Manufacturing employment is up over 9,900 jobs relative to its pre-pandemic peak. The state added 1,000 new manufacturing jobs last month and 10,300 over the past year. Arizona has had the 5<sup>th</sup> fastest manufacturing job growth since the recession and economic restrictions in early 2020.

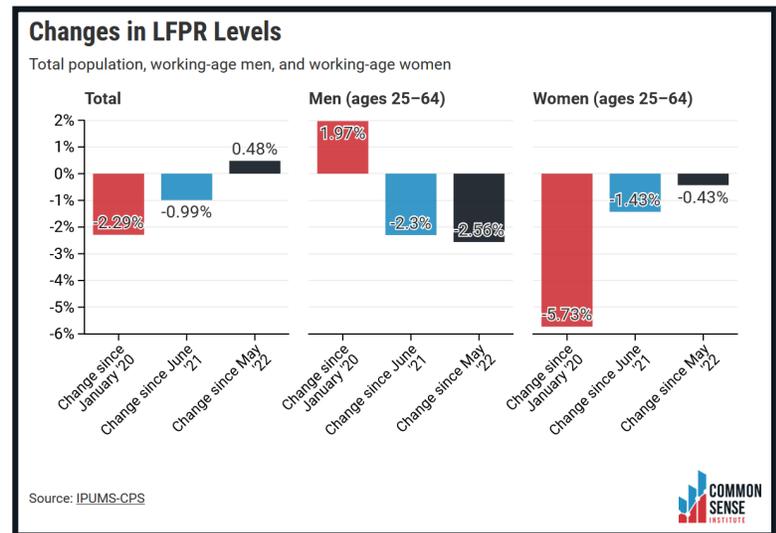


## Arizona Labor Force Update

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 June '22 Labor Force Data (FRED<sup>ii</sup>, and IPUMS-CPS<sup>iii</sup>)

- **In June the Labor Force Participation Rate (LFPR) increased to 61.48%, though it remains below its 2019 level of 62.2%.**
  - At the current population, this gap would equate to approximately 52,000 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 slightly in June to 3.3%.**
  - 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.
- **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 (1.24%) over the past year, and (2.54%) 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 25-64 has decreased (5.73%), while the participation rate for working-aged men increased 1.97%.
  - But, during much of the post-covid recovery that trend reversed, with the participation rate for younger men (aged 25-49) declining over the past year while similarly-aged women have been re-entering 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, so we may not see the large participation rate declines observed during the Great Recession.



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

<sup>ii</sup> <https://fred.stlouisfed.org/>

<sup>iii</sup> <https://cps.ipums.org/cps/>