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DROP IN JOBLESS RATE SHOWS HEALING US LABOR MARKET

Economy added 638,000 jobs in October and the jobless rate fell a percentage point to 6.9 percent.

By Josh Mitchell
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The US labor market continued to rebound in October, as employers added 638,000 jobs and sent unemployment down sharply amid signs the economy is healing from the pandemic-induced downturn.

Jobs grew for the sixth straight month, the workforce expanded and the unemployment rate fell a percentage point to 6.9 percent, the Labor Department said Friday.

A drop in government employment tied to the release of temporary census workers suppressed the overall job gains. Private-sector employers added 906,000 jobs last month, a pickup from September, offsetting a drop of 268,000 jobs in the public sector. Among the industries that hired the most workers last month was leisure and hospitality, a broad category that includes restaurants, museums, and performing arts establishments.

Job growth was down from September's figure of 672,000 new jobs and far below the totals for June, July and August. But it remained robust by historical standards. Employers have added 12.1 million jobs since April, more than half the 22.2 million lost in the spring.

The report suggests the labor market recovery "still has plenty of momentum," Andrew Hunter, senior US economist at Capital Economics, said in a note to clients.

The economy still has a long road ahead. The jobless rate and the 11 million workers counted as unemployed are both roughly twice as high as they were in February, the month before the pandemic shut down businesses across the US.

A recent rise in virus infections, persistent social distancing restrictions and the fading effects of federal relief spending appear to be weighing on the labor market recovery.

Friday's jobs report was derived from a survey of households and businesses from mid-October. More recent data show service industries – the bulk of the economy – nearly halted hiring in October, the trade group Institute for Supply Management said this week. Small-businesses payrolls fell in the second half of October, according to scheduling-software company Homebase.

The labor market faces several big obstacles that could slow the expansion. The rise in virus infections could prompt cities and states to shut down businesses again and consumers to stay at home, cutting their spending on services.

Winter weather could also hurt industries such as restaurants that have been serving patrons outside. And the looming expiration of emergency jobless benefits could cause consumers to reduce spending, in turn pressuring employers to reduce costs by laying off employees.

Among the hardest hit could be restaurants, which were among the first to rehire but could be the first to lay off people if the economy deteriorates.

Early this summer Sarah Thompson and Henji Cheung reopened their restaurant, Queen's English, which serves modern Hong Kong cuisine and wines in the Columbia Heights neighborhood of Washington, D.C. Their staffing level is up to 10 people, down just two from before the pandemic. Because the restaurant itself is small – just 1,400 square feet – it has been serving diners exclusively outside.

But as winter sets in, the restaurant is preparing to temporarily close – perhaps for a month or two early next year, if the weather gets too cold – and lay off workers.

"We're just telling everybody on payroll, 'Hey, do not spend your money' because most likely we will be closed for the month of January," Ms. Thompson said.

Friday's report offers some insight into what appears to be a K-shaped recovery, with some industries – particularly factories – rebounding nicely, while others continue to be walloped.

The Walt Disney Co. said last month it would lay off 11,350 workers, most of them part-time, at Disney World in Orlando, Fla., by the end of the year. Food-service contractor Aramark announced layoffs of 975 workers in Denver, most of them concession-stand workers at Coors Field, the baseball stadium for the Colorado Rockies.

New claims for jobless benefits, a proxy for layoffs, held nearly steady last week, edging down to 751,000. It is the lowest level since mid-March but well above the 217,000 filed in late February, before economic shutdowns to control the spread of the new coronavirus began.

But other industries have mostly recovered. Boston Scientific Corp., which makes medical devices such as defibrillators, stents and pacemakers, furloughed most of its factory employees this spring, when the pandemic caused hospitals and patients to put off routine procedures. Then, this summer, the company brought back all of its workers, as patients started undergoing procedures they had put off, pushing up Boston Scientific's business. The company is expanding again, said Brad Sorenson, Boston Scientific's senior vice president.

The company has hired and trained dozens of workers for its factory in Spencer, Ind. It recently started recruiting immigrant workers in the state and nearby Pennsylvania, including many who had been working in the decimated hospitality and tourism industries.

"Hospitals have learned to bifurcate their business – they've learned how to manage Covid treatment in parallel with treating the rest of their patients," Mr. Sorenson said. "We're seeing hospitals have learned to be able to continue to deal with other treatments and procedures."