Payrolls in the U.S. rose less than projected in January as retailers cut back after the holidays and government hiring fell. The unemployment rate unexpectedly declined to 6.6 percent.

The 113,000 gain in employment followed a revised 75,000 increase the prior month, Labor Department figures showed today in Washington. The median forecast of economists in a Bloomberg survey called for a 180,000 advance. The unemployment rate dropped to the lowest level since October 2008 even as more Americans entered the labor force.

Retailers and government agencies cut payrolls by the most in more than a year, while construction firms and manufacturers boosted employment. Broad-based improvement in job growth is needed to help generate bigger wage gains and spur the consumer spending that accounts for almost 70 percent of the economy.

“It’s another disappointment, but it’s not anything disastrous,” said Julia Coronado, New York-based chief economist for North America at BNP Paribas and a former Federal Reserve economist, who accurately forecast the jobless rate. “We’re still in muddle-along territory rather than take-off mode. There isn’t the kind of momentum in hiring.”
Stock-index futures rose as investors weighed the report. The contract on the Standard & Poor’s 500 Index expiring next month climbed 0.6 percent to 1,777.3 at 8:57 a.m. in New York.

Today’s report showed 262,000 Americans were not at work because of inclement weather in January, little changed from the same month last year, suggesting conditions played a more limited role than in December. In the Jan. 10 release of the prior month’s data, the Labor Department had said poor weather kept 273,000 people from work, the most for any December since 1977.

**Construction, Manufacturing**

More than half the gain in January employment came from the construction and manufacturing industries, while payrolls among service-producers slowed.

Revisions to prior reports added a total of 34,000 jobs to overall payrolls in the previous two months. Estimates of 92 economists in the Bloomberg survey for January employment ranged from gains of 105,000 to 270,000.

The unemployment rate, which is derived from a separate Labor Department survey of households than the payrolls tally, was projected to hold at 6.7 percent, according to the survey median.

**Private Employment**

Private employment, which excludes government agencies, rose by 142,000 in January after 89,000 the prior month. The Bloomberg survey median called for a 185,000 advance.

Shari Adams is among those looking for work after being dismissed in July 2013 from her job as a controller at a nonprofit firm.

“It’s a roller-coaster ride,” the 45-year-old from Richmond, Virginia, said. “There are definitely more opportunities” in the labor market right now. “There’s also a lot of competition.”

Economists’ forecasts for the January report varied based on their assumptions for effects such as the inclement weather and the expiration of emergency unemployment benefits.

The so-called participation rate rose to 63 percent from 62.8 percent even as more people entered the labor force.

**Benchmark Revision**

The Labor Department today also issued its annual benchmark update, which aligned employment data spanning from April 2012 to March 2013 with corporate tax records. The revision showed payrolls grew by an additional 347,000 workers, on an unadjusted basis, in that period as workers providing services for the elderly and those with disabilities were reclassified to a category now captured in the establishment survey.

Additionally, the agency incorporated new Census Bureau population estimates into the household survey it uses to calculate the jobless rate. The adjustment boosted the estimated size of the labor force by 523,000. The government also updated how it adjusts payroll figures for seasonal swings, affecting data since January 2009.
Today’s report showed factory payrolls increased by 21,000, following an 8,000 increase in the previous month. Economists had projected a 10,000 advance.

Construction companies added 48,000 workers in January after reducing employment by 22,000 a month earlier.

Employment at private service-providers increased 66,000 last month, a slowdown from the 102,000 jobs added a month earlier. Retailers reduced payrolls by about 13,000, the most since June 2012.

Department Stores

Department-store chains were among companies announcing workforce reductions last month after the holiday-shopping season. Macy’s Inc. said it would eliminate about 2,500 jobs and close five stores, while J.C. Penney Co. plans to cut about 2,000 positions and shutter 33 locations.

Employment in education and health services dropped 6,000 in January, the most since September 2004, after a 4,000 decline at the end of 2013.

Government employment slumped 29,000 in January, the most since October 2012. All levels of government reduced employment.

Average hourly earnings rose by 0.2 percent in January from the prior month, and increased 1.9 percent over the past 12 months.

Temp Help

Today’s report also showed an 8,100 increase in hiring by temporary-help services. Demand is improving for some companies, signaling employers will be encouraged to expand this year, according to staffing services provider Kelly Services Inc. (KELYA)

“Companies will be more confident about making stronger investment in people and capital as the outlook continues to strengthen,” Carl Camden, chief executive officer of the Troy, Michigan-based company, said on a Jan. 30 earnings call. “We’re going to see, not necessarily rock-and-roll employment growth, but a nice, steady growth.”

Unemployment has fallen from a post-recession high of 10 percent, reached in October 2009.

The jobless rate “remains elevated,” according to the Fed, which last month said it will trim monthly bond-buying by $10 billion to $65 billion. The central bank reiterated it’ll probably hold the target interest rate near zero “well past the time” that unemployment falls below 6.5 percent, “especially if projected inflation” remains below its longer-run goal of 2 percent.

“Labor market indicators were mixed but on balance showed further improvement,” Fed policy makers said in a statement following their January meeting.

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