UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 3, 2016

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-1088

KELLY SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	38-1510762
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

999 WEST BIG BEAVER ROAD, TROY, MICHIGAN 48084
(Address of principal executive offices) (Zip Code)

(248) 362-4444
(Registrant's telephone number, including area code)

No Change
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

At April 29, 2016, 34,579,935 shares of Class A and 3,437,643 shares of Class B common stock of the Registrant were outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(In millions of dollars except per share data)

	13 Weeks Ended	
	April 3, 2016	March 29, 2015
Revenue from services	$ 1,349.1	$ 1,320.6
Cost of services	1,116.4	1,100.3
Gross profit	232.7	220.3
Selling, general and administrative expenses	218.0	208.2
Earnings from operations	14.7	12.1
Other expense, net	0.8	2.5
Earnings before taxes	13.9	9.6
Income tax expense	2.7	5.9
Net earnings	$ 11.2	$ 3.7
Basic earnings per share	$ 0.29	$ 0.10
Diluted earnings per share	$ 0.29	$ 0.10
Dividends per share	$ 0.05	$ 0.05
Average shares outstanding (millions):		
Basic	38.0	37.7
Diluted	38.2	37.8

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(In millions of dollars)

	13 Weeks Ended	
	April 3, 2016	March 29, 2015
Net earnings	$ 11.2	$ 3.7
Other comprehensive income, net of tax:		
Foreign currency translation adjustments, net of tax expense of $0.2 million in 2016 and benefit of $0.3 million in 2015	11.9	(8.4)
Less: Reclassification adjustments included in net earnings	(0.3)	(0.2)
Foreign currency translation adjustments	11.6	(8.6)
Unrealized (losses) gains on investment, net of tax benefit of $4.0 million in 2016 and tax expense of $1.7 million in 2015	(8.1)	3.1
Other comprehensive income (loss)	3.5	(5.5)
Comprehensive income (loss)	$ 14.7	$ (1.8)

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In millions)

ASSETS	April 3, 2016	January 3, 2016
CURRENT ASSETS:		
Cash and equivalents	$ 46.4	$ 42.2
Trade accounts receivable, less allowances of $11.6 and $10.5, respectively	1,168.8	1,139.1
Prepaid expenses and other current assets	53.0	45.8
Total current assets	1,268.2	1,227.1
PROPERTY AND EQUIPMENT:		
Property and equipment	363.0	361.8
Accumulated depreciation	(277.3)	(272.9)
Net property and equipment	85.7	88.9
NONCURRENT DEFERRED TAXES	193.6	189.3
GOODWILL, NET	90.3	90.3
OTHER ASSETS	340.6	344.0
TOTAL ASSETS	$ 1,978.4	$ 1,939.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 39.3	$ 55.5
Accounts payable and accrued liabilities	437.4	405.5
Accrued payroll and related taxes	277.6	268.1
Accrued insurance	27.0	26.7
Income and other taxes	57.8	60.0
Total current liabilities	839.1	815.8
NONCURRENT LIABILITIES:		
Accrued insurance	40.5	40.0
Accrued retirement benefits	145.2	141.0
Other long-term liabilities	42.8	47.4
Total noncurrent liabilities	228.5	228.4
Commitments and contingencies (see contingencies footnote)		
STOCKHOLDERS' EQUITY:		
Capital stock, $1.00 par value		
Class A common stock, shares issued 36.6 at 2016 and 2015	36.6	36.6
Class B common stock, shares issued 3.5 at 2016 and 2015	3.5	3.5
Treasury stock, at cost		
Class A common stock, 2.1 shares at 2016 and 2015	(43.1)	(43.7)
Class B common stock	(0.6)	(0.6)
Paid-in capital	27.4	25.4
Earnings invested in the business	822.8	813.5
Accumulated other comprehensive income	64.2	60.7
Total stockholders' equity	910.8	895.4
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,978.4	$ 1,939.6

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In millions of dollars)

	13 Weeks Ended	
	April 3, 2016	March 29, 2015
Capital Stock		
Class A common stock		
Balance at beginning of period	$ 36.6	$ 36.6
Conversions from Class B	—	—
Balance at end of period	36.6	36.6
Class B common stock		
Balance at beginning of period	3.5	3.5
Conversions to Class A	—	—
Balance at end of period	3.5	3.5
Treasury Stock		
Class A common stock		
Balance at beginning of period	(43.7)	(49.2)
Issuance of restricted stock and other	0.6	0.1
Balance at end of period	(43.1)	(49.1)
Class B common stock		
Balance at beginning of period	(0.6)	(0.6)
Issuance of restricted stock and other	—	—
Balance at end of period	(0.6)	(0.6)
Paid-in Capital		
Balance at beginning of period	25.4	24.9
Issuance of restricted stock and other	2.0	1.0
Balance at end of period	27.4	25.9
Earnings Invested in the Business		
Balance at beginning of period	813.5	767.4
Net earnings	11.2	3.7
Dividends	(1.9)	(1.9)
Balance at end of period	822.8	769.2
Accumulated Other Comprehensive Income		
Balance at beginning of period	60.7	51.1
Other comprehensive income (loss), net of tax	3.5	(5.5)
Balance at end of period	64.2	45.6
Stockholders' Equity at end of period	$ 910.8	$ 831.1

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In millions of dollars)

	13 Weeks Ended	
	April 3, 2016	March 29, 2015
Cash flows from operating activities:		
Net earnings	$ 11.2	$ 3.7
Noncash adjustments:		
Depreciation and amortization	5.6	5.5
Provision for bad debts	1.7	1.2
Stock-based compensation	2.7	1.2
Other, net	(0.1)	(0.6)
Changes in operating assets and liabilities	(0.9)	(27.4)
Net cash from (used in) operating activities	20.2	(16.4)
Cash flows from investing activities:		
Capital expenditures	(1.5)	(2.6)
Other investing activities	(0.3)	(0.2)
Net cash used in investing activities	(1.8)	(2.8)
Cash flows from financing activities:		
Net change in short-term borrowings	(16.4)	(11.0)
Dividend payments	(1.9)	(1.9)
Net cash used in financing activities	(18.3)	(12.9)
Effect of exchange rates on cash and equivalents	4.1	(1.6)
Net change in cash and equivalents	4.2	(33.7)
Cash and equivalents at beginning of period	42.2	83.1
Cash and equivalents at end of period	$ 46.4	$ 49.4

See accompanying unaudited Notes to Consolidated Financial Statements.

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Kelly Services, Inc. (the "Company," "Kelly," "we" or "us") have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, necessary for a fair statement of the results of the interim periods, have been made. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the fiscal year ended January 3, 2016, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 18, 2016 (the 2015 consolidated financial statements). The Company's first fiscal quarter ended on April 3, 2016 (2016) and March 29, 2015 (2015), each of which contained 13 weeks.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

2. Fair Value Measurements

Trade accounts receivable, accounts payable, accrued liabilities, accrued payroll and related taxes and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

Assets Measured at Fair Value on a Recurring Basis

The following tables present assets measured at fair value on a recurring basis on the consolidated balance sheet as of first quarter-end 2016 and year-end 2015 by fair value hierarchy level, as described below.

Level 1 measurements consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 measurements include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 3 measurements include significant unobservable inputs.

	Fair Value Measurements on a Recurring Basis As of First Quarter-End 2016			
Description	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 3.9	$ 3.9	$ —	$ —
Available-for-sale investment	131.6	131.6	—	—
Total assets at fair value	$ 135.5	$ 135.5	$ —	$ —

	Fair Value Measurements on a Recurring Basis As of Year-End 2015			
Description	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 3.7	$ 3.7	$ —	$ —
Available-for-sale investment	142.3	142.3	—	—
Total assets at fair value	$ 146.0	$ 146.0	$ —	$ —

Money market funds as of first quarter-end 2016 and as of year-end 2015 represent investments in money market accounts, all of which are restricted as to use and are included in other assets on the consolidated balance sheet. The valuations were based on quoted market prices of those accounts as of the respective period end.

Available-for-sale investment represents the Company's investment in Temp Holdings Co., Ltd. ("Temp Holdings"), a leading integrated human resources company in Japan, and is included in other assets on the consolidated balance sheet. The valuation is based on the quoted market price of Temp Holdings stock on the Tokyo Stock Exchange as of the period end. The unrealized loss, net of tax, of $8.1 million for the first quarter of 2016 and unrealized gain, net of tax, of $3.1 million for the first quarter of 2015 was recorded in other comprehensive income, and in accumulated other comprehensive income, a component of stockholders' equity. The cost of this yen-denominated investment, which fluctuates based on foreign exchange rates, was $18.5 million as of the first quarter-end 2016 and $17.2 million at year-end 2015.

3. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income by component, net of tax, for the first quarter 2016 and 2015 are included in the tables below. Amounts in parentheses indicate debits. Reclassification adjustments out of accumulated other comprehensive income, as shown in the tables below, were recorded in the other expense, net line item in the consolidated statement of earnings.

	First Quarter 2016			
	Foreign Currency Translation Adjustments	Unrealized Gains and Losses on Investment	Pension Liability Adjustments	Total
	(In millions of dollars)			
Beginning balance	$ (22.6)	$ 84.9	$ (1.6)	$ 60.7
Other comprehensive income (loss) before reclassifications	11.9	(8.1)	—	3.8
Amounts reclassified from accumulated other comprehensive income	(0.3)	—	—	(0.3)
Net current-period other comprehensive income (loss)	11.6	(8.1)	—	3.5
Ending balance	$ (11.0)	$ 76.8	$ (1.6)	$ 64.2

	First Quarter 2015			
	Foreign Currency Translation Adjustments	Unrealized Gains and Losses on Investment	Pension Liability Adjustments	Total
	(In millions of dollars)			
Beginning balance	$ (3.0)	$ 56.3	$ (2.2)	$ 51.1
Other comprehensive income (loss) before reclassifications	(8.4)	3.1	—	(5.3)
Amounts reclassified from accumulated other comprehensive income	(0.2)	—	—	(0.2)
Net current-period other comprehensive income (loss)	(8.6)	3.1	—	(5.5)
Ending balance	$ (11.6)	$ 59.4	$ (2.2)	$ 45.6

4. Earnings Per Share

The reconciliation of basic and diluted earnings per share on common stock for the first quarter 2016 and 2015 follows (in millions of dollars except per share data):

	First Quarter	
	2016	2015
Net earnings	$ 11.2	$ 3.7
Less: earnings allocated to participating securities	(0.3)	(0.1)
Net earnings available to common shareholders	$ 10.9	$ 3.6
Basic earnings per share on common stock	$ 0.29	$ 0.10
Diluted earnings per share on common stock	$ 0.29	$ 0.10
Average common shares outstanding (millions):		
Basic	38.0	37.7
Diluted	38.2	37.8

Stock options excluded from the computation of diluted earnings per share due to their anti-dilutive effect for the first quarter 2016 and 2015 were not significant.

5. Stock-Based Compensation

Performance Shares

On February 17, 2016, the Company granted performance awards associated with the Company’s Class A stock to certain senior officers. The payment of performance shares, which will be satisfied with the issuance of shares out of treasury stock, is contingent upon the achievement of specific performance goals over a stated period of time. For the 2016 performance share grant, the total target number of performance shares granted is 331,500, and the maximum number of performance shares that may be earned is 663,000, which assumes 200% of the target shares originally granted. Target shares of 248,625 may be earned upon the achievement of three financial goals (“financial measure performance shares”) and target shares of 82,875 may be earned based on the Company’s total shareholder return relative to the S&P SmallCap 600 Index (“TSR performance shares”). No dividends are paid on these performance shares.

The financial measure performance shares, which have a weighted average grant date fair value of $15.85, have a three-year performance period through December 31, 2018. These shares will cliff-vest after approval by the Compensation Committee, which will be no later than March 15, 2019, if not forfeited by the recipient. For each of the three financial measures, there are annual goals set in February of each year, with the total award payout based on a cumulative average of the 2016, 2017, and 2018 goals. Accordingly, the Company will remeasure the fair value of the 2016 financial measure performance shares each reporting period until the 2018 goals are set, after which the fair value will be fixed for the remaining performance period. As of first quarter 2016, the current fair value for financial measure performance shares is $18.63.

The TSR performance shares also have a three-year performance period through December, 31 2018 and have an estimated fair value of $19.73, which was computed using a Monte Carlo simulation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk free interest rate. These shares will cliff-vest after approval by the Compensation Committee, which will be no later than March 15, 2019, if not forfeited by the recipient.

For the first quarter 2016, total compensation expense related to all performance shares totaled $1.3 million and the related tax benefit was $0.5 million. There was no compensation expense related to performance shares in the first quarter 2015 since the 2015 awards were not granted until the second quarter of 2015.

6. Other Expense, Net

Included in other expense, net for the first quarter 2016 and 2015 are the following:

	First Quarter	
	2016	2015
	(In millions of dollars)	
Interest income	$ 0.1	$ 0.1
Interest expense	(0.9)	(0.9)
Net gain (loss) on equity investment	0.1	(0.1)
Foreign exchange losses	(0.1)	(1.6)
Other expense, net	$ (0.8)	$ (2.5)

7. Contingencies

The Company is a party to a pending nationwide class action lawsuit entitled Hillson et.al. v Kelly Services. The suit alleges that current and former temporary employees of Kelly Services are entitled to monetary damages for violation of the Fair Credit Reporting Act requirement that the notice and disclosure form provided to employees for purposes of conducting a background screening be a standalone document. On April 20, 2016, the parties entered into a formal settlement agreement. The parties still must secure court approval of the settlement. In light of amounts previously expensed and anticipated recoveries from third parties, Kelly recorded an accrual in the fourth quarter of 2015 of $4.1 million (in accounts payable and accrued liabilities in the consolidated balance sheet) to reflect the expected cost of the tentative settlement.

The Company is continuously engaged in litigation arising in the ordinary course of its business, such as matters alleging employment discrimination, alleging wage and hour violations or enforcing the restrictive covenants in the Company's employment agreements. While there is no expectation that any of these matters will have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is always subject to inherent uncertainty and the Company is not able to reasonably predict if any matter will be resolved in a manner that is materially adverse to the Company.

8. Segment Disclosures

The Company's segments are based on the organizational structure for which financial results are regularly evaluated by the Company's chief operating decision makers ("CODM"), the Company's Chief Executive Officer and Chief Operating Officer, to determine resource allocation and assess performance. The Company's seven reporting segments are: (1) Americas Commercial, (2) Americas Professional and Technical ("Americas PT"), (3) Europe, Middle East and Africa Commercial ("EMEA Commercial"), (4) Europe, Middle East and Africa Professional and Technical ("EMEA PT"), (5) Asia Pacific Commercial ("APAC Commercial"), (6) Asia Pacific Professional and Technical ("APAC PT") and (7) Outsourcing and Consulting Group ("OCG").

The Commercial business segments within the Americas, EMEA and APAC regions represent traditional office services, contact-center staffing, marketing, electronic assembly, light industrial and, in the Americas, substitute teachers. The PT segments encompass a wide range of highly skilled temporary employees, including scientists, financial professionals, attorneys, engineers, IT specialists and healthcare workers. OCG includes recruitment process outsourcing ("RPO"), contingent workforce outsourcing ("CWO"), business process outsourcing ("BPO"), payroll process outsourcing ("PPO"), executive placement and career transition/outplacement services. Corporate expenses that directly support the operating units have been allocated to the Americas, EMEA and APAC regions and OCG based on a work effort, volume or, in the absence of a readily available measurement process, proportionately based on revenue from services.

The Company regularly assesses its organizational structure, product/service offerings and information evaluated by the CODM to determine whether any changes have occurred that would impact its segment reporting structure.

The following tables present information about the reported revenue from services and gross profit of the Company by segment, along with a reconciliation to consolidated earnings before taxes, for the first quarter 2016 and 2015. Asset information by reportable segment is not presented, since the Company does not produce such information internally nor does it use such data to manage its business.

	First Quarter	
	2016	2015
	(In millions of dollars)	
Revenue from Services:		
Americas Commercial	$ 648.6	$ 641.4
Americas PT	237.1	232.8
Total Americas Commercial and PT	885.7	874.2
EMEA Commercial	175.5	178.3
EMEA PT	41.6	40.3
Total EMEA Commercial and PT	217.1	218.6
APAC Commercial	82.8	85.6
APAC PT	9.1	10.5
Total APAC Commercial and PT	91.9	96.1
OCG	168.2	149.5
Less: Intersegment revenue	(13.8)	(17.8)
Consolidated Total	$ 1,349.1	$ 1,320.6

	First Quarter 2016	First Quarter 2015
	(In millions of dollars)	
Earnings from Operations:		
Americas Commercial gross profit	$ 102.1	$ 97.8
Americas PT gross profit	41.6	38.9
Americas Region gross profit	143.7	136.7
Americas Region SG&A expenses	(116.6)	(113.5)
Americas Region Earnings from Operations	27.1	23.2
EMEA Commercial gross profit	23.6	24.6
EMEA PT gross profit	8.7	8.7
EMEA Region gross profit	32.3	33.3
EMEA Region SG&A expenses	(30.3)	(33.5)
EMEA Region Earnings from Operations	2.0	(0.2)
APAC Commercial gross profit	13.0	13.0
APAC PT gross profit	2.5	2.9
APAC Region gross profit	15.5	15.9
APAC Region SG&A expenses	(11.1)	(12.1)
APAC Region Earnings from Operations	4.4	3.8
OCG gross profit	42.3	35.5
OCG SG&A expenses	(36.9)	(32.7)
OCG Earnings from Operations	5.4	2.8
Less: Intersegment gross profit	(1.1)	(1.1)
Less: Intersegment SG&A expenses	1.1	1.1
Net Intersegment Activity	—	—
Corporate	(24.2)	(17.5)
Consolidated Total	14.7	12.1
Other Expense, Net	0.8	2.5
Earnings Before Taxes	$ 13.9	$ 9.6

9. New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09 amending several aspects of share-based payment accounting. This guidance requires all excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled, with prospective application required. The guidance also changes the classification of such tax benefits or tax deficiencies on the statement of cash flows from a financing activity to an operating activity, with retrospective or prospective application allowed. Additionally, the guidance requires the classification of employee taxes paid when an employer withholds shares for tax-withholding purposes as a financing activity on the statement of cash flows, with retrospective application required. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02 amending the existing accounting standards for lease accounting and requiring lessees to recognize lease assets and lease liabilities for all leases with lease terms of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current U.S. Generally Accepted Accounting Principles ("GAAP"), the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018 and requires modified retrospective application. Early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU 2016-01 amending the current guidance for how entities measure certain equity investments, the accounting for financial liabilities under the fair value option, and the presentation and disclosure requirements relating to financial instruments. The new guidance requires entities to use fair value measurement for equity investments in unconsolidated entities, excluding equity method investments, and to recognize the changes in fair value in net income at the end of each reporting period. Under the new standard, for any financial liabilities in which the fair value option has been elected, the changes in fair value due to instrument-specific credit risk must be recognized separately in other comprehensive income. Presentation and disclosure requirements under the new guidance require public business entities to use the exit price when measuring the fair value of financial instruments measured at amortized cost. In addition, financial assets and liabilities must now be presented separately in the notes to the financial statements and grouped by measurement category and form of financial asset. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is only permitted for the financial liability provision. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15 requiring management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern, which is currently performed by the external auditors. Management will be required to perform this assessment for both interim and annual reporting periods and must make certain disclosures if it concludes that substantial doubt exists. This ASU is effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2016. The adoption of this guidance is not expected to have a material effect on our financial statements.

In May 2014, the FASB issued new revenue recognition guidance under ASU 2014-09 that will supersede the existing revenue recognition guidance under U.S. GAAP. The new standard focuses on creating a single source of revenue guidance for revenue arising from contracts with customers for all industries. The objective of the new standard is for companies to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the company expects to be entitled to in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year. This ASU will now be effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. Early adoption is permitted, but not before the original effective date of December 15, 2016. The new standard will be effective for us beginning January 1, 2018 and we expect to implement the standard with the modified retrospective approach, which recognizes the cumulative effect of application recognized on that date. We are evaluating the impact of adoption on our consolidated results of operations, consolidated financial position and cash flows.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on our consolidated financial statements and related disclosures.

10. Subsequent Event

On April 7, 2016, the board of directors of the Company authorized an agreement with Temp Holdings to expand their existing North Asia joint venture, TS Kelly Workforce Solutions (formed in 2012). The new joint venture, TS Kelly Asia Pacific, will be formed by the transfer of the Company's Asia Pacific staffing operations, which will be subsequently deconsolidated. This joint venture will be headquartered in Singapore and is expected to be the largest workforce solutions company in the Asia Pacific region.

The joint venture is projected to be finalized by the end of 2016 and combines the resources and expertise of Kelly's staffing operations across Asia Pacific with Temp Holding's businesses including Capita, with offices in Singapore and Malaysia; First Alliances, with offices in Vietnam; and Intelligence, with a presence in Indonesia, Vietnam, Singapore and Malaysia.

Upon the completion of all proposed transactions, Temp Holdings will own 51% of the expanded joint venture and the Company will continue to own the remaining 49%. The current chief executive officer of TS Kelly Workforce Solutions and executive officer of Temp Holdings will serve as CEO of TS Kelly Asia Pacific.

The joint venture will include staffing businesses from the Company and Temp Holdings, and the Company is expected to receive a cash payment. Once the Company has transferred its Asia Pacific staffing operations to the joint venture, it expects to record its interest in the joint venture as an equity method investment on the consolidated balance sheet and to include its share of earnings prospectively within the consolidated statement of earnings on a one-quarter lag. The Company also anticipates recording a gain on the deconsolidated assets of its Asia Pacific staffing operations. At this time, the Company does not expect the disposition to qualify for discontinued operations presentation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

The Workforce Solutions Industry

The staffing industry has changed dramatically over the last decade — transformed by globalization, competitive consolidation and secular shifts in labor supply and demand. Global employment trends are reshaping and redefining traditional employment models, sourcing strategies and human resource capability requirements. In response, the industry has accelerated its evolution from commercial into professional/technical and outsourced solutions.

The broader workforce solutions industry has continued to evolve to meet businesses' growing demand for total workforce or talent supply chain management ("TSCM") solutions. As clients' workforce solutions strategies move up the maturity model, the TSCM concept seeks to manage all categories of talent (temporary, project-based, outsourced and full-time) and thus represents significant market potential.

Strategic clients are increasingly looking for global, flexible and holistic talent solutions that encompass all worker categories, driving adoption of our TSCM approach covering temporary staffing, Contingent Workforce Outsourcing ("CWO"), Recruitment Process Outsourcing ("RPO"), Business Process Outsourcing ("BPO"), independent contractor management, strategic workforce planning and more.

Across all regions, the structural shifts toward higher-skilled, project-based professional/technical talent continue to represent long-term opportunities for the industry. In fact, professional/technical staffing is projected to steadily increase as a percent of the global market, with demand for specialty staffing projected to outpace commercial.

Our Business

Kelly Services is a global workforce solutions company, serving customers of all sizes in a variety of industries. Our staffing operations are divided into three regions (Americas, EMEA and APAC), with commercial and professional/technical staffing businesses in each region. As the human capital arena has become more complex, we have also developed a suite of innovative solutions within our global Outsourcing & Consulting Group (OCG). OCG delivers integrated talent management solutions to meet customer needs across the entire spectrum of talent categories. Using talent supply chain strategies, we help customers plan for and manage their acquisition of contingent and full-time labor, and gain access to service providers and quality talent at competitive rates with minimized risk.

We earn revenues from the hourly sales of services by our temporary employees to customers, as a result of recruiting permanent employees for our customers, and through our outsourcing activities. Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. The nature of our business is such that trade accounts receivable are our most significant financial asset. Average days sales outstanding varies within and outside the U.S., but is 55 days on a global basis as of the 2016 first quarter end, 54 days as of the 2015 year end and 57 days as of the 2015 first quarter end. Since receipts from customers generally lag temporary employee payroll, working capital requirements increase substantially in periods of growth.

Our Strategy and Outlook

Our long-term strategic objective is to create shareholder value by delivering a competitive profit from the best workforce solutions and talent in the industry. To achieve this, we are focused on the following key areas:

- Maintain our core strengths in commercial staffing in key markets;
- Grow our professional and technical solutions;
- Enhance our position as a market-leading provider of talent supply chain management in our OCG segment; and
- Lower our costs through deployment of efficient service delivery models.

Fueled by our 2014 investments in higher-margin specialties and solutions, Kelly's strong performance in 2015 reaffirmed our strategic path and enabled us to raise the cash dividend for our shareholders. With a year of proven execution behind us, we entered 2016 with renewed confidence. Early in the year, we announced plans to expand our joint venture with Temp Holdings and form the largest workforce solutions company in the Asia-Pacific region, accelerating Kelly's growth in the APAC market. Our U.S. branch network is delivering sustained growth in PT staffing and fees, and our global OCG business continues to expand its reach as a leading provider of talent supply chain management solutions.

Kelly's first quarter results confirm that our strategy has placed us on a path for continued growth:

- Earnings from operations for the first quarter of 2016 totaled $14.7 million compared to $12.1 million in the first quarter of 2015. Conversion rate for the first quarter was 6.3%, up from 5.5% in the same period last year.

- In the OCG segment, earnings from operations totaled $5.4 million, a 90% increase compared to the same period last year. OCG delivered good bottom-line leverage as top-line revenue growth continues to confirm the increased market demand for outsourced solutions. Growth was particularly strong in BPO and CWO, which continue to be key drivers of our strategic and financial progress.

- Though overall Americas PT revenue continues to grow 2% year-over-year in both reported and constant currency, accounts serviced through our U.S. branch network delivered strong growth of 11% in our PT specialties. Our expanded salesforce is pursuing and winning new business, while our PT recruiting centers are efficiently connecting U.S. clients with specialized talent. We will need to continue to accelerate PT growth, particularly within accounts serviced through our centralized delivery model, to fully realize the expected benefit of our investments.

- Despite foreign currency exchange rates negatively impacting the total year-over-year change in gross profit, on a constant currency basis, Kelly continues to deliver strong operating results. For the quarter, EMEA delivered $2.0 million of earnings from operations and APAC contributed $4.4 million.

Kelly remains focused on executing a well-formed strategy with increased speed and precision, making the necessary investments to advance that strategy. We have set our sights on becoming an even more competitive, consultative and profitable company, and we are reshaping our business to make that vision a reality. We will continue to rebalance our resources to align with our goals for growth, intentionally focusing more of our workforce in roles that drive increased revenue and gross profit for the company. We will measure our progress against both revenue and gross profit growth and an improved conversion rate. The goals we have established are based on the current economic and business environment, and may change as conditions warrant:

- We expect to grow PT and OCG revenue, creating a more balanced portfolio that yields benefits from an improved mix.
- We expect Commercial to remain a core component of our strategy.
- We expect to exercise strict control over our cost base, delivering structural improvements that create strong operating leverage.
- And, as a result, we expect our conversion rate to continue to improve.

Looking ahead, we anticipate a stable U.S. labor market and an increasing demand for skilled workers. Companies are relying more heavily on the use of flexible staffing models; there is growing acceptance of free agents and contractual employment by companies and talent alike; and companies are seeking more comprehensive workforce management solutions that lend themselves to Kelly's talent supply chain management approach. This shift in demand for contingent labor and strategic solutions plays to our strengths and experience — particularly serving large companies whose needs span the globe and cross multiple labor categories.

Financial Measures

Return on sales (earnings from operations divided by revenue from services) and conversion rate (earnings from operations divided by gross profit) in the following tables are ratios used to measure the Company's operating efficiency.

Constant currency ("CC") change amounts are non-GAAP (Generally Accepted Accounting Principles) measures. The CC change amounts in the following tables refer to the year-over-year percentage changes resulting from translating 2016 financial data into U.S. dollars using the same foreign currency exchange rates used to translate financial data for 2015. These measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We believe that CC measurements are an important analytical tool to aid in understanding underlying operating trends without distortion due to currency fluctuations. Additionally, substantially all of our foreign subsidiaries derive revenues and incur cost of services and selling, general and administrative expenses ("SG&A") within a single country and currency which, as a result, provide a natural hedge against currency risks in connection with their normal business operations. Non-GAAP measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

Staffing Fee-Based Income

Staffing fee-based income, which is included in revenue from services in the following tables, has a significant impact on gross profit rates. There are very low direct costs of services associated with staffing fee-based income. Therefore, increases or decreases in staffing fee-based income can have a disproportionate impact on gross profit rates.

Results of Operations
Total Company - First Quarter
(Dollars in millions)

	2016	2015	Change	CC Change
Revenue from services	$ 1,349.1	$ 1,320.6	2.2%	4.6%
Staffing fee-based income	16.5	16.2	2.6	6.9
Gross profit	232.7	220.3	5.6	7.7
SG&A expenses	218.0	208.2	4.7	6.7
Earnings from operations	14.7	12.1	21.5	
Gross profit rate	17.3%	16.7%	0.6 pts.	
Expense rates:				
% of revenue	16.2	15.8	0.4	
% of gross profit	93.7	94.5	(0.8)	
Return on sales	1.1	0.9	0.2	
Conversion rate	6.3	5.5	0.8	

Total Company revenue from services for the first quarter of 2016 was up 2.2% in comparison to the prior year and up 4.6% on a CC basis, as more fully described in the following discussions.

The gross profit rate increased by 60 basis points. As more fully described in the following discussions, increases in the Americas, OCG and APAC gross profit rates were partially offset by a decline in the gross profit rate in the EMEA region.

SG&A expenses increased 4.7% year over year on a reported basis and 6.7% on a CC basis. The increase was related to cost increases for corporate benefit programs and higher employee salary and benefit costs in our Americas region and OCG. These increases were partially offset by continued cost management efforts in the EMEA and APAC regions.

Income tax expense for the first quarter of 2016 was $2.7 million, compared to $5.9 million for the first quarter of 2015. Our tax expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits, and the change in cash surrender value of non-taxable investments in life insurance policies. It is also affected by discrete items that may occur in any given year but are not consistent from year to year, such as tax law changes, or changes in judgment regarding the realizability of deferred tax assets. The decrease in income tax expense from the prior year is primarily due to the reinstatement of the work opportunity credit program and a more favorable mix of income.

Diluted earnings per share for the first quarter of 2016 were $0.29, as compared to $0.10 for the first quarter of 2015.

Total Americas - First Quarter
(Dollars in millions)

	2016	2015	Change	CC Change
Revenue from services	$ 885.7	$ 874.2	1.3%	2.9%
Staffing fee-based income	8.6	7.0	22.1	23.9
Gross profit	143.7	136.7	5.1	6.3
SG&A expenses	116.6	113.5	2.7	3.9
Earnings from operations	27.1	23.2	16.8	
Gross profit rate	16.2%	15.6%	0.6 pts.	
Expense rates:				
% of revenue	13.2	13.0	0.2	
% of gross profit	81.2	83.0	(1.8)	
Return on sales	3.1	2.7	0.4	

The change in Americas revenue from services was due to a 1% increase in hours volume. Average bill rates were flat on a reported basis and increased 2% on a CC basis, primarily in Commercial. The increase in Commercial average bill rates on a CC basis was due to wage rate and the resulting bill rate inflation and customer mix. Americas represented 66% of total Company revenue in the first quarter of both 2016 and 2015.

Revenue in our Commercial segment was up 1% and up 3% on a CC basis in comparison to the prior year. In addition to the increase in average bill rates, the change in revenue in Commercial was due to increases in our educational staffing business from new customer wins, and in our light industrial product due to increased demand at existing customer locations, coupled with additional new customer wins. Light industrial business is up primarily in accounts serviced through our branch-based delivery model.

In the PT segment, reported and CC revenue was up 2% in comparison to the prior year. We had strong double-digit revenue growth in the accounts serviced through our branch delivery network, and flat revenue in the accounts serviced through our centralized delivery model. Revenue increased in our science and finance products, while revenue in our engineering and IT products were down.

The increase in the gross profit rate was primarily due to improved management of our payroll taxes and employee benefit costs, coupled with the effect of increased staffing fee-based income. These were partially offset by customer mix and an increase in our workers' compensation costs as compared to a year ago.

The increase in SG&A expenses is primarily due to increased employee salary and benefit costs.

Total EMEA - First Quarter
(Dollars in millions)

	2016	2015	Change	CC Change
Revenue from services	$ 217.1	$ 218.6	(0.7)%	3.7%
Staffing fee-based income	6.0	6.1	(0.2)	5.4
Gross profit	32.3	33.3	(3.0)	1.4
SG&A expenses	30.3	33.5	(9.4)	(5.4)
Earnings from operations	2.0	(0.2)	NM	
Gross profit rate	14.9%	15.2%	(0.3) pts.	
Expense rates:				
% of revenue	14.0	15.3	(1.3)	
% of gross profit	93.8	100.5	(6.7)	
Return on sales	0.9	(0.1)	1.0	

The decrease in EMEA revenue from services was primarily due to the impact of changes in foreign currency exchange rates. The increase in CC revenue from services was due to a 6% increase in average bill rates on a CC basis, partially offset by a 2% decrease in hours volume. The increase in average bill rates was primarily due to the U.K., and the decrease in hours was mainly due to Russia and U.K., partially offset by Portugal. EMEA represented 16% of total Company revenue in the first quarter of 2016 and 17% in the first quarter of 2015.

The EMEA gross profit rate decreased primarily due to a decline in the temporary staffing gross profit rate, primarily driven by unfavorable country mix. As noted above, hours increased in Portugal, a country with a lower average bill rate. On a CC basis, staffing fee-based income increased in both commercial and PT, primarily in Switzerland and France.

SG&A expenses decreased due to cost saving actions taken in 2015, primarily in Switzerland, Norway and the U.K.

Total APAC - First Quarter
(Dollars in millions)

	2016	2015	Change	CC Change
Revenue from services	$ 91.9	$ 96.1	(4.4)%	3.6%
Staffing fee-based income	2.6	3.1	(15.4)	(8.2)
Gross profit	15.5	15.9	(2.0)	4.0
SG&A expenses	11.1	12.1	(8.6)	(1.4)
Earnings from operations	4.4	3.8	19.2	
Gross profit rate	16.9%	16.5%	0.4 pts.	
Expense rates:				
% of revenue	12.1	12.6	(0.5)	
% of gross profit	71.3	76.4	(5.1)	
Return on sales	4.9	3.9	1.0	

The decrease in APAC revenue from services was primarily due to the impact of foreign currency exchange rates. On a CC basis, the increase in total APAC revenue from services reflected a 3% increase in hours worked, combined with a 1% increase in average bill rates. Hours worked increased primarily in India. The increase in average bill rates on a CC basis was due to changes in customer mix to focus on growth of large accounts. APAC revenue represented 7% of total Company revenue in the first quarter of both 2016 and 2015.

The gross profit rate increased due to higher wage credits in Singapore as compared to the first quarter of last year, partially offset by declines in staffing fee-based income. Staffing fee-based income decreased in most countries, with the exception of Australia. Singapore wage credits include additional prior year credits received in the current year, and totaled $3.7 million in the first quarter of 2016 and $3.0 million in the first quarter of 2015.

The decrease in SG&A expenses was due to continued cost control in Australia, New Zealand and Singapore.

OCG - First Quarter
(Dollars in millions)

	2016	2015	Change	CC Change
Revenue from services	$ 168.2	$ 149.5	12.5%	13.4%
Gross profit	42.3	35.5	19.1	20.3
SG&A expenses	36.9	32.7	12.9	14.4
Earnings from operations	5.4	2.8	89.6	
Gross profit rate	25.1%	23.8%	1.3 pts.	
Expense rates:				
% of revenue	21.9	21.9	—	
% of gross profit	87.2	92.0	(4.8)	
Return on sales	3.2	1.9	1.3	

The increase in revenue from services in the OCG segment was due primarily to growth in the BPO and CWO practice areas. Revenue in BPO grew by 13% year over year and CWO, which includes PPO, grew by 12% year over year. The revenue growth in BPO and CWO was due to the expansion of programs with existing customers and, to a lesser extent, new customers. OCG revenue represented 13% of total Company revenue in the first quarter of 2016 and 11% in the first quarter of 2015.

The change in the OCG gross profit rate was primarily due to an increased gross profit rate in RPO and BPO as a result of customer mix within the practice areas.

The increase in SG&A expenses was primarily a result of costs associated with increased volume with existing customers, including salaries and performance-based compensation.

Financial Condition

Historically, we have financed our operations through cash generated by operating activities and access to credit markets. Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. Since receipts from customers generally lag payroll to temporary employees, working capital requirements increase substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease. As highlighted in the consolidated statements of cash flows, our liquidity and available capital resources are impacted by four key components: cash and equivalents, operating activities, investing activities and financing activities.

Cash and Equivalents

Cash and equivalents totaled $46.4 million at the end of the first quarter of 2016 and $42.2 million at year-end 2015. As further described below, we generated $20.2 million of cash from operating activities, used $1.8 million of cash for investing activities and used $18.3 million of cash for financing activities.

Operating Activities

In the first three months of 2016, we generated $20.2 million of net cash from operating activities, as compared to using $16.4 million in the first three months of 2015. This change was the result of lower growth in trade accounts receivable due in part to improved global days sales outstanding (“DSO”) as noted below, as well as improving net earnings.

Trade accounts receivable totaled $1.2 billion at the end of the first quarter of 2016. Global DSO were 55 days at the end of the first quarter of 2016 and 57 at the end of the first quarter of 2015.

Our working capital position (total current assets less total current liabilities) was $429.1 million at the end of the first quarter of 2016, an increase of $17.8 million from year-end 2015. The current ratio (total current assets divided by total current liabilities) was 1.5 at the end of the first quarter of 2016 and at year-end 2015.

Investing Activities

In the first three months of 2016, we used $1.8 million of cash for investing activities, as compared to using $2.8 million in the first three months of 2015. Capital expenditures in both years relate primarily to the Company’s technology programs.

Financing Activities

In the first three months of 2016, we used $18.3 million of cash for financing activities, as compared to using $12.9 million in the first three months of 2015. The change in cash from financing activities was caused by decreased short-term borrowings. Debt totaled $39.3 million at the end of the first quarter of 2016 and $55.5 million at year-end 2015. Debt-to-total capital (total debt reported on the balance sheet divided by total debt plus stockholders’ equity) is a common ratio to measure the relative capital structure and leverage of the Company. Our ratio of debt-to-total capital was 4.1% at the end of the first quarter of 2016 and 5.8% at year-end 2015.

The net change in short-term borrowings in the first three months of both 2016 and 2015 was primarily due to payments on our U.S. securitization facility.

We made dividend payments of $1.9 million in the first three months of both 2016 and 2015.

New Accounting Pronouncements

See New Accounting Pronouncements footnote in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q for a description of new accounting pronouncements.

Contractual Obligations and Commercial Commitments

There are no material changes in our obligations and commitments to make future payments from those included in the Company's Annual Report on Form 10-K filed February 18, 2016. We have no material, unrecorded commitments, losses, contingencies or guarantees associated with any related parties or unconsolidated entities.

Liquidity

We expect to meet our ongoing short-term and long-term cash requirements principally through cash generated from operations, available cash and equivalents, securitization of customer receivables and committed unused credit facilities. Additional funding sources could include public or private bonds, asset-based lending, additional bank facilities, issuance of equity or other sources.

We utilize intercompany loans, dividends, capital contributions and redemptions to effectively manage our cash on a global basis. We periodically review our foreign subsidiaries' cash balances and projected cash needs. As part of those reviews, we may identify cash that we feel should be repatriated to optimize the Company's overall capital structure. As of the 2016 first quarter end, these reviews have not resulted in any specific plans to repatriate a majority of our international cash balances. We expect much of our international cash will be needed to fund working capital growth in our local operations. The majority of our international cash is concentrated in a cash pooling arrangement (the "Cash Pool") and is available to fund general corporate needs internationally. The Cash Pool is a set of cash accounts maintained with a single bank that must, as a whole, maintain at least a zero balance; individual accounts may be positive or negative. This allows countries with excess cash to invest and countries with cash needs to utilize the excess cash.

We manage our cash and debt very closely to optimize our capital structure. As our cash balances build, we tend to pay down debt as appropriate. Conversely, when working capital needs grow, we tend to use corporate cash and cash available in the Cash Pool first, and then access our borrowing facilities.

As of the 2016 first quarter end, we had $200.0 million of available capacity on our $200.0 million revolving credit facility and $68.0 million of available capacity on our $150.0 million securitization facility. The securitization facility carried $33.0 million of short-term borrowings and $49.0 million of standby letters of credit related to workers' compensation. Together, the revolving credit and securitization facilities provide the Company with committed funding capacity that may be used for general corporate purposes. While we believe these facilities will cover our working capital needs over the short term, if economic conditions or operating results change significantly, we may need to seek additional sources of funds. As of the 2016 first quarter end, we met the debt covenants related to our revolving credit facility and securitization facility. We intend to refinance our securitization facility, which expires on December 9, 2016, on or before the due date.

We monitor the credit ratings of our major banking partners on a regular basis and have regular discussions with them. Based on our reviews and communications, we believe the risk of one or more of our banks not being able to honor commitments is insignificant. We also review the ratings and holdings of our money market funds and other investment vehicles regularly to ensure high credit quality and access to our invested cash.

Forward-Looking Statements

Certain statements contained in this report are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, or which include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or variations or negatives thereof or by similar or comparable words or phrases. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by us that may be provided by management, including oral statements or other written materials released to the public, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about our Company and economic and market factors in the countries in which we do business, among other things. These statements are not guarantees of future performance, and we have no specific intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The principal important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, competitive market pressures including pricing and technology introductions, changing market and economic conditions, our ability to achieve our business strategy, the risk of damage to our brand, the risk our intellectual assets could be infringed upon or compromised, our ability to successfully develop new service offerings, our exposure to risks associated with services outside traditional staffing, including business process outsourcing, our increasing dependency on third parties for the execution of critical functions, the risks associated with past and future acquisitions, exposure to risks associated with investments in equity affiliates, material changes in demand from or loss of large corporate customers, risks associated with conducting business in foreign countries, including foreign currency fluctuations, availability of full-time employees to lead complex talent supply chain sales and operations, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, the risk of cyber attacks or other breaches of network or information technology security as well as risks associated with compliance on data privacy, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology programs, our ability to maintain adequate financial and management processes and controls, impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers’ compensation, disability and medical benefit plans, the impact of the Patient Protection and Affordable Care Act on our business, the impact of changes in laws and regulations (including federal, state and international tax laws), the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this report and in our other filings with the Securities and Exchange Commission. Actual results may differ materially from any forward looking statements contained herein, and we have no intention to update these statements. Certain risk factors are discussed more fully under “Risk Factors” in Part I, Item 1A of the Company’s Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to foreign currency risk primarily related to our foreign subsidiaries. Exchange rates impact the U.S. dollar value of our reported earnings, our investments in subsidiaries, local currency denominated borrowings and intercompany transactions with and between subsidiaries. Our foreign subsidiaries primarily derive revenues and incur expenses within a single country and currency which, as a result, provide a natural hedge against currency risks in connection with normal business operations. Accordingly, changes in foreign currency rates vs. the U.S. dollar generally do not impact local cash flows. Intercompany transactions which create foreign currency risk include services, royalties, loans, contributions and distributions.

In addition, we are exposed to interest rate risks through our use of the multi-currency line of credit and other borrowings. A hypothetical fluctuation of 10% of market interest rates would not have had a material impact on 2016 first quarter earnings.

Marketable equity investments, representing our investment in Temp Holdings, are stated at fair value and marked to market through stockholders’ equity, net of tax. Impairments in value below historical cost, if any, deemed to be other than temporary, would be expensed in the consolidated statement of earnings. See the Fair Value Measurements footnote in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q for further discussion.

We are exposed to market risk as a result of our obligation to pay benefits under our nonqualified deferred compensation plan and our related investments in company-owned variable universal life insurance policies. The obligation to employees increases and decreases based on movements in the equity and debt markets. The investments in mutual funds, as part of the company-owned variable universal life insurance policies, are designed to mitigate, but not eliminate, this risk with offsetting gains and losses.

Overall, our holdings and positions in market risk-sensitive instruments do not subject us to material risk.

Item 4. Controls and Procedures.

Based on their evaluation as of the end of the period covered by this Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective at a reasonable assurance level.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is a party to a pending nationwide class action lawsuit entitled Hillson et.al. v Kelly Services. The suit alleges that current and former temporary employees of Kelly Services are entitled to monetary damages for violation of the Fair Credit Reporting Act requirement that the notice and disclosure form provided to employees for purposes of conducting a background screening be a standalone document. On April 20, 2016 the parties entered into a formal settlement agreement. The parties still must secure court approval of the settlement. In light of amounts previously expensed and anticipated recoveries from third parties, Kelly recorded an accrual in the fourth quarter of 2015 of $4.1 million to reflect the expected cost of the tentative settlement.

The Company is continuously engaged in litigation arising in the ordinary course of its business, such as matters alleging employment discrimination, alleging wage and hour violations or enforcing the restrictive covenants in the Company's employment agreements. While there is no expectation that any of these matters will have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is always subject to inherent uncertainty and the Company is not able to reasonably predict if any matter will be resolved in a manner that is materially adverse to the Company.

Item 1A. Risk Factors.

There have been no material changes in the Company's risk factors disclosed in Part I, Item 1A of the Company's Annual Report filed on Form 10-K for year ended January 3, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) Sales of Equity Securities Not Registered Under the Securities Exchange Act of 1933

None.

(c) Issuer Repurchases of Equity Securities

During the first quarter of 2016, we reacquired shares of our Class A common stock as follows:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs (in millions of dollars)
January 4, 2016 through February 7, 2016	1,035	$ 15.73	—	$ —
February 8, 2016 through March 6, 2016	10,485	16.13	—	$ —
March 7, 2016 through April 3, 2016	951	18.68	—	$ —
Total	12,471	$ 16.29	—	

We may reacquire shares sold to cover taxes due upon the vesting of restricted stock held by employees. Accordingly, 12,471 shares were reacquired in transactions during the quarter.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 6. Exhibits.

See Index to Exhibits required by Item 601, Regulation S-K, set forth on page 30 of this filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KELLY SERVICES, INC.

Date: May 11, 2016

/s/ Olivier G. Thirot
Olivier G. Thirot

Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 11, 2016

/s/ Laura S. Lockhart
Laura S. Lockhart

Vice President, Corporate Controller
and Chief Accounting Officer
(Principal Accounting Officer)

INDEX TO EXHIBITS
REQUIRED BY ITEM 601,
REGULATION S-K

Exhibit No.	Description
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 31.1

CERTIFICATIONS

I, Carl T. Camden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kelly Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2016

/s/ Carl T. Camden

Carl T. Camden

President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Olivier G. Thirot, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kelly Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2016

/s/ Olivier G. Thirot

Olivier G. Thirot

Senior Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kelly Services, Inc. (the "Company") on Form 10-Q for the period ended April 3, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carl T. Camden, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2016

/s/ Carl T. Camden

Carl T. Camden

President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Kelly Services, Inc. and will be retained by Kelly Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kelly Services, Inc. (the “Company”) on Form 10-Q for the period ended April 3, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Olivier G. Thirot, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2016

/s/ Olivier G. Thirot
Olivier G. Thirot
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Kelly Services, Inc. and will be retained by Kelly Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.