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

FORM 10-Q

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

For the quarterly period ended June 30, 2002

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

At August 2, 2002, 32,003,981 shares of Class A and 3,480,243 shares of Class B common stock of the Registrant were outstanding.

KELLY SERVICES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF EARNINGS
(UNAUDITED)
(In thousands of dollars except per share data)

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
Sales of services	$ 1,076,969	$ 1,066,255	$ 2,077,009	$ 2,153,453
Cost of services	906,753	887,936	1,747,833	1,793,760
Gross profit	170,216	178,319	329,176	359,693
Selling, general and administrative expenses	163,741	167,448	321,515	340,647
Earnings from operations	6,475	10,871	7,661	19,046
Interest income (expense), net	82	(101)	223	(276)
Earnings before income taxes	6,557	10,770	7,884	18,770
Income taxes	2,622	4,310	3,153	7,510
Net earnings	$ 3,935	$ 6,460	$ 4,731	$ 11,260
Earnings per share:				
Basic	$ .11	$ .18	$ .13	$ .31
Diluted	.11	.18	.13	.31
Average shares outstanding (thousands):				
Basic	35,977	35,834	35,933	35,799
Diluted	36,252	35,919	36,152	35,908
Dividends per share	$ .10	$ .25	$ .20	$ .50

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

BALANCE SHEETS
(In thousands of dollars)

ASSETS	June 30, 2002	December 30, 2001
	(UNAUDITED)	
CURRENT ASSETS:		
Cash and equivalents	$ 76,958	$ 83,461
Short-term investments	574	630
Accounts receivable, less allowances of $13,048 and $12,105, respectively	589,147	539,692
Prepaid expenses and other current assets	27,503	24,950
Deferred taxes	21,657	21,469
Total current assets	715,839	670,202
PROPERTY AND EQUIPMENT:		
Land and buildings	56,680	56,639
Equipment, furniture and leasehold improvements	292,254	275,063
Accumulated depreciation	(141,716)	(119,729)
Total property and equipment	207,218	211,973
NONCURRENT DEFERRED TAXES	31,415	31,415
GOODWILL, NET	78,293	73,643
OTHER ASSETS	51,278	52,148
TOTAL ASSETS	$ 1,084,043	$ 1,039,381
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 29,902	$ 32,939
Accounts payable	89,413	88,217
Payroll and related taxes	192,883	154,813
Accrued insurance	24,972	24,071
Income and other taxes	45,013	48,149
Total current liabilities	382,183	348,189
NONCURRENT LIABILITIES:		
Accrued insurance	40,744	39,273
Accrued retirement benefits	40,939	44,764
Total noncurrent liabilities	81,683	84,037
STOCKHOLDERS' EQUITY:		
Capital stock, $1.00 par value		
Class A common stock, shares issued 36,617,148 at 2002 and 36,609,078 at 2001	36,617	36,609
Class B common stock, shares issued 3,498,718 at 2002 and 3,506,788 at 2001	3,499	3,507
Treasury stock, at cost		
Class A common stock, 4,115,267 shares at 2002 and 4,232,542 at 2001	(79,457)	(81,721)
Class B common stock, 16,375 shares at 2002 and 15,675 at 2001	(454)	(435)
Paid-in capital	17,686	17,035
Earnings invested in the business	659,027	661,483
Accumulated foreign currency adjustments	(16,741)	(29,323)
Total stockholders' equity	620,177	607,155
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,084,043	$ 1,039,381

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In thousands of dollars)

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
Capital Stock				
Class A common stock				
Balance at beginning of period	$ 36,609	$ 36,609	$ 36,609	$ 36,609
Conversions from Class B	8	-	8	-
Balance at end of period	36,617	36,609	36,617	36,609
Class B common stock				
Balance at beginning of period	3,507	3,507	3,507	3,507
Conversions to Class A	(8)	-	(8)	-
Balance at end of period	3,499	3,507	3,499	3,507
Treasury Stock				
Class A common stock				
Balance at beginning of period	(80,136)	(82,498)	(81,721)	(84,251)
Exercise of stock options, restricted stock awards and other	679	139	1,856	1,485
Treasury stock issued for acquisitions	-	44	408	451
Balance at end of period	(79,457)	(82,315)	(79,457)	(82,315)
Class B common stock				
Balance at beginning of period	(435)	(376)	(435)	(371)
Purchase of treasury stock	(19)	-	(19)	(5)
Balance at end of period	(454)	(376)	(454)	(376)
Paid-in Capital				
Balance at beginning of period	17,459	16,808	17,035	16,371
Exercise of stock options, restricted stock awards and other	227	54	559	398
Treasury stock issued for acquisitions	-	9	92	102
Balance at end of period	17,686	16,871	17,686	16,871
Earnings Invested in the Business				
Balance at beginning of period	658,691	671,247	661,483	675,388
Net earnings	3,935	6,460	4,731	11,260
Dividends	(3,599)	(8,960)	(7,187)	(17,901)
Balance at end of period	659,027	668,747	659,027	668,747
Accumulated Foreign Currency Adjustments				
Balance at beginning of period	(29,824)	(31,687)	(29,323)	(23,784)
Equity adjustment for foreign currency	13,083	(885)	12,582	(8,788)
Balance at end of period	(16,741)	(32,572)	(16,741)	(32,572)
Stockholders' Equity at end of period	$ 620,177	$ 610,471	$ 620,177	$ 610,471
Comprehensive Income				
Net earnings	$ 3,935	$ 6,460	$ 4,731	$ 11,260
Other comprehensive income - Foreign currency adjustments	13,083	(885)	12,582	(8,788)
Comprehensive Income	$ 17,018	$ 5,575	$ 17,313	$ 2,472

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands of dollars)

	26 Weeks Ended	
	June 30, 2002	July 1, 2001
Cash flows from operating activities:		
Net earnings	$ 4,731	$ 11,260
Noncash adjustments:		
Depreciation and amortization	21,079	21,447
(Increase) decrease in accounts receivable, net	(35,603)	37,860
Changes in operating assets and liabilities	27,361	14,257
Net cash from operating activities	17,568	84,824
Cash flows from investing activities:		
Capital expenditures	(14,229)	(23,751)
Decrease in other assets	1,181	5,301
Proceeds from sales and maturities of short-term investments	360	1,265
Purchases of short-term investments	(304)	(185)
Acquisition of building	-	(11,783)
Acquisition of companies, net of cash received	-	(180)
Net cash from investing activities	(12,992)	(29,333)
Cash flows from financing activities:		
Decrease in short-term borrowings	(5,916)	(12,701)
Dividend payments	(7,187)	(17,874)
Stock options and other	832	123
Purchase of treasury stock	(19)	(5)
Net cash from financing activities	(12,290)	(30,457)
Effect of exchange rates on cash and equivalents	1,211	(1,100)
Net change in cash and equivalents	(6,503)	23,934
Cash and equivalents at beginning of period	83,461	43,318
Cash and equivalents at end of period	$ 76,958	$ 67,252

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
(In thousands of dollars)

1. Basis of Presentation
The accompanying unaudited consolidated financial statements of the Company 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. All adjustments, consisting only of normal recurring adjustments, have been made which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods. 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 December 30, 2001 (the 2001 consolidated financial statements). Certain prior year amounts have been reclassified to conform with the current presentation.

2. Impairment of Long-Lived Assets
The Company evaluates long-lived assets and intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is probable that undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value. Assets to be disposed of by sale, if any, are reported at the lower of the carrying amount or fair value less cost to sell. See footnote 6 for the discussion on the impairment of goodwill and intangible assets not subject to amortization.

3. Segment Disclosures
The Company's reportable segments, which are based on the Company's method of internal reporting, are: (1) U.S. Commercial Staffing, (2) Professional, Technical and Staffing Alternatives (PTSA) and (3) International. The following table presents information about the reported sales and earnings from operations of the Company for the 13-week and 26-week periods ended June 30, 2002 and July 1, 2001. Segment data presented is net of intersegment revenues. Asset information by reportable segment is not presented, since the Company does not produce such information internally.

	13 Weeks Ended		26 Weeks Ended	
	2002	2001	2002	2001
Sales:				
U.S. Commercial Staffing	$ 526,561	$ 528,863	$ 1,007,233	$ 1,076,926
PTSA	282,172	271,477	554,464	539,122
International	268,236	265,915	515,312	537,405
Consolidated Total	$ 1,076,969	$ 1,066,255	$ 2,077,009	$ 2,153,453
Earnings from Operations:				
U.S. Commercial Staffing	$ 27,613	$ 30,895	$ 50,906	$ 62,745
PTSA	12,332	13,567	23,777	25,949
International	501	1,994	(694)	3,571
Corporate	(33,971)	(35,585)	(66,328)	(73,219)
Consolidated Total	$ 6,475	$ 10,871	$ 7,661	$ 19,046

KELLY SERVICES, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)
(UNAUDITED)
(In thousands of dollars)

4. Contingencies
The Company is subject to various legal proceedings, claims and liabilities which arise in the ordinary course of its business. Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance and it is reasonably possible that some matters could be decided unfavorably to the Company. Although the amount of the liability at June 30, 2002 with respect to these matters cannot be ascertained, the Company believes that any resulting liability will not be material to the financial statements of the Company at June 30, 2002.

5. Earnings Per Share
The reconciliations of earnings per share computations for the 13-week and 26-week periods ended June 30, 2002 and July 1, 2001 were as follows:

	13 Weeks Ended		26 Weeks Ended	
	2002	2001	2002	2001
Net earnings	$ 3,935	$ 6,460	$ 4,731	$ 11,260
Determination of shares (thousands):				
Weighted average common shares outstanding	35,977	35,834	35,933	35,799
Effect of dilutive securities:				
Stock options	179	-	95	13
Restricted and performance awards and other	96	85	124	96
Weighted average common shares outstanding - assuming dilution	36,252	35,919	36,152	35,908
Earnings per share - basic	$ .11	$ .18	$ .13	$ .31
Earnings per share - assuming dilution	$ .11	$ .18	$ .13	$ .31

KELLY SERVICES, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)
(UNAUDITED)
(In thousands of dollars)

6. Goodwill and Other Intangible Assets - Adoption of Statement 142
Effective for fiscal 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," and eliminated the amortization of purchased goodwill. The Company also reevaluated intangible assets and determined that their remaining useful lives remained appropriate. At June 30, 2002, the unamortized purchased goodwill balance was approximately $78 million. Impairment tests of goodwill and intangible assets not subject to amortization were completed as of December 31, 2001. It was determined that goodwill and intangible assets not subject to amortization are not impaired; therefore there was no transitional impairment charge to be recorded. In accordance with SFAS No. 142 the Company will test goodwill and intangible assets not subject to amortization on an annual basis or more often if circumstances change, indicating potential impairment. The following table presents net earnings and basic and diluted earnings per share for the 13-week and 26-week periods ended June 30, 2002 and July 1, 2001, as adjusted for the non-amortization provisions of SFAS No. 142.

	13 Weeks Ended		26 Weeks Ended	
	2002	2001	2002	2001
Reported net earnings	$ 3,935	$ 6,460	$ 4,731	$ 11,260
Add back: Goodwill amortization, net of tax	-	486	-	1,052
Adjusted net earnings	$ 3,935	$ 6,946	$ 4,731	$ 12,312
Basic earnings per share:				
Reported net earnings	$ 0.11	$ 0.18	$ 0.13	$ 0.31
Goodwill amortization, net of tax	-	0.01	-	0.03
Adjusted net earnings	$ 0.11	$ 0.19	$ 0.13	$ 0.34
Diluted earnings per share:				
Reported net earnings	$ 0.11	$ 0.18	$ 0.13	$ 0.31
Goodwill amortization, net of tax	-	0.01	-	0.03
Adjusted net earnings	$ 0.11	$ 0.19	$ 0.13	$ 0.34

7. Subsequent Event
On July 1, 2002 the Company purchased 500,000 shares of Class A common stock from the William R. Kelly Trust. The total value of the share repurchase was $13.1 million, or $26.28 per share, representing a 2.7% discount to the June 28, 2002 closing market price. This repurchase, which represents approximately 1.4% of the outstanding shares, will be reflected in the Company's third quarter results.

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

Results of Operations:

Second Quarter

Sales of services in the second quarter of 2002 were $1.077 billion, an increase of 1.0% from the same period in 2001. This improvement was a result of an increase in average hourly bill rates of 1.1% partially offset by a decline in hours worked of 0.2%. Sales increases in the Professional, Technical and Staffing Alternatives (PTSA) and International segments were partially offset by a small decline in the U.S. Commercial Staffing segment.

The gross profit rate for the second quarter of 2002 averaged 15.8%, a decrease of 0.9 percentage points compared to the 16.7% rate earned for the same period in 2001. The gross profit rates of all three business segments showed decreases in the second quarter of 2002 as compared to last year. The decline in gross profit rates was due primarily to a continuing shift in the mix of customers to large corporate and national accounts, a shift in service line mix from office/clerical business to lower margin light industrial business and a decline in placement fee income.

Many of the Company's large corporate and national account customers have negotiated high volume global service agreements, which tend to result in lower gross profit rates than those earned with the Company's small and medium size customers. The Company's strategy is focused on serving and growing these large corporate and national accounts. As customer mix shifts to large corporate and national accounts, the Company's average gross margins tend to decrease. The Company expects this trend to continue throughout the balance of 2002.

The Company has also experienced a shift in its mix of business from the office/clerical to light industrial service lines. Because light industrial business typically generates lower gross profit rates than office/clerical staffing, this mix shift has also tended to reduce the Company's average gross profit rates. The Company believes this shift in business mix is, in large part, related to the current economic environment and expects this shift in business mix to reverse when the economy fully recovers.

Fee based recruitment income, which represents approximately one percent of the Company's total sales, has a significant impact on gross profit rates. There are very low direct costs of services associated with recruitment income. Therefore, decreases in permanent placement fees can have a disproportionate impact on gross profit rates. As compared to last year, many customers reduced or eliminated the recruiting of full-time employees and the conversions of temporary to permanent staff. The Company expects that recruitment fee income will begin to increase when economic growth and job creation resume.

Selling, general and administrative expenses expressed as a percentage of sales were 15.2% in the second quarter of 2002, a 0.5 percentage point improvement compared to the 15.7% rate in the second quarter of 2001. Selling, general and administrative expenses totaled $163.7 million, a 2.2% year-over-year decrease. The decrease was primarily due to staff reductions and lower telecommunications and recruiting costs, which were the result of expense reduction initiatives the Company implemented during 2001 that increasingly began to have effect as the year progressed. The staff reductions in both field operations and headquarters units generated savings of approximately $3 million in the second quarter of 2002 as compared to the second quarter of the prior year. The Company did not incur significant termination costs as a result of these staff reductions. The majority of the staff reductions took place during the second and third quarters of 2001. As a result, the year-over-year change for the remainder of 2002, as compared with 2001, is not expected to be as favorable as the second quarter.

Earnings from operations in the second quarter of 2002 totaled $6.5 million, a 40.4% decrease compared to the $10.9 million reported for the second quarter of 2001. Earnings were 0.6% of sales for the second quarter of 2002 as compared to 1.0% for the same period last year.

Net interest income in the second quarter of 2002 was $82 thousand, a $183 thousand improvement compared to last year's net interest expense of $101 thousand. The improvement is primarily attributable to higher cash balances and lower short-term debt levels, offset by the impact of lower interest rates.

The effective income tax rate in the second quarter of 2002 was 40.0%, consistent with last year.

Second quarter net earnings totaled $3.9 million in 2002, a decrease of 39.1% from $6.5 million earned last year. The rate of return on sales for the second quarter of 2002 was 0.4% compared with last year's 0.6% rate. Diluted earnings per share for the second quarter of 2002 were $0.11, a 38.9% decrease as compared to diluted earnings per share of $0.18 reported for the second quarter of 2001.

US Commercial Staffing

Sales in the U.S. Commercial Staffing segment totaled $526.6 million in the second quarter of 2002, a 0.4% decrease compared to the $528.9 million reported for the same period in 2001. This reflected a 0.2% decrease in hours worked and 0.1% decrease in average hourly bill rates. The sales changes by month, on a year-over-year basis, were: down 3% in April, flat in May and up 1% in June, indicating sequential improvement throughout the second quarter. The Company expects continued improvement during the third quarter, but the rate of improvement has slowed relative to the first quarter of 2002.

U.S. Commercial Staffing sales represented 49% of total Company sales in the second quarter of 2002 and 50% of total Company sales in the second quarter of 2001.

U.S. Commercial Staffing earnings totaled $27.6 million in the second quarter of 2002, a decrease of 10.6% compared to earnings of $30.9 million last year. Expenses were tightly controlled and decreased 1.5% year-over-year. However, the 0.4% sales decrease, combined with a 0.7 percentage point decrease in the gross profit rate, produced the 10.6% earnings decline. The decline in the gross profit rate reflects both an ongoing shift in mix of sales to larger corporate and national account customers, a shift in the business mix from office/clerical to light industrial service lines and decreases in fee based income. The year-over-year decrease in fee based recruitment income for US Commercial was 30% in the second quarter. The decrease in expenses was due in large part to staff reductions and lower recruiting costs.

Professional, Technical and Staffing Alternatives

PTSA includes the following business units: Kelly Scientific Resources, Kelly Healthcare Resources, Kelly Home Care Services, Kelly Automotive Services Group, Kelly Engineering Resources, Kelly Information Technology Resources, Kelly Law Registry, Kelly Financial Resources, National Payroll Services, Kelly Management Services, Kelly Staff Leasing, Inc., Kelly Human Resource Consulting, HRFirst and Vendor Management Services. PTSA sales represented 26% of total Company sales in the second quarter of 2002 and 25% in the second quarter of 2001.

Sales in the PTSA segment for the second quarter of 2002 totaled $282.2 million, an increase of 3.9% compared to the $271.5 million reported in the second quarter of 2001. This reflected a 5.8% increase in average hourly bill rates partially offset by a 1.7% decrease in hours worked. Revenues in the staffing alternative businesses, which include the staff leasing and management services business units, increased by 6.0% compared to the second quarter of 2001.

Results continued to vary among the 14 business units that comprise PTSA. For the second straight quarter, Kelly Healthcare Resources (KHR) and Kelly Financial Resources (KFR) continue to be the leading performers in 2002, exhibiting sales growth of 40% or better for the second quarter. Kelly Staff Leasing (KSL), Kelly Engineering Resources and Kelly Information Technology maintained positive sales growth during the second quarter as well. The sales growth in KHR and KFR reflect the impact of new branches opened in 2001.

Two large PTSA units, Kelly Automotive Services Group (ASG) and Kelly Home Care (KHC), continued to experience revenue declines during the second quarter of 2002. These decreases, however, were consistent with industry trends in their staffing sectors. The sales decrease reflects the general softening of the automotive and home healthcare industries within the overall economy.

PTSA earnings for the second quarter of 2002 totaled $12.3 million and decreased 9.1% from the same period in 2001. This was the result of a decrease of 1.2 percentage points in the gross profit rate, partially offset by the 3.9% increase in sales and a 1.4% decrease in expenses.

The decrease in the gross profit rate was due to changes in business unit mix and rate decreases in certain business units, such as ASG, Kelly Information Technology and KSL. The largest factor in the business unit mix change was the decline in sales at the Kelly Home Care division which has a higher than average gross profit margin. The decrease in gross margin at KSL was due in large part to higher employee benefit costs.

International

Translated U.S. dollar sales in International for the second quarter of 2002 totaled $268.2 million, a 0.9% increase compared to the $265.9 million reported in the second quarter of 2001. This resulted from an increase in the translated U.S. dollar average hourly bill rates of 1.2% and an increase in hours worked of 0.3%, partially offset by a 17% decrease in recruitment fees.

On a same currency basis, International revenue decreased 2% in the second quarter of 2002. This compares to a same currency sales decline of 6% in the first quarter of 2002 and a 3% decline in the fourth quarter of 2001. Canada, Mexico and Asia-Pacific, the first regions within the International segment to reflect the negative impact of the global economic slowdown, are now beginning to show early signs of improvement. Year-over-year sales in continental Europe and the United Kingdom remained negative in the second quarter.

International sales represented 25% of total Company sales in the second quarters of 2002 and 2001.

International earnings from operations were $0.5 million in the second quarter of 2002 compared to $2.0 million for the same period in 2001. However, this result does represent a significant sequential improvement compared to the operating loss of $1.2 million in the first quarter of 2002. The year-over-year decrease in earnings from operations was the result of a 1.0 percentage point decline in the gross profit rate, partially offset by the 0.9% increase in sales and a 1.8% decrease in expenses.

The decline in the gross profit rate was primarily due to a 17.0% decrease in recruitment fee income and decreases in the gross profit rates of Netherlands, Germany, Canada, Mexico and Puerto Rico. On a year-over-year basis, expenses in the International segment decreased 1.8% primarily due to lower recruiting and retention costs and the elimination of goodwill amortization, partially offset by higher facilities costs. The increase in facilities costs was related to new branch office openings in Italy during 2001.

Year-to-Date

Sales of services totaled $2.077 billion during the first six months of 2002, a decrease of 3.5% from the same period in 2001. The decrease was a result of a decrease in hours worked of 5.4% partially offset by an increase in average hourly bill rates of 1.3%. Sales decreases in the U.S. Commercial Staffing and International segments were partially offset by an increase at the PTSA segment.

Gross profit of $329.2 million was 8.5% lower than the first six months of 2001, and gross profit as a percentage of sales was 15.8% in 2002, which decreased 0.9% compared to the 16.7% rate recorded last year. This reflected decreases in the gross profit rates of all three business segments. The decline in gross profit rates was due primarily to a continuing shift in the mix of customers to large corporate and national accounts, a shift in service line mix from office/clerical business to lower margin light industrial business and a decline in recruitment fee income.

Selling, general and administrative expenses of $321.5 million were 5.6% lower than last year. The expense rate improved to 15.5% of sales in 2002 as compared to 15.8% in 2001. The decrease was due primarily to staff reductions and lower telecommunication and recruiting costs, which were the result of expense reduction initiatives the Company implemented during 2001, that increasingly began to have effect as the year progressed. The staff reductions in both field operations and headquarters units generated savings of approximately $10 million year-to-date as compared with the prior year. The Company did not incur significant termination costs as a result of these staff reductions. The majority of the staff reductions took place during the second and third quarters of 2001. As a result, the year-over-year change for the remainder of 2002, as compared with 2001, is not expected to be as favorable as the first six month period.

Net interest income for the first six months of 2002 was $223 thousand, a $499 thousand improvement compared to last year's net interest expense of $276 thousand. The improvement is primarily attributable to higher cash balances and lower short-term debt levels, offset by the impact of lower interest rates.

Earnings before taxes were $7.9 million, a decrease of 58.0% from 2001. Earnings before taxes averaged 0.4% of sales in the first six months of 2002 and 0.9% of sales in 2001. Income taxes were 40.0% of pretax earnings in the first six months of 2002 and 2001.

Net earnings were $4.7 million or a 58.0% decrease compared to the first six months of 2001. Basic and diluted earnings per share were $.13, a decrease of 58.1% as compared to earnings per share of $.31 in the first six months of 2001.

U.S. Commercial Staffing

Sales in the U.S. Commercial Staffing segment totaled $1,007.2 million for the first six months of 2002, a 6.5% decrease compared to the $1,076.9 million reported for the same period in 2001. This reflected a 7.1% decrease in hours worked partially offset by a 0.8% increase in average hourly bill rates. U.S. Commercial Staffing sales represented 48% of total Company sales for the first six months of 2002 as compared with 50% in the same period of 2001.

U.S. Commercial Staffing earnings totaled $50.9 million for the first six months of 2002 compared to earnings of $62.7 million last year, a decrease of 18.9%. Expenses were tightly controlled and decreased 5.4% year-over-year primarily due in large part to staff reductions and lower recruiting costs. However, the 6.5% sales decrease, combined with a 0.7 percentage point decrease in the gross profit rate, produced the 18.9% earnings decline. The decline in the gross profit rate reflects both an ongoing shift in mix of sales to larger corporate and national accounts, a shift in the business mix from office/clerical to light industrial and decreases in fee based income. The year-over-year decrease in recruitment fee income for US Commercial was 35% for the first six months of 2002.

Professional, Technical and Staffing Alternatives

Sales in the PTSA segment for the first six months of 2002 totaled $554.5 million, an increase of 2.8% compared to the $539.1 million reported for the first six months of 2001. This reflected a 7.5% increase in average hourly bill rates partially offset by a 4.4% decrease in hours worked. PTSA sales represented 27% of total Company sales for the first six months of 2002 as compared with 25% in the same period of 2001.

For the first six months of 2002, Kelly Healthcare Resources and Kelly Financial Resources continued to be the leading performers, exhibiting sales growth of 40% or better as compared to the comparable period in 2001. Kelly Staff Leasing, Kelly Law Registry and Kelly Engineering Resources also maintained positive sales growth. However, three large PTSA units, Kelly Automotive Services Group, Kelly Information Technology and Kelly Home Care, experienced revenue declines during the first six months of 2002 as compared to the first six months of 2001. These decreases, however, were consistent with industry trends in their staffing sectors.

PTSA earnings for the first six months of 2002 totaled $23.8 million and decreased 8.4% from the same period in 2001. This was the result of a decrease of 1.1 percentage points in the gross profit rate, partially offset by the 2.8% increase in sales and a 2.3% decrease in expenses.

The decrease in the gross profit rate was due to changes in business unit mix and rate decreases in certain business units, such as Kelly Automotive Services Group and Kelly Information Technology. The most significant factors impacting the business unit mix were the decline in sales at the Kelly Home Care unit, which has a higher than average gross profit rate, and the increase in sales at Kelly Staff Leasing, which has a significantly lower than average gross profit rate.

International

Translated U.S. dollar sales in International for the first six months of 2002 totaled $515.3 million, a 4.1% decrease compared to the $537.4 million reported in the first six months of 2001. This resulted from a decrease in the translated U.S. dollar average hourly bill rates of 0.7%, a decrease in hours worked of 2.8% and a 22% decrease in recruitment fees.

On a same currency basis, International revenue decreased 4% in the first six months of 2002. International sales represented 25% of total Company sales in the first six months of 2002 and 2001.

International results were a loss of $0.7 million for the first six months of 2002 compared to earnings of $3.6 million for the same period in 2001. The decrease in earnings from operations was the result of the 4.1% decrease in sales and a 1.0 percentage point decline in the gross profit rate, partially offset by a 4.9% reduction in expenses.

The decline in the gross profit rate was primarily due to a 22.0% decrease in recruitment fee income. On a year-over-year basis, expenses in the International segment decreased 4.9% primarily due to staff reductions, lower recruiting costs and the elimination of goodwill amortization.

Financial Condition

Assets totaled $1.084 billion at June 30, 2002, an increase of 4.3% from the $1.039 billion at December 31, 2001. The Company's working capital position was $334 million at June 30, 2002, an increase of $12 million from year-end 2001. The current ratio was 1.9 at quarter-end 2002 and year-end 2001. Cash and short-term investments totaled $78 million at June 30, 2002, a decrease of $6 million compared to the $84 million at year-end 2001.

During the first six months of 2002, net cash from operating activities totaled $17.6 million, a decrease of 79.3% from the comparable period in 2001. This decrease is primarily due to a $35.6 million increase in the accounts receivable balance, compared to the $37.9 million decrease in accounts receivable during the same period in 2001. The global days sales outstanding for the second quarters of 2002 and 2001 was 50 days.

Short-term debt totaled $30 million at June 30, 2002, which decreased $3 million compared to the $33 million level at year-end 2001. All short-term borrowings are foreign currency denominated and reduce the Company's exposure to foreign exchange fluctuations. At quarter end, debt represented less than 5% of total capital.

Capital expenditures for the first six months of 2002 totaled $14 million, down 40.1% from the $24 million spent in the first six months of 2001. For 2002, capital expenditures are expected to total between $35 and $40 million.

Depreciation and amortization for the first six months of 2002 totaled $21.1 million, essentially flat compared to the $21.4 million for same period of 2001. As a result of the implementation of Statement of Financial Accounting Standard (SFAS) No. 142 at the beginning of 2002, the Company will eliminate approximately $2.7 million of amortization of goodwill in 2002. Approximately $1.3 million of amortization was eliminated in the first six months of 2002. For planning purposes, the Company expects depreciation and amortization of intangible assets other than goodwill to total approximately $43 to $47 million for 2002, reflecting on-going implementation of major IT projects, including the Company's StaffNet branch automation system.

Stockholders' equity was $620 million at June 30, 2002, which represents a $13 million increase as compared to year-end 2001. The increase in stockholders' equity is primarily the result of the change in accumulated foreign currency adjustments.

On July 1, 2002, the Company repurchased 500,000 shares of Class A common stock from the William R. Kelly Trust. The total value of the share repurchase was $13.1 million. The repurchase transaction will be reflected in the Company's third quarter results.

Dividends paid per common share were $.10 in the second quarter of 2002, a decrease of 60% from dividends of $.25 per share in the second quarter of 2001, reflecting the change in the Company's dividend policy implemented in November 2001.

The Company's financial position remains strong. The Company continues to carry no long-term debt and expects to meet its growth requirements principally through cash generated from operations, available cash and short term investments and committed unused credit facilities.

The Company has no material unrecorded commitments, losses, contingencies or guarantees associated with any related parties or unconsolidated entities.

Market Risk-Sensitive Instruments And Positions

The Company does not hold or invest in derivative contracts. The Company is exposed to foreign currency risk primarily due to its net investment in foreign subsidiaries. This risk is mitigated by the use of the Company's multi-currency line of credit. This credit facility is used to borrow in local currencies which mitigates the exchange rate risk resulting from foreign currency-denominated net investments fluctuating in relation to the U.S. dollar. In addition, the Company is exposed to interest rate risks through its use of the multi-currency line of credit.

In addition, the Company is exposed to market risk as a result of its obligation to pay benefits under its nonqualified deferred compensation plan and its 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 publicly traded mutual funds, as part of the company-owned variable universal life insurance policies, are designed to mitigate this risk with offsetting gains and losses.

Overall, the Company's holdings and positions in market risk-sensitive instruments do not subject the Company to material risk.

Forward-Looking Statements

Except for the historical statements and discussions contained herein, statements contained in this report relate to future events that are subject to risks and uncertainties, such as: competitive market pressures including pricing, changing market and economic conditions, material changes in demand from large corporate customers, availability of temporary workers with appropriate skills required by customers, increases in wages paid to temporary workers not passed on to customers, currency fluctuations, changes in laws and regulations, the Company's ability to effectively implement and manage its information technology programs, the ability of the Company to successfully expand into new markets and service lines and other factors discussed in the report and in the Company's filings with the Securities and Exchange Commission. Actual results may differ materially from any projections contained herein.

PART II. OTHER INFORMATION AND SIGNATURE

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The annual meeting of stockholders of registrant was held May 14, 2002.

(b) The nominee for directors, as listed in the Company's proxy statement dated April 12, 2002, were elected. The directors whose terms of office continued after the meeting are also listed in the proxy statement.

(c) A brief description and the results of the matters voted upon at the meeting follow.

(1) Election of C.T. Camden as director:

Shares voted "For"	3,320,940
Shares voted "Withhold"	115,766

(2) Election of B.J. White as director:

Shares voted "For"	3,436,475
Shares voted "Withhold"	231

(3) Ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditors:

Shares voted "For"	3,436,665
Shares voted "Against"	41

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits - None

(b) A report on Form 8-K dated August 7, 2002 was filed by the Company in August, 2002. The report was filed under Item 9, Regulation FD Disclosure.

SIGNATURE

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: August 7, 2002

/s/ William K. Gerber
William K. Gerber

Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)