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

# FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 27, 2009**

**OR**

o **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 ☑ No o

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 o No o

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 o | Accelerated filer ☑ | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

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

At October 23, 2009, 31,482,716 shares of Class A and 3,459,785 shares of Class B common stock of the Registrant were outstanding.

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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 | | 39 Weeks Ended | |
|---|---|---|---|---|
| | Sept. 27, 2009 | Sept. 28, 2008 | Sept. 27, 2009 | Sept. 28, 2008 |
| Revenue from services | $ 1,049.2 | $ 1,397.8 | $ 3,120.7 | $ 4,238.2 |
| Cost of services | 883.0 | 1,152.1 | 2,607.3 | 3,485.2 |
| Gross profit | 166.2 | 245.7 | 513.4 | 753.0 |
| Selling, general and administrative expenses | 193.7 | 260.2 | 593.4 | 739.6 |
| Asset impairments | 0.5 | — | 53.1 | — |
| (Loss) earnings from operations | (28.0) | (14.5) | (133.1) | 13.4 |
| Other expense, net | (1.6) | (0.1) | (1.3) | — |
| (Loss) earnings from continuing operations before taxes | (29.6) | (14.6) | (134.4) | 13.4 |
| Income taxes | (14.8) | (3.1) | (37.5) | 6.5 |
| (Loss) earnings from continuing operations | (14.8) | (11.5) | (96.9) | 6.9 |
| (Loss) earnings from discontinued operations, net of tax | — | (0.7) | 0.6 | (0.4) |
| Net (loss) earnings | $ (14.8) | $ (12.2) | $ (96.3) | $ 6.5 |
| Basic (loss) earnings per share: | | | | |
| (Loss) earnings from continuing operations | $ (0.43) | $ (0.33) | $ (2.78) | $ 0.19 |
| (Loss) earnings from discontinued operations | $ — | $ (0.02) | $ 0.02 | $ (0.01) |
| Net (loss) earnings | $ (0.43) | $ (0.35) | $ (2.76) | $ 0.19 |
| Diluted (loss) earnings per share: | | | | |
| (Loss) earnings from continuing operations | $ (0.43) | $ (0.33) | $ (2.78) | $ 0.19 |
| (Loss) earnings from discontinued operations | $ — | $ (0.02) | $ 0.02 | $ (0.01) |
| Net (loss) earnings | $ (0.43) | $ (0.35) | $ (2.76) | $ 0.19 |
| Dividends per share | $ — | $ .135 | $ — | $ .405 |
| Average shares outstanding (millions): | | | | |
| Basic | 34.9 | 34.8 | 34.9 | 34.8 |
| Diluted | 34.9 | 34.8 | 34.9 | 34.8 |

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
(UNAUDITED)
(In millions)

| | September 27, 2009 | December 28, 2008 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and equivalents | $ 91.0 | $ 118.3 |
| Trade accounts receivable, less allowances of $15.7 and $17.0, respectively | 707.3 | 815.8 |
| Prepaid expenses and other current assets | 54.3 | 62.0 |
| Deferred taxes | 25.7 | 31.9 |
| Total current assets | 878.3 | 1,028.0 |
| PROPERTY AND EQUIPMENT: | | |
| Land and buildings | 58.6 | 59.2 |
| Computer hardware and software, equipment, furniture and leasehold improvements | 267.8 | 302.6 |
| Accumulated depreciation | (193.9) | (210.5) |
| Net property and equipment | 132.5 | 151.3 |
| NONCURRENT DEFERRED TAXES | 66.0 | 40.0 |
| GOODWILL, NET | 67.3 | 117.8 |
| OTHER ASSETS | 134.6 | 120.2 |
| TOTAL ASSETS | $ 1,278.7 | $ 1,457.3 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term borrowings and current portion of long-term debt | $ 15.3 | $ 35.2 |
| Accounts payable and accrued liabilities | 201.9 | 244.1 |
| Accrued payroll and related taxes | 229.6 | 243.2 |
| Accrued insurance | 25.0 | 26.3 |
| Income and other taxes | 29.8 | 51.8 |
| Total current liabilities | 501.6 | 600.6 |
| NONCURRENT LIABILITIES: | | |
| Long-term debt | 66.0 | 80.0 |
| Accrued insurance | 43.9 | 46.9 |
| Accrued retirement benefits | 74.0 | 61.6 |
| Other long-term liabilities | 14.2 | 15.3 |
| Total noncurrent liabilities | 198.1 | 203.8 |
| STOCKHOLDERS' EQUITY: | | |
| Capital stock, $1.00 par value | | |
| Class A common stock, shares issued 36.6 at 2009 and 2008 | 36.6 | 36.6 |
| Class B common stock, shares issued 3.5 at 2009 and 2008 | 3.5 | 3.5 |
| Treasury stock, at cost | | |
| Class A common stock, 5.2 shares at 2009 and 5.3 at 2008 | (107.0) | (110.6) |
| Class B common stock | (0.6) | (0.6) |
| Paid-in capital | 35.9 | 35.8 |
| Earnings invested in the business | 579.7 | 676.0 |
| Accumulated other comprehensive income | 30.9 | 12.2 |
| Total stockholders' equity | 579.0 | 652.9 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 1,278.7 | $ 1,457.3 |

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
(UNAUDITED)
(In millions of dollars)

| | 13 Weeks Ended | | 39 Weeks Ended | |
|---|---|---|---|---|
| | Sept. 27, 2009 | Sept. 28, 2008 | Sept. 27, 2009 | Sept. 28, 2008 |
| Capital Stock | | | | |
| Class A common stock | | | | |
| Balance at beginning of period | $ 36.6 | $ 36.6 | $ 36.6 | $ 36.6 |
| Conversions from Class B | — | — | — | — |
| Balance at end of period | 36.6 | 36.6 | 36.6 | 36.6 |
| Class B common stock | | | | |
| Balance at beginning of period | 3.5 | 3.5 | 3.5 | 3.5 |
| Conversions to Class A | — | — | — | — |
| Balance at end of period | 3.5 | 3.5 | 3.5 | 3.5 |
| Treasury Stock | | | | |
| Class A common stock | | | | |
| Balance at beginning of period | (107.2) | (110.8) | (110.6) | (105.7) |
| Exercise of stock options, restricted stock awards and other | 0.2 | 0.1 | 3.6 | 3.0 |
| Purchase of treasury stock | — | — | — | (8.0) |
| Balance at end of period | (107.0) | (110.7) | (107.0) | (110.7) |
| Class B common stock | | | | |
| Balance at beginning of period | (0.6) | (0.6) | (0.6) | (0.6) |
| Exercise of stock options, restricted stock awards and other | — | — | — | — |
| Balance at end of period | (0.6) | (0.6) | (0.6) | (0.6) |
| Paid-in Capital | | | | |
| Balance at beginning of period | 34.7 | 33.3 | 35.8 | 34.5 |
| Exercise of stock options, restricted stock awards and other | 1.2 | 1.2 | 0.1 | — |
| Balance at end of period | 35.9 | 34.5 | 35.9 | 34.5 |
| Earnings Invested in the Business | | | | |
| Balance at beginning of period | 594.5 | 786.6 | 676.0 | 777.3 |
| Net (loss) earnings | (14.8) | (12.2) | (96.3) | 6.5 |
| Dividends | — | (4.8) | — | (14.2) |
| Balance at end of period | 579.7 | 769.6 | 579.7 | 769.6 |
| Accumulated Other Comprehensive Income | | | | |
| Balance at beginning of period | 22.7 | 45.4 | 12.2 | 42.6 |
| Foreign currency translation adjustments, net of tax | 7.2 | (16.3) | 13.7 | (8.5) |
| Unrealized gains (losses) on investments, net of tax | 1.0 | (3.3) | 5.0 | (8.3) |
| Balance at end of period | 30.9 | 25.8 | 30.9 | 25.8 |
| Stockholders' Equity at end of period | $ 579.0 | $ 758.7 | $ 579.0 | $ 758.7 |
| Comprehensive (Loss) Income | | | | |
| Net (loss) earnings | $ (14.8) | $ (12.2) | $ (96.3) | $ 6.5 |
| Foreign currency translation adjustments, net of tax | 7.2 | (16.3) | 13.7 | (8.5) |
| Unrealized gains (losses) on investments, net of tax | 1.0 | (3.3) | 5.0 | (8.3) |
| Comprehensive Loss | $ (6.6) | $ (31.8) | $ (77.6) | $ (10.3) |

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(UNAUDITED)
(In millions of dollars)

| | 39 Weeks Ended | |
|---|---|---|
| | Sept. 27, 2009 | Sept. 28, 2008 |
| Cash flows from operating activities: | | |
| Net (loss) earnings | $ (96.3) | $ 6.5 |
| Noncash adjustments: | | |
| Impairment of assets | 53.1 | — |
| Depreciation and amortization | 30.9 | 34.1 |
| Provision for bad debts | 2.7 | 4.8 |
| Stock-based compensation | 3.6 | 3.0 |
| Other, net | (4.0) | 1.8 |
| Changes in operating assets and liabilities | 50.7 | 36.2 |
| Net cash from operating activities | 40.7 | 86.4 |
| Cash flows from investing activities: | | |
| Capital expenditures | (7.9) | (23.5) |
| Acquisition of companies, net of cash received | (7.5) | (32.4) |
| Other investing activities | (2.9) | (0.4) |
| Net cash from investing activities | (18.3) | (56.3) |
| Cash flows from financing activities: | | |
| Net change in revolving line of credit | (11.9) | 12.5 |
| Repayment of debt | (22.9) | — |
| Dividend payments | — | (14.2) |
| Purchase of treasury stock | — | (8.0) |
| Other financing activities | (18.5) | 1.1 |
| Net cash from financing activities | (53.3) | (8.6) |
| Effect of exchange rates on cash and equivalents | 3.6 | (0.7) |
| Net change in cash and equivalents | (27.3) | 20.8 |
| Cash and equivalents at beginning of period | 118.3 | 92.8 |
| Cash and equivalents at end of period | $ 91.0 | $ 113.6 |

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
(UNAUDITED)

**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. All adjustments, including normal recurring adjustments, have been made which, in the opinion of management, are necessary for a fair statement 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 28, 2008, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009 (the 2008 consolidated financial statements).

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform with the current presentation.

We have evaluated the consolidated financial statements for subsequent events through the date of the filing of this Form 10-Q.

**2. Fair Value Measurements**

The carrying value of cash and equivalents, accounts receivable, accounts payable, accrued liabilities and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities. As of September 27, 2009, the carrying value of long-term debt (see Note 6), approximates the fair value.

**Assets Measured at Fair Value on a Recurring Basis**

The following tables present assets measured at fair value on a recurring basis as of September 27, 2009 and December 28, 2008 on the consolidated balance sheet by fair value hierarchy level, as described below.

| | Fair Value Measurements on a Recurring Basis As of September 27, 2009 | | | |
|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 |
| | (In millions of dollars) | | | |
| Money market funds | $ 2.9 | $ 2.9 | $ — | $ — |
| Available-for-sale investment | 27.4 | 27.4 | — | — |
| Total assets at fair value | $ 30.3 | $ 30.3 | $ — | $ — |

| | Fair Value Measurements on a Recurring Basis As of December 28, 2008 | | | |
|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 |
| | (In millions of dollars) | | | |
| Money market funds | $ 28.6 | $ 28.6 | $ — | $ — |
| Available-for-sale investment | 22.5 | 22.5 | — | — |
| Total assets at fair value | $ 51.1 | $ 51.1 | $ — | $ — |

**2. Fair Value Measurements (continued)**

Level 1 measurements consist of 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.

Money market funds as of September 27, 2009 represent investments in money market accounts, of which $1.8 million is included in cash and equivalents and $1.1 million of restricted cash is included in prepaid expenses and other current assets on the consolidated balance sheet. Money market funds as of December 28, 2008 represent investments in money market accounts, of which $27.3 million is included in cash and equivalents and $1.3 million of restricted cash is included in prepaid expenses and other current 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") 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. During the fourth quarter of 2008, the Company recorded in the consolidated statement of earnings an other-than-temporary impairment of $18.7 million related to the investment in Temp Holdings. The unrealized gain of $1.0 million pretax and net of tax for the quarter ended September 27, 2009 and loss of $5.8 million ($3.3 million net of tax) for the quarter ended September 28, 2008 was recorded in other comprehensive income, a component of stockholders' equity. The unrealized gain of $5.0 million pretax and net of tax for the 39 weeks ended September 27, 2009 and loss of $14.3 million ($8.3 million net of tax) for the 39 weeks ended September 28, 2008 was recorded in other comprehensive income.

**Assets Measured at Fair Value on a Nonrecurring Basis**

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis, such as when there is evidence of impairment. The following table presents assets carried on the consolidated balance sheet by fair value hierarchy level described above as of September 27, 2009, for which a nonrecurring change in fair value has been recorded during the third quarter and first nine months of 2009.

| | Fair Value Measurements on a Nonrecurring Basis As of September 27, 2009 | | | | Total Gains (Losses) | |
|---|---|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 | Third Quarter 2009 | September Year to Date 2009 |
| | (In millions of dollars) | | | | (In millions of dollars) | |
| Goodwill | $ 67.3 | $ — | $ — | $ 67.3 | $ — | $ (50.5) |
| Long-lived assets and intangible assets | 146.8 | — | — | 146.8 | (0.5) | (2.6) |

Due to significantly worse than anticipated economic conditions and the impacts to our business in the second quarter of 2009, we revised our internal forecasts for all of our segments, which we deemed to be a triggering event for purposes of assessing goodwill for impairment. Accordingly, goodwill at all of our reporting units was tested for impairment in the second quarter of 2009. The Company's reporting units are the same as its reportable segments.

**2. Fair Value Measurements (continued)**

The Company primarily used a discounted cash flow methodology to determine the estimated fair value of its reporting units. We also considered other valuation techniques, such as the market approach. We determined that the estimated fair value of our Americas Commercial, APAC Commercial and EMEA PT reporting units were less than their carrying value. As a result, we performed additional impairment testing to determine the implied fair value of goodwill for these reporting units. The implied fair value of the goodwill was less than the carrying value of the goodwill in each of those reporting units. As a result, we recorded a goodwill impairment loss of $50.5 million, of which $16.4 million is related to the Americas Commercial reporting unit, $12.1 million is related to the APAC Commercial reporting unit and $22.0 million is related to the EMEA PT reporting unit (See Note 5). This expense was recorded in the asset impairments line on the consolidated statement of earnings. The estimated fair value of all other reporting units exceeded their carrying value.

Our analysis used significant assumptions by segment, including: expected future revenue and expense growth rates, profit margins, cost of capital, discount rate and forecasted capital expenditures. Our projections assumed that revenue remained relatively flat in the near term, followed by a recovery and long-term modest growth. Assumptions and estimates about future cash flows and discount rates are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts.

Although we believe the assumptions and estimates we made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. Different assumptions of the anticipated future results and growth from these businesses could result in an impairment charge of our remaining goodwill balance of $67.3 million. Such a charge would decrease operating income and result in lower asset values on our consolidated balance sheet. For example, a continued worsening of the economy or assumed growth rate reduced by half for the next two years could result in the estimated fair value of the OCG segment falling below its book value.

Additionally, we evaluate long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When estimated undiscounted future cash flows will not be sufficient to recover an asset’s carrying amount, the asset is written down to its fair value, determined by estimated future discounted cash flows. The Company’s estimates as of June 28, 2009 resulted in a $2.1 million reduction in the carrying value of long-lived assets and intangible assets in Japan. Additionally, the Company’s estimates as of September 27, 2009 resulted in a $0.5 million reduction in the carrying value of long-lived assets and intangible assets in Europe.

**3. Acquisitions**

During the first nine months of 2009, the Company made payments as follows: $5.7 million earnout payment related to the 2007 acquisition of access AG, $1.0 million related to the 2007 acquisition of CGR/seven LLC, $0.6 million earnout payment related to the 2006 acquisition of The Ayers Group and $0.2 million earnout payment related to the 2008 acquisition of Toner Graham. All of the above payments were accrued in the previous year.

During the first nine months of 2008, the Company made net cash payments as follows: $12.8 million related to the acquisition of the Portuguese subsidiaries of Randstad Holding N.V., $9.0 million related to the acquisition of Toner Graham, $7.6 million related primarily to the acquisition of access AG and a $2.0 million earnout payment and $1.0 million acquisition payment related to the acquisition of CGR/seven LLC.

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**4. Restructuring**

On January 21, 2009, the Chief Executive Officer of Kelly Services, Inc. authorized a restructuring plan for our United Kingdom (“Kelly U.K.”) operations. The plan was the result of management’s strategic review of the U.K. operations which identified under-performing branch locations and the opportunity for additional operational cost savings.

On March 13, 2009, the Company sold 31, or nearly half, of the commercial staffing branches scheduled for closure in the U.K. to Hexagon Staffing Solutions Limited, trading as Interaction Recruitment (“Interaction Recruitment”). As part of this transaction, we incurred $3.1 million in related expenses.

As of September 27, 2009, Kelly U.K. has closed 11 of the remaining 16 branches scheduled for closure. Total restructuring charges associated with these actions for the 13 and 39 weeks ended September 27, 2009 were $0.7 million and $8.5 million, respectively, including the $3.1 million related to the Interaction Recruitment transaction. These charges were reported as a component of selling, general and administrative expenses in the EMEA Commercial segment. Cash expenditures related to the restructuring program totaled $1.2 million and $5.9 million, respectively, for the 13 and 39 weeks ended September 27, 2009. We expect to incur approximately $1 million to $2 million of additional facility and other exit costs in the fourth quarter of 2009. Total pre-tax charges related to the U.K. restructuring program, which include facility exit costs, the payment to Interaction Recruitment and employee termination costs, are expected to total approximately $11 million to $12 million.

Following is a summary of the Company’s balance sheet accrual related to the facility exit costs (in millions of dollars):

| | |
|---|---|
| Balance at beginning of year | $ 1.5 |
| Additions charged to operations | 5.4 |
| Reductions for cash payments | (2.8) |
| Balance at March 29, 2009 | 4.1 |
| Additions charged to operations | 2.4 |
| Reductions for cash payments | (1.9) |
| Translation adjustment | 0.7 |
| Balance at June 28, 2009 | 5.3 |
| Additions charged to operations | 0.7 |
| Reductions for cash payments | (1.2) |
| Translation adjustment | (0.1) |
| Balance at September 27, 2009 | $ 4.7 |

KELLY SERVICES, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
(UNAUDITED)

**5. Goodwill**

The changes in the net carrying amount of goodwill and accumulated impairment losses for the 39 weeks ended September 27, 2009 were as follows:

| | Goodwill, Net | | | Accumulated Impairment Losses | | |
|---|---|---|---|---|---|---|
| | Balance as of Dec. 28, 2008 | Impairment Losses (Note 2) | Balance as of Sept. 27, 2009 | Balance as of Dec. 28, 2008 | Impairment Losses (Note 2) | Balance as of Sept. 27, 2009 |
| | (In millions of dollars) | | | (In millions of dollars) | | |
| **Americas** | | | | | | |
| Americas Commercial | $ 16.4 | $ (16.4) | $ — | $ — | $ (16.4) | $ (16.4) |
| Americas PT | 39.2 | — | 39.2 | — | — | — |
| Total Americas | 55.6 | (16.4) | 39.2 | — | (16.4) | (16.4) |
| **EMEA** | | | | | | |
| EMEA Commercial | — | — | — | (50.4) | — | (50.4) |
| EMEA PT | 22.0 | (22.0) | — | — | (22.0) | (22.0) |
| Total EMEA | 22.0 | (22.0) | — | (50.4) | (22.0) | (72.4) |
| **APAC** | | | | | | |
| APAC Commercial | 12.1 | (12.1) | — | — | (12.1) | (12.1) |
| APAC PT | 1.8 | — | 1.8 | — | — | — |
| Total APAC | 13.9 | (12.1) | 1.8 | — | (12.1) | (12.1) |
| OCG | 26.3 | — | 26.3 | — | — | — |
| Consolidated Total | $ 117.8 | $ (50.5) | $ 67.3 | $ (50.4) | $ (50.5) | $ (100.9) |

Goodwill excluding impairment losses as of December 28, 2008 and September 27, 2009 was $168.2 million.

**6. Debt**

As of September 27, 2009, the Company had a $150 million committed revolving credit facility, a 5.5 billion yen-denominated amortizing term loan facility, and a 9.0 million euro and 5.0 million British pound sterling term loan facility.

The facilities listed above contained certain financial covenants, including a minimum cumulative level of earnings before interest, taxes, depreciation and amortization ("EBITDA"). As of June 28, 2009, we did not meet the requirement for a minimum cumulative EBITDA of $5 million for the last twelve months. The Company's lenders approved waivers of this requirement. There were no borrowings against the $150 million facility as of September 27, 2009.

On September 28, 2009, the Company entered into an agreement with its lenders for a new $90 million revolving credit facility. The new facility is secured by the assets of the Company and has a three-year term, maturing on September 28, 2012. This facility replaced the $150 million facility, which was canceled upon mutual agreement between the lenders and the Company. At the same time, the Company amended its term loans to conform to the pricing, terms, and conditions of the revolver. The maturity dates of the term loans remained unchanged.

Interest and other charges under the new and revised agreements vary based on the Company's ratio of total indebtedness to the sum of net worth and total indebtedness. As of September 28, 2009, the loans carry an all-in spread of 350 basis points over the London InterBank Offering Rate.

**6. Debt (continued)**

The new agreements also contain modified financial covenants and certain restrictions that are described below.

- As long as any loan is outstanding under the facility, the Company must maintain an EBITDA level for the last twelve months of not less than negative $30 million as of the end of Q3 2009 and Q4 2009, negative $20 million as of the end of Q1 2010 and negative $7.5 million as of the end of Q2 2010. This covenant expires after Q2 2010.

- The Company must not allow its ratio of EBITDA to interest expense (“Interest Coverage Ratio”) for the last twelve months to be below 1.5 to 1.0 as of the end of Q3 2010, 3.0 to 1.0 as of the end of Q4 2010, and 3.5 to 1.0 as of the end of Q1 2011 and thereafter.

- The Company must keep its ratio of total indebtedness to the sum of net worth and total indebtedness below 0.4 to 1.0 at all times.

- Dividends, stock buybacks and similar transactions are restricted when the Interest Coverage Ratio is less than 3.0 to 1.0. When the Interest Coverage Ratio is above 3.0 to 1.0, the Company may pay up to $20 million annually, and when the Interest Coverage Ratio is above 5.0 to 1.0, the Company may pay up to $30 million annually.

- The Company must adhere to other operating restrictions relating to the conduct of business, such as certain limitations on asset sales and the type and scope of investments.

Certain cash and non-cash charges that are non-recurring in nature are excluded from EBITDA.

**7. Earnings Per Share**

In June 2008, the Financial Accounting Standards Board (“FASB”) issued guidance which clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends before vesting should be considered participating securities and, therefore, included in the calculation of earnings per share using the two-class method. This guidance was effective beginning with the first quarter of 2009, and all prior period earnings per share data presented was adjusted retrospectively to conform with the provisions of this guidance. The impact of adopting the provisions of this guidance was to lower basic and diluted earnings per share on income from continuing operations for the 39 weeks ended September 28, 2008 by $0.01.

The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Under this method, earnings from continuing operations (or net earnings) is reduced by the amount of dividends declared, and the remaining undistributed earnings is allocated to common stock and participating securities based on the proportion of each class’s weighted average shares outstanding to the total weighted average shares outstanding. The calculation of diluted earnings per share includes the effect of potential common shares outstanding in the average weighted shares outstanding.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
(UNAUDITED)

**7. Earnings Per Share (continued)**

The reconciliation of basic earnings per share on common stock for the 13 and 39 weeks ended September 28, 2008 was as follows:

| | 13 Weeks Ended 2008 | 39 Weeks Ended 2008 |
|---|---|---|
| | (In millions of dollars except per share data) | |
| (Loss) earnings from continuing operations | $ (11.5) | $ 6.9 |
| Less: Earnings allocated to participating securities | — | (0.1) |
| (Loss) earnings from continuing operations available to common shareholders | $ (11.5) | $ 6.8 |
| Loss from discontinued operations | $ (0.7) | $ (0.4) |
| Less: Loss allocated to participating securities | — | — |
| Loss from discontinued operations available to common shareholders | $ (0.7) | $ (0.4) |
| Net (loss) earnings | $ (12.2) | $ 6.5 |
| Less: Earnings allocated to participating securities | — | (0.1) |
| Net (loss) earnings available to common shareholders | $ (12.2) | $ 6.4 |
| Basic (loss) earnings per share on common stock: | | |
| (Loss) earnings from continuing operations | $ (0.33) | $ 0.19 |
| Loss from discontinued operations | $ (0.02) | $ (0.01) |
| Net (loss) earnings | $ (0.35) | $ 0.19 |
| Average common shares outstanding (millions) | 34.8 | 34.8 |

Due to the fact that there were no potentially dilutive common shares outstanding during the period, the computations of basic and diluted earnings per share on common stock are the same for both 13-week and 39-week periods ended September 27, 2009 and September 28, 2008. Stock options representing 0.9 million and 1.0 million shares, respectively, for the 13 weeks ended September 27, 2009 and September 28, 2008 and 0.9 million and 1.1 million shares, respectively, for the 39 weeks ended September 27, 2009 and September 28, 2008 were excluded from the computation of diluted (loss) earnings per share due to their anti-dilutive effect.

In connection with the $50.0 million Class A share repurchase program authorized by the board of directors in August, 2007, the Company repurchased 0.4 million shares for $8.0 million during the first quarter of 2008. No shares were repurchased during 2009 or second and third quarters of 2008. Share repurchases totaled $42.7 million under the program, which expired in August, 2009.

### 8. Other Expense, Net

Included in other expense, net are the following:

| | 13 Weeks Ended | | 39 Weeks Ended | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | (In millions of dollars) | | (In millions of dollars) | |
| Interest income | $ 0.3 | $ 0.9 | $ 1.2 | $ 2.8 |
| Interest expense | (1.0) | (1.0) | (2.4) | (3.0) |
| Dividend income | — | — | 0.3 | 0.3 |
| Foreign exchange losses | (1.1) | — | (0.8) | — |
| Other | 0.2 | — | 0.4 | (0.1) |
| Other expense, net | $ (1.6) | $ (0.1) | $ (1.3) | $ (0.0) |

### 9. Contingencies

The Company is subject to various legal proceedings and claims which arise in the ordinary course of its business, typically employment discrimination and wage and hour matters. These legal proceedings and claims are subject to many uncertainties, the outcome of which is not predictable. It is reasonably possible that some matters could be decided unfavorably to the Company and, if so, could have a material impact to our consolidated financial statements. The Company's exposure is most significant in matters involving alleged violations of state wage and hour laws. Certain legal proceedings seek class action status; these matters individually and in the aggregate seek compensatory, statutory and/or punitive damages. Disclosure of the most likely outcomes of individual cases and significant assumptions made in estimating related reserves are likely to have adverse consequences to the Company including, by way of example, the possibility that the disclosures themselves constitute admissible evidence in a trial and the potential to set a floor in settlement negotiations.

During the third quarter of 2008, several matters reached a stage in the litigation process that caused the Company to reassess its litigation risk and establish reserves which, in the aggregate, then resulted in a charge of $23.5 million. The Company has reached negotiated settlements in the two most significant of these cases; final court approval of these two settlements is expected during the fourth quarter of 2009; an additional reserve in the amount of $4.3 million was established in the third quarter of 2009 in anticipation of the final orders.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
(UNAUDITED)

**10. 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 maker to determine resource allocation and assess performance. Each reportable segment is managed by its own management team and reports to executive management. 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 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, contingent workforce outsourcing, business process outsourcing, executive placement and career transition/outplacement services. Corporate expenses that directly support the operating units have been allocated to the seven segments. Included in corporate expenses in the 13 and 39 weeks ended September 27, 2009 is $0.5 million and $53.1 million, respectively, related to asset impairment charges (See Notes 2 and 5).

The following table presents information about the reported revenue from services and earnings from operations of the Company for the 13 and 39 weeks ended September 27, 2009 and September 28, 2008. Effective with the first quarter of 2009, segment data has been revised to include the effect of intersegment revenues. Prior periods have been reclassified to conform with the current presentation. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
(UNAUDITED)

**10. Segment Disclosures (continued)**

| | 13 Weeks Ended | | 39 Weeks Ended | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | (In millions of dollars) | | (In millions of dollars) | |
| Revenue from Services: | | | | |
| Americas Commercial | $ 467.5 | $ 621.6 | $ 1,422.9 | $ 1,921.1 |
| Americas PT | 192.1 | 234.8 | 584.3 | 718.9 |
| Total Americas Commercial and PT | 659.6 | 856.4 | 2,007.2 | 2,640.0 |
| EMEA Commercial | 228.0 | 353.6 | 656.3 | 1,027.2 |
| EMEA PT | 36.4 | 44.0 | 102.3 | 134.1 |
| Total EMEA Commercial and PT | 264.4 | 397.6 | 758.6 | 1,161.3 |
| APAC Commercial | 71.2 | 84.9 | 201.9 | 262.5 |
| APAC PT | 6.5 | 9.2 | 18.2 | 27.1 |
| Total APAC Commercial and PT | 77.7 | 94.1 | 220.1 | 289.6 |
| OCG | 52.9 | 55.9 | 151.7 | 164.9 |
| Less: Intersegment revenue | (5.4) | (6.2) | (16.9) | (17.6) |
| Consolidated Total | $ 1,049.2 | $ 1,397.8 | $ 3,120.7 | $ 4,238.2 |
| (Loss) Earnings from Operations: | | | | |
| Americas Commercial | $ (0.6) | $ 11.9 | $ 1.9 | $ 53.8 |
| Americas PT | 4.9 | 10.2 | 16.8 | 38.7 |
| Total Americas Commercial and PT | 4.3 | 22.1 | 18.7 | 92.5 |
| EMEA Commercial | (5.6) | 4.0 | (23.0) | 3.7 |
| EMEA PT | (0.1) | 0.4 | (2.0) | 2.8 |
| Total EMEA Commercial and PT | (5.7) | 4.4 | (25.0) | 6.5 |
| APAC Commercial | (1.2) | 0.2 | (3.7) | 0.7 |
| APAC PT | (0.3) | 0.1 | (1.0) | (0.2) |
| Total APAC Commercial and PT | (1.5) | 0.3 | (4.7) | 0.5 |
| OCG | (3.7) | (0.1) | (8.1) | 2.4 |
| Corporate Expense (including asset impairments) | (21.4) | (41.2) | (114.0) | (88.5) |
| Consolidated Total | $ (28.0) | $ (14.5) | $ (133.1) | $ 13.4 |

**11. New Accounting Pronouncements**

In June 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-01, “Statement of Financial Accounting Standard No. 168 — The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles” which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (“GAAP”) in the United States (the GAAP hierarchy). This statement was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this standard, which was effective for the quarter ended September 27, 2009, changed how we reference various elements of GAAP when preparing our financial statement disclosures, but had no impact on the Company’s consolidated financial statements.

In August 2009, the FASB issued ASU No. 2009-05, “Measuring Liabilities at Fair Value”. This update amends Subtopic 820-10, “Fair Value Measurements and Disclosures — Overall” by providing clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value by applying a valuation technique consistent with the principles of Topic 820. This guidance is effective for the first reporting period (including interim periods) beginning after issuance. Therefore, it will be effective for our reporting period ended January 3, 2010 and is not expected to have a significant effect on the Company’s consolidated financial statements.

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

### Executive Overview

During 2009, the rate of job loss that began with the recession in December, 2007 has gradually decelerated, and August and September posted the fewest number of jobs lost of the year. Within the temporary staffing industry, approximately 14,000 jobs were lost during the third quarter, compared to an average of 140,000 in each of the preceding six quarters. September marked one of the smallest month-over-month declines in temporary jobs lost since the recession began.

While we are encouraged by this steady, sequential improvement, the job market remains difficult, and the global recession has continued to adversely affect Kelly's quarterly financial performance. Permanent placement and temporary-to-permanent conversion fees declined year over year in the third quarter. This decline, coupled with shifts in business mix, served to negatively impact our profit margins for the third quarter. For the third quarter of 2009, Kelly reported a net loss from continuing operations of $0.43 per diluted share, compared to a net loss of $0.33 per diluted share in the third quarter of 2008.

Yet, in the face of those challenges, we can report significant progress in reducing operating costs, preserving customer relationships and pursuing a strategic plan aimed at building long-term value for our stakeholders. During the third quarter we:

- Recorded positive earnings in our Americas PT segment,
- Effectively controlled expenses: year-over-year selling, general and administrative expenses are down almost $70 million for the third quarter and almost $150 million year to date,
- Continued to maintain a strong balance sheet and cash position, and
- Renegotiated our revolving credit facility, effective September 28, 2009.

Going forward, we will continue to carefully monitor expenses and guard our ability to serve customers. Kelly remains committed to providing a broad array of staffing, consulting, placement and talent-management services that help customers compete successfully in today's marketplace.

### Results of Operations
### Third Quarter

Revenue from services in the third quarter of 2009 totaled $1.05 billion, a decrease of 24.9% from the same period in 2008. This was the result of a decrease in hours worked of 21.6% combined with a decrease in average hourly bill rates of 5.1% (a decrease of 1.4% on a constant currency basis). Fee-based income, which is included in revenue from services, totaled $20.5 million, or 2.0% of total revenue, for the third quarter of 2009, a decrease of 48.2% as compared to $39.6 million in the third quarter of 2008. Revenue for the quarter decreased in all seven business segments, reflecting the global economic slowdown.

Compared to the third quarter of 2008, the U.S. dollar was stronger against many foreign currencies, including the euro, British pound, Australian dollar and Canadian dollar. As a result, our consolidated U.S. dollar translated revenue was lower than would have otherwise been reported. On a constant currency basis, third quarter revenue decreased 22.4% as compared with the prior year. When we use the term "constant currency," it means that we have translated financial data for 2009 into U.S. dollars using the same foreign currency exchange rates that we used to translate financial data for 2008. Management believes constant currency measurements are an important analytical tool to aid in understanding underlying operating trends without distortion due to currency fluctuations. The table below summarizes the impact of foreign exchange adjustments on third quarter revenue:

| | Third Quarter Revenue | | |
|---|---|---|---|
| | 2009 | 2008 | % Change |
| | (In millions of dollars) | | |
| Revenue from Services — Constant Currency: | | | |
| Americas Commercial | $ 474.7 | $ 621.6 | (23.6)% |
| Americas PT | 192.3 | 234.8 | (18.1) |
| Total Americas Commercial and PT — Constant Currency | 667.0 | 856.4 | (22.1) |
| EMEA Commercial | 249.2 | 353.6 | (29.5) |
| EMEA PT | 39.3 | 44.0 | (10.7) |
| Total EMEA Commercial and PT — Constant Currency | 288.5 | 397.6 | (27.4) |
| APAC Commercial | 74.7 | 84.9 | (12.0) |
| APAC PT | 6.6 | 9.2 | (28.0) |
| Total APAC Commercial and PT — Constant Currency | 81.3 | 94.1 | (13.6) |
| OCG — Constant Currency | 53.4 | 55.9 | (4.4) |
| Less: Intersegment revenue | (5.3) | (6.2) | (14.2) |
| Total Revenue from Services — Constant Currency | 1,084.9 | 1,397.8 | (22.4) |
| Foreign Currency Impact | (35.7) | | |
| Revenue from Services | $ 1,049.2 | $ 1,397.8 | (24.9)% |

Gross profit of $166.2 million was 32.4% lower than the gross profit of $245.7 million for the same period of the prior year. The gross profit rate for the third quarter of 2009 was 15.8%, versus 17.6% for the third quarter of 2008. Compared to the prior year, the gross profit rate decreased in all business segments. The decrease in the gross profit rate is primarily due to decreases in fee-based income and changes in business and customer mix. Our average mark-up has been impacted by shifts to a higher proportion of light industrial business compared to clerical, and to large corporate customers compared to retail.

Fee-based income has a significant impact on gross profit rates. There are very low direct costs of services associated with fee-based income. Therefore, increases or decreases in fee-based income can have a disproportionate impact on gross profit rates.

Selling, general and administrative ("SG&A") expenses totaled $193.7 million, a year-over-year decrease of $66.5 million, or 25.6% (23.4% on a constant currency basis). Included in SG&A expenses is a pretax charge of $4.3 million for litigation expenses in the third quarter of 2009 and $22.5 million in the third quarter of 2008. Details of the decrease in SG&A expenses in the third quarter of 2009 are estimated to be as follows (in millions of dollars):

| | |
|---|---|
| Structural changes | $ 31 |
| Litigation expenses | 18 |
| Compensation changes | 7 |
| Other discretionary savings | 8 |
| Foreign currency effect | 6 |
| Severance / lease terminations | (3) |
| Acquisitions / investments | (1) |
| Total expense decrease | $ 66 |

Structural changes represent actions we have taken around the world during the last 15 months to reduce expenses, including a reduction of approximately 1,600 full-time employees and the closing, sale or consolidation of approximately 130 branches. Compensation and other discretionary savings represent the impact of expense-reduction initiatives implemented during the first quarter, including the suspension of headquarters and field-based incentive compensation and retirement matching contribution, along with a reduction in discretionary spending on travel and general expenses. These savings were partially offset by severance and lease termination costs, including expenses related to restructuring actions in the U.K. (see Restructuring Note 4), and incremental costs related to prior year's acquisitions and investments. Severance and lease termination costs incurred during the last 15 months, including those related to the U.K. restructuring action, are estimated to be $23 million ($4 million estimated for the third quarter of 2009).

During the third quarter of 2009, asset impairment charges of $0.5 million were also recorded. We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When estimated undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value, determined by estimated future discounted cash flows. The Company's estimates as of September 27, 2009 resulted in a $0.5 million reduction in the carrying value of long-lived assets and intangible assets in Europe.

As a result of the above, we reported a loss from operations in the third quarter of 2009 totaling $28.0 million, compared to $14.5 million reported for the third quarter of 2008.

Income tax benefit on continuing operations for the third quarter of 2009 was $14.8 million, compared to $3.1 million for the third quarter of 2008. The third quarter of 2009 was positively impacted by nontaxable income from the cash surrender value of life insurance policies used to fund the Company's deferred compensation plan, and by tax benefits associated with worthless stock deductions for tax reporting purposes for certain foreign subsidiaries. The Company incurred tax losses through the first nine months of 2009 in the United States and certain foreign countries. Continued tax losses in these jurisdictions could result in recording a valuation allowance against a significant portion of the Company's deferred tax assets.

Loss from continuing operations was $14.8 million in the third quarter of 2009, compared to $11.5 million in the third quarter of 2008. Included in the loss from continuing operations in 2009 was $2.7 million, net of tax, related to litigation expenses, $3 million, net of tax, for estimated costs associated with other expense reduction initiatives (including the $0.7 million related to the U.K. restructuring action) and $0.5 million, net of tax, related to asset impairments. Included in the loss from continuing operations in 2008 was $13.9 million, net of tax, of litigation expenses.

Loss from discontinued operations, which include the operating results of Kelly Home Care and Kelly Staff Leasing, business units which were sold in previous years, totaled $0.7 million in the third quarter of 2008. This amount primarily represents litigation expenses booked during the third quarter of 2008. No adjustments to discontinued operations were recorded in the third quarter of 2009.

Third quarter net loss for 2009 totaled $14.8 million, compared to $12.2 million last year. Diluted loss from continuing operations per share for the third quarter of 2009 was $0.43, as compared to $0.33 for the third quarter of 2008.

Effective with the first quarter of 2009, we adopted the provisions of Financial Accounting Standards Board guidance which clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends before vesting should be considered participating securities and, therefore, included in the calculation of earnings per share using the two-class method in accordance with generally accepted accounting principles. Accordingly, all prior period earnings per share data presented was adjusted retrospectively to conform with the provisions of this guidance. Adopting these provisions had no effect on previously reported basic or diluted earnings per share for the quarter ended September 28, 2008.

***Americas Commercial***

| | Third Quarter | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 467.5 | $ 621.6 | (24.8)% | (23.6)% |
| Fee-based income | 1.7 | 4.3 | (60.3) | (59.3) |
| Gross profit | 67.2 | 95.2 | (29.4) | (28.4) |
| SG&A expenses | 67.8 | 83.3 | (18.7) | (17.7) |
| Earnings from Operations | (0.6) | 11.9 | (104.8) | |
| | | | | |
| Gross profit rate | 14.4% | 15.3% | (0.9) pts. | |
| Expense rates: | | | | |
| % of revenue | 14.5 | 13.4 | 1.1 | |
| % of gross profit | 100.8 | 87.6 | 13.2 | |
| Operating margin | (0.1) | 1.9 | (2.0) | |

The change in Americas Commercial revenue from services reflected a decrease in hours worked of 22.9%, combined with a decrease in average hourly bill rates of 2.1% (0.5% on a constant currency basis). On a year-over-year basis, constant currency revenue decreased 26.0% in July, 23.9% in August and 20.4% in September. Americas Commercial represented 44.6% of total Company revenue in the third quarter of 2009 and 44.4% in the third quarter of 2008.

The decrease in the gross profit rate was primarily due to a decrease in fee-based income, along with a decline in temporary margins due to an increase in the proportion of light industrial business to clerical business.

As noted above, the decrease in SG&A expenses from the prior year included the impact of estimated structural changes of $9 million and estimated compensation savings of $4 million for Americas Commercial.

***Americas PT***

| | Third Quarter | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 192.1 | $ 234.8 | (18.2)% | (18.1)% |
| Fee-based income | 2.1 | 5.0 | (57.3) | (57.2) |
| Gross profit | 29.5 | 39.1 | (24.5) | (24.4) |
| SG&A expenses | 24.6 | 28.9 | (14.6) | (14.5) |
| Earnings from Operations | 4.9 | 10.2 | (52.7) | |
| | | | | |
| Gross profit rate | 15.4% | 16.6% | (1.2) pts. | |
| Expense rates: | | | | |
| % of revenue | 12.9 | 12.3 | 0.6 | |
| % of gross profit | 83.7 | 74.0 | 9.7 | |
| Operating margin | 2.5 | 4.3 | (1.8) | |

The change in Americas PT revenue from services reflected a decrease in hours worked of 17.5%, partially offset by an increase in average billing rates of 0.3% (0.4% on a constant currency basis). On a year-over-year basis, constant currency revenue decreased 18.3% in July, 17.9% in August and 18.1% in September. Americas PT revenue represented 18.3% of total Company revenue in the third quarter of 2009 and 16.8% in the third quarter of 2008.

The Americas PT gross profit rate decreased due to decreases in fee-based income, as well as higher growth in certain lower-margin customer accounts.

The decrease in SG&A expenses was primarily due to lower incentive compensation, combined with reduced recruiting and retention, travel and other costs as a result of lower volume and cost-savings initiatives.

***EMEA Commercial***

| | Third Quarter | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 228.0 | $ 353.6 | (35.5)% | (29.5)% |
| Fee-based income | 3.7 | 10.2 | (64.5) | (60.1) |
| Gross profit | 33.9 | 63.0 | (46.2) | (41.4) |
| SG&A expenses | 39.5 | 59.0 | (33.2) | (27.8) |
| Earnings from Operations | (5.6) | 4.0 | (237.9) | |
| | | | | |
| Gross profit rate | 14.9% | 17.8% | (2.9) pts. | |
| Expense rates: | | | | |
| % of revenue | 17.3 | 16.7 | 0.6 | |
| % of gross profit | 116.3 | 93.6 | 22.7 | |
| Operating margin | (2.4) | 1.1 | (3.5) | |

The change in translated U.S. dollar revenue from services in EMEA Commercial resulted from a 32.4% decrease in hours worked and a decrease in fee-based income, combined with a decrease in the translated U.S. dollar average hourly bill rates of 6.9% (an increase of 2.0% on a constant currency basis). EMEA Commercial revenue represented 21.7% of total Company revenue in the third quarter of 2009 and 25.3% in the third quarter of 2008.

The U.K. restructuring accounted for approximately 5 percentage points of the decline in constant currency revenue for the third quarter of 2009, partially offset by the effect of the Portugal acquisition in the third quarter of 2008, which contributed approximately 2 percentage points to the change in constant currency revenue.

The decrease in the gross profit rate was due primarily to decreases in fee-based income and the effect of the French payroll tax credits recorded in 2008. During the third quarter of 2008, the Company was notified by the French government of its eligibility to claim payroll tax credits relating to 2005. In connection with this change, $2.4 million of French payroll tax credits were recognized in the third quarter of 2008, which contributed approximately 90 basis points to the 2008 third quarter EMEA Commercial gross profit rate.

As noted above, the decrease in SG&A expenses from the prior year reflected the impact of estimated structural changes of $18 million and estimated compensation savings of $2 million for EMEA Commercial.

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***EMEA PT***

| | Third Quarter 2009 | Third Quarter 2008 | Change | Constant Currency Change |
|---|---|---|---|---|
| | (In millions of dollars) | | | |
| Revenue from Services | $ 36.4 | $ 44.0 | (17.3)% | (10.7)% |
| Fee-based income | 3.9 | 6.7 | (40.5) | (33.6) |
| Gross profit | 9.8 | 12.9 | (23.8) | (16.9) |
| SG&A expenses | 9.9 | 12.5 | (20.2) | (13.1) |
| Earnings from Operations | (0.1) | 0.4 | (131.7) | |
| | | | | |
| Gross profit rate | 27.0% | 29.3% | (2.3) pts. | |
| Expense rates: | | | | |
| % of revenue | 27.3 | 28.3 | (1.0) | |
| % of gross profit | 101.3 | 96.8 | 4.5 | |
| Operating margin | (0.4) | 0.9 | (1.3) | |

The change in translated U.S. dollar revenue from services in EMEA PT resulted from the decrease in fee-based income and a decrease in hours worked of 10.5%, combined with a 3.3% decrease in the translated U.S. dollar average hourly bill rates (an increase of 4.0% on a constant currency basis). EMEA PT revenue represented 3.5% of total Company revenue in the third quarter of 2009 and 3.1% in the third quarter of 2008.

The Toner Graham acquisition in the third quarter of 2008 contributed approximately 2 percentage points to EMEA PT constant currency revenue growth. The decrease in the EMEA PT gross profit rate was primarily due to decreases in fee-based income.

***APAC Commercial***

| | Third Quarter 2009 | Third Quarter 2008 | Change | Constant Currency Change |
|---|---|---|---|---|
| | (In millions of dollars) | | | |
| Revenue from Services | $ 71.2 | $ 84.9 | (16.2)% | (12.0)% |
| Fee-based income | 2.3 | 4.5 | (48.4) | (46.5) |
| Gross profit | 10.3 | 14.7 | (29.6) | (26.4) |
| SG&A expenses | 11.5 | 14.5 | (20.8) | (17.6) |
| Earnings from Operations | (1.2) | 0.2 | NM | |
| | | | | |
| Gross profit rate | 14.5% | 17.3% | (2.8) pts. | |
| Expense rates: | | | | |
| % of revenue | 16.1 | 17.1 | (1.0) | |
| % of gross profit | 111.1 | 98.7 | 12.4 | |
| Operating margin | (1.6) | 0.2 | (1.8) | |

The change in translated U.S. dollar revenue from services in APAC Commercial resulted from a decrease in the translated U.S. dollar average hourly bill rates of 8.5% (3.9% on a constant currency basis), combined with the decrease in fee-based income and a decrease in hours worked of 5.9%. The decrease in the average hourly bill rates for APAC Commercial was due to a change in mix from countries with higher average bill rates to those with lower average bill rates, such as India and Malaysia.

APAC Commercial revenue represented 6.8% of total Company revenue in the third quarter of 2009 and 6.1% in the third quarter of 2008. On a year-over-year basis, constant currency revenue decreased 15.1% in July, 10.2% in August and 9.9% in September.

The decrease in the APAC Commercial gross profit rate was primarily due to decreases in fee-based income.

***APAC PT***

| | Third Quarter | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 6.5 | $ 9.2 | (29.7)% | (28.0)% |
| Fee-based income | 1.0 | 1.5 | (32.7) | (30.1) |
| Gross profit | 2.0 | 2.8 | (31.6) | (29.7) |
| SG&A expenses | 2.3 | 2.7 | (14.7) | (10.6) |
| Earnings from Operations | (0.3) | 0.1 | (347.6) | |
| | | | | |
| Gross profit rate | 30.3% | 31.2% | (0.9) pts. | |
| Expense rates: | | | | |
| % of revenue | 35.9 | 29.6 | 6.3 | |
| % of gross profit | 118.4 | 94.9 | 23.5 | |
| Operating margin | (5.6) | 1.6 | (7.2) | |

The change in translated U.S. dollar revenue from services in APAC PT resulted from a decrease in hours worked of 25.4%, combined with a decrease in the translated U.S. dollar average hourly bill rates of 4.9% (3.0% on a constant currency basis) and the decrease in fee-based income. The decrease in the average hourly bill rates for APAC PT was due to a change in mix from countries with higher average bill rates to those with lower average bill rates, such as India.

APAC PT revenue represented 0.6% of total Company revenue in the third quarter of 2009 and 0.7% in the third quarter of 2008. On a year-over-year basis, constant currency revenue decreased 33.8% in July, 24.7% in August and 24.1% in September.

The change in the APAC PT gross profit rate was due primarily to decreases in fee-based income.

***OCG***

| | Third Quarter | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 52.9 | $ 55.9 | (5.4)% | (4.4)% |
| Fee-based income | 5.8 | 7.4 | (21.7) | (19.4) |
| Gross profit | 13.7 | 18.3 | (24.7) | (23.1) |
| SG&A expenses | 17.4 | 18.4 | (5.2) | (3.3) |
| Earnings from Operations | (3.7) | (0.1) | NM | |
| | | | | |
| Gross profit rate | 26.1% | 32.8% | (6.7) pts. | |
| Expense rates: | | | | |
| % of revenue | 33.0 | 32.9 | 0.1 | |
| % of gross profit | 126.6 | 100.5 | 26.1 | |
| Operating margin | (6.9) | (0.2) | (6.7) | |

Revenue from services in the OCG segment for the third quarter of 2009 decreased in all three regions — Americas, Europe and Asia-Pacific. On a year-over-year basis, constant currency revenue decreased 2.2% in July, 3.5% in August and 7.7% in September. OCG revenue represented 5.0% of total Company revenue in the third quarter of 2009 and 4.0% in the third quarter of 2008.

The OCG gross profit rate decreased primarily due to a shift in revenue mix among the OCG business units. Revenue in the higher-margin recruitment processing outsourcing (“RPO”) and contingent workforce outsourcing (“CWO”) units declined, while revenue in our lower-margin business processing outsourcing (“BPO”) unit grew modestly during the third quarter. This change in business mix, coupled with a decrease in the gross profit rates in our RPO practice as compared to the third quarter of 2008, resulted in the overall gross profit decline.

The decrease in SG&A expenses was due a reduction in salary costs in our RPO and executive placement business units, as well as an overall decrease in discretionary spending on business travel and general staffing expenses.

**Results of Operations**
**September Year to Date**

Revenue from services for the first nine months of 2009 totaled $3.12 billion, a decrease of 26.4% from the same period in 2008. This was the result of a decrease in hours worked of 22.4% combined with a decrease in average hourly bill rates of 6.4% (0.3% on a constant currency basis). Fee-based income, which is included in revenue from services, totaled $64.6 million, or 2.1% of total revenue, for the first nine months of 2009, a decrease of 46.6% as compared to $120.8 million for the first nine months of 2008. Revenue for the first nine months of 2009 decreased in all seven business segments, reflecting the global economic slowdown.

Compared to the first nine months of 2008, the U.S. dollar was stronger against many foreign currencies, including the euro, British pound, Australian dollar and Canadian dollar. As a result, our consolidated U.S. dollar translated revenue was lower than would have otherwise been reported. On a constant currency basis, revenue for the first nine months of 2009 decreased 21.9% as compared with the prior year. The table below summarizes the impact of foreign exchange adjustments on revenue for the first nine months of 2009:

| | September Year to Date Revenue | | |
|---|---|---|---|
| | 2009 | 2008 | % Change |
| | (In millions of dollars) | | |
| Revenue from Services — Constant Currency: | | | |
| Americas Commercial | $ 1,454.3 | $ 1,921.1 | (24.3)% |
| Americas PT | 585.6 | 718.9 | (18.6) |
| Total Americas Commercial and PT — Constant Currency | 2,039.9 | 2,640.0 | (22.7) |
| EMEA Commercial | 765.5 | 1,027.2 | (25.5) |
| EMEA PT | 117.9 | 134.1 | (12.1) |
| Total EMEA Commercial and PT — Constant Currency | 883.4 | 1,161.3 | (23.9) |
| APAC Commercial | 227.3 | 262.5 | (13.4) |
| APAC PT | 19.9 | 27.1 | (26.5) |
| Total APAC Commercial and PT — Constant Currency | 247.2 | 289.6 | (14.6) |
| OCG — Constant Currency | 154.8 | 164.9 | (6.1) |
| Less: Intersegment revenue | (16.8) | (17.6) | (3.9) |
| Total Revenue from Services — Constant Currency | 3,308.5 | 4,238.2 | (21.9) |
| Foreign Currency Impact | (187.8) | | |
| Revenue from Services | $ 3,120.7 | $ 4,238.2 | (26.4)% |

Gross profit of $513.4 million was 31.8% lower than the gross profit of $753.0 million for the same period of the prior year. The gross profit rate for the first nine months of 2009 was 16.5%, versus 17.8% for the first nine months of 2008. Compared to the prior year, the gross profit rate decreased in all business segments, with the exception of APAC PT. The decrease in the gross profit rate is primarily due to decreases in fee-based income, lower margins as a result of customer mix and a lower level of favorable workers' compensation adjustments in the Americas.

We regularly update our estimates of the ultimate costs of open workers' compensation claims. As a result, we reduced the estimated cost of prior year workers' compensation claims by $2.6 million for the first nine months of 2009. This compares to an adjustment reducing prior year workers' compensation claims by $6.8 million for the first nine months of 2008.

SG&A expenses totaled $593.4 million, a year-over-year decrease of $146.2 million, or 19.8% (15.1% on a constant currency basis). Included in SG&A expenses are litigation costs of $4.3 million for the first nine months of 2009 and $22.5 million for the first nine months of 2008. Details of the decrease of selling, general and administrative expenses in the first nine months of 2009 are estimated to be as follows (in millions of dollars):

| | |
|---|---|
| Structural changes | $ 75 |
| Litigation expenses | 18 |
| Compensation changes | 25 |
| Other discretionary savings | 20 |
| Foreign currency effect | 34 |
| Severance / lease terminations | (14) |
| Acquisitions / investments | (12) |
| Total expense decrease | $ 146 |

As noted above, structural changes represent actions we have taken around the world during the last 15 months to reduce expenses, including a reduction of approximately 1,600 full-time employees and the closing, sale or consolidation of approximately 130 branches. Compensation and other discretionary savings represent the impact of expense-reduction initiatives implemented during the first quarter, including suspension of headquarters and field-based incentive compensation and retirement matching contribution, along with a reduction in discretionary spending on travel and general expenses. These savings were partially offset by severance and lease termination costs, including expenses related to restructuring actions in the U.K. (see Restructuring Note 4), and incremental costs related to prior year's acquisitions and investments. Severance and lease termination costs, including those related to the U.K. restructuring action, are estimated to be $16 million for the first nine months of 2009.

On January 21, 2009, the Chief Executive Officer of Kelly Services, Inc. authorized a restructuring plan for our United Kingdom ("Kelly U.K.") operations. The plan was the result of management's strategic review of Kelly U.K. operations which identified under-performing branch locations and the opportunity for additional operational cost savings.

During the first nine months of 2009, our U.K. operations disposed or closed 42 branches and incurred $8.5 million of restructuring charges associated with these actions, which were reported as a component of SG&A expenses in the EMEA Commercial segment. We expect to incur approximately $1 million to $2 million of additional facility and other exit costs in the fourth quarter of 2009, bringing total pre-tax charges related to the U.K. restructuring program to approximately $11 million to $12 million. We expect that the U.K. restructuring plan will result in improved operating results by lowering SG&A expenses through reduced facilities and related expenses.

During the first nine months of 2009, asset impairment charges of $53.1 million were also recorded. Due to significantly worse than anticipated economic conditions and the impacts to our business in the second quarter of 2009, we revised our internal forecasts for all of our segments, which we deemed to be a triggering event for purposes of assessing goodwill for impairment. Accordingly, goodwill at all of our reporting units was tested for impairment in the second quarter of 2009. This resulted in the recognition of a goodwill impairment loss of $50.5 million in total, of which $16.4 million related to the Americas Commercial segment, $12.1 million related to the APAC Commercial segment and $22.0 million related to the EMEA PT segment.

Additionally, we evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When estimated undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value, determined by estimated future discounted cash flows. The Company's estimates as of June 28, 2009 resulted in a $2.1 million reduction in the carrying value of long-lived assets and intangible assets in Japan. The Company's estimates as of September 27, 2009 resulted in a $0.5 million reduction in the carrying value of long-lived assets and intangible assets in Europe.

As a result of the above, we reported a loss from operations for the first nine months of 2009 totaling $133.1 million, compared to earnings from operations of $13.4 million reported for the first nine months of 2008.

Income tax benefit on continuing operations for the first nine months of 2009 was $37.5 million, compared to expense of $6.5 million for the first nine months of 2008. The negative impact on income taxes from non-deductible asset impairment and restructuring charges during the first nine months of 2009 was partially offset by nontaxable income from the cash surrender value of life insurance policies used to fund the Company's deferred compensation plan. The Company incurred tax losses through the first nine months of 2009 in the United States and certain foreign countries. Continued tax losses in these jurisdictions could result in recording a valuation allowance against a significant portion of the Company's deferred tax assets.

Loss from continuing operations was $96.9 million in the first nine months of 2009, compared to earnings of $6.9 million in the first nine months of 2008. Included in loss from continuing operations in 2009 were $50.0 million, net of tax, of asset impairment charges, $14 million, net of tax, for estimated costs associated with other expense reduction initiatives (including the $8.5 million, net of tax, related to the U.K. restructuring actions) and $2.7 million, net of tax, related to litigation expenses. Included in earnings from continuing operations for the first nine months of 2008 were $13.9 million, net of tax, of litigation expenses.

Earnings from discontinued operations totaled $0.6 million for the first nine months of 2009, compared to a loss of $0.4 million for the first nine months of 2008. These amounts represent adjustments to assets and liabilities retained as part of the sale agreements.

Net loss for the first nine months of 2009 totaled $96.3 million, compared to net earnings of $6.5 million last year. Diluted loss from continuing operations per share for the first nine months of 2009 was $2.78, as compared to diluted earnings from continuing operations per share of $0.19 for the first nine months of 2008.

The impact of including share-based payment awards in the calculation of earnings per share using the two-class method in accordance with generally accepted accounting principles effective with the first quarter of 2009 was to lower previously reported basic and diluted earnings per share from continuing operations for the nine months ended September 28, 2008 by $0.01.

***Americas Commercial***

| | September Year to Date | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 1,422.9 | $ 1,921.1 | (25.9)% | (24.3)% |
| Fee-based income | 5.1 | 12.9 | (60.9) | (58.7) |
| Gross profit | 210.9 | 302.6 | (30.3) | (28.9) |
| SG&A expenses | 209.0 | 248.8 | (16.0) | (14.4) |
| Earnings from Operations | 1.9 | 53.8 | (96.4) | |
| | | | | |
| Gross profit rate | 14.8% | 15.8% | (1.0) pts. | |
| Expense rates: | | | | |
| % of revenue | 14.7 | 13.0 | 1.7 | |
| % of gross profit | 99.1 | 82.2 | 16.9 | |
| Operating margin | 0.1 | 2.8 | (2.7) | |

The change in Americas Commercial revenue from services reflected a decrease in hours worked of 24.7%, combined with a decrease in average hourly bill rates of 1.4% (an increase of 0.8% on a constant currency basis). Americas Commercial represented 45.5% of total Company revenue for the first nine months of 2009 and 45.3% for the first nine months of 2008.

The decrease in the gross profit rate was due to a decrease in fee-based income, a higher growth of light industrial business, as well as lower favorable workers' compensation adjustments from prior years. As noted above, we revised our estimate of the cost of outstanding workers' compensation claims and, accordingly, reduced expense in the first nine months of 2009. Of the total $2.6 million adjustment booked in the first nine months of 2009, $2.2 million is reflected in the results of Americas Commercial. This compares to an adjustment of $6.0 million in the first nine months of 2008.

As noted above, the decrease in SG&A expenses from the prior year included the impact of estimated structural changes of $20 million and estimated compensation savings of $12 million for Americas Commercial.

***Americas PT***

| | September Year to Date | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 584.3 | $ 718.9 | (18.7)% | (18.6)% |
| Fee-based income | 7.2 | 15.7 | (54.2) | (54.1) |
| Gross profit | 93.2 | 124.2 | (25.0) | (24.8) |
| SG&A expenses | 76.4 | 85.5 | (10.6) | (10.3) |
| Earnings from Operations | 16.8 | 38.7 | (56.7) | |
| | | | | |
| Gross profit rate | 15.9% | 17.3% | (1.4) pts. | |
| Expense rates: | | | | |
| % of revenue | 13.1 | 11.9 | 1.2 | |
| % of gross profit | 82.0 | 68.9 | 13.1 | |
| Operating margin | 2.9 | 5.4 | (2.5) | |

The change in Americas PT revenue from services reflected a decrease in hours worked of 18.1%, partially offset by an increase in average billing rates of 0.3% (0.5% on a constant currency basis). Americas PT revenue represented 18.7% of total Company revenue for the first nine months of 2009 and 17.0% for the first nine months of 2008.

The Americas PT gross profit rate decreased, due primarily to decreases in fee-based income.

The decrease in SG&A expenses was primarily due to lower incentive compensation, combined with reduced recruiting and retention, travel and other costs as a result of lower volume and cost-savings initiatives.

***EMEA Commercial***

| | September Year to Date | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 656.3 | $ 1,027.2 | (36.1)% | (25.5)% |
| Fee-based income | 12.3 | 32.0 | (61.6) | (54.3) |
| Gross profit | 102.8 | 179.7 | (42.8) | (33.6) |
| SG&A expenses | 125.8 | 176.0 | (28.5) | (18.1) |
| Earnings from Operations | (23.0) | 3.7 | NM | |
| | | | | |
| Gross profit rate | 15.7% | 17.5% | (1.8) pts. | |
| Expense rates: | | | | |
| % of revenue | 19.2 | 17.1 | 2.1 | |
| % of gross profit | 122.4 | 97.9 | 24.5 | |
| Operating margin | (3.5) | 0.4 | (3.9) | |

The change in translated U.S. dollar revenue from services in EMEA Commercial resulted from a 30.1% decrease in hours worked and a decrease in fee-based income, combined with a decrease in the translated U.S. dollar average hourly bill rates of 12.2% (an increase of 2.6% on a constant currency basis). EMEA Commercial revenue represented 21.0% of total Company revenue for the first nine months of 2009 and 24.2% for the first nine months of 2008. The U.K. restructuring accounted for approximately 4 percentage points of the decline in constant currency revenue for the first nine months of 2009, partially offset by the effect of the Portugal acquisition, which contributed approximately 3 percentage points to the change in constant currency revenue.

The decrease in the gross profit rate was due primarily to decreases in fee-based income, a decline in temporary margins due to pricing pressure and shift in customer mix to corporate accounts, along with the effect of French payroll tax credits recorded in 2008, which contributed approximately 30 basis points to the EMEA Commercial gross profit rate.

As noted above, the decrease in SG&A expenses from the prior year included the impact of estimated structural changes of $45 million and estimated compensation savings of a $6 million for EMEA Commercial. Included in SG&A expenses for the first nine months of 2009 was approximately $11 million of severance and lease termination costs, including $8.5 million in U.K. restructuring costs.

***EMEA PT***

| | September Year to Date | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 102.3 | $ 134.1 | (23.7)% | (12.1)% |
| Fee-based income | 12.1 | 21.3 | (42.9) | (32.1) |
| Gross profit | 28.0 | 40.0 | (30.0) | (18.7) |
| SG&A expenses | 30.0 | 37.2 | (19.2) | (5.8) |
| Earnings from Operations | (2.0) | 2.8 | (172.0) | |
| | | | | |
| Gross profit rate | 27.4% | 29.8% | (2.4) pts. | |
| Expense rates: | | | | |
| % of revenue | 29.4 | 27.7 | 1.7 | |
| % of gross profit | 107.2 | 93.0 | 14.2 | |
| Operating margin | (2.0) | 2.1 | (4.1) | |

The change in translated U.S. dollar revenue from services in EMEA PT resulted from the decrease in fee-based income, a decrease in hours worked of 12.9%, combined with a 9.0% decrease in the translated U.S. dollar average hourly bill rates (an increase of 4.3% on a constant currency basis). EMEA PT revenue represented 3.3% of total Company revenue for the first nine months of 2009 and 3.2% for the first nine months of 2008. The Toner Graham acquisition contributed approximately 2 percentage points to EMEA PT constant currency revenue growth.

The decrease in the EMEA PT gross profit rate was primarily due to decreases in fee-based income.

***APAC Commercial***

| | September Year to Date | | | |
|---|---|---|---|---|
| | **2009** | **2008** | **Change** | **Constant Currency Change** |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 201.9 | $ 262.5 | (23.1)% | (13.4)% |
| Fee-based income | 6.8 | 14.0 | (51.0) | (46.1) |
| Gross profit | 29.5 | 44.9 | (34.5) | (26.3) |
| SG&A expenses | 33.2 | 44.2 | (25.0) | (16.3) |
| Earnings from Operations | (3.7) | 0.7 | NM | |
| | | | | |
| Gross profit rate | 14.6% | 17.1% | (2.5) pts. | |
| Expense rates: | | | | |
| % of revenue | 16.4 | 16.8 | (0.4) | |
| % of gross profit | 112.5 | 98.3 | 14.2 | |
| Operating margin | (1.8) | 0.3 | (2.1) | |

The change in translated U.S. dollar revenue from services in APAC Commercial resulted from a decrease in the translated U.S. dollar average hourly bill rates of 15.9% (5.1% on a constant currency basis), combined with the decrease in fee-based income and a decrease in hours worked of 7.4%. The decrease in the average hourly bill rates for APAC Commercial was due to a change in mix from countries with higher average bill rates to those with lower average bill rates, such as India and Malaysia. APAC Commercial revenue represented 6.5% of total Company revenue for the first nine months of 2009 and 6.2% for the first nine months of 2008.

The decrease in the APAC Commercial gross profit rate was primarily due to decreases in fee-based income.

***APAC PT***

| | September Year to Date | | | |
|---|---|---|---|---|
| | **2009** | **2008** | **Change** | **Constant Currency Change** |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 18.2 | $ 27.1 | (32.8)% | (26.5)% |
| Fee-based income | 2.8 | 4.3 | (34.6) | (27.8) |
| Gross profit | 5.6 | 8.3 | (32.6) | (26.2) |
| SG&A expenses | 6.6 | 8.5 | (22.7) | (13.0) |
| Earnings from Operations | (1.0) | (0.2) | (362.0) | |
| | | | | |
| Gross profit rate | 30.8% | 30.7% | 0.1pts. | |
| Expense rates: | | | | |
| % of revenue | 36.3 | 31.5 | 4.8 | |
| % of gross profit | 117.8 | 102.6 | 15.2 | |
| Operating margin | (5.5) | (0.8) | (4.7) | |

The change in translated U.S. dollar revenue from services in APAC PT resulted from a decrease in the translated U.S. dollar average hourly bill rates of 18.3% (10.7% on a constant currency basis), combined with a decrease in hours worked of 17.4% and the decrease in fee-based income. The decrease in the average hourly bill rates for APAC PT was due to a change in mix from countries with higher average bill rates to those with lower average bill rates, such as India. APAC PT revenue represented 0.6% of total Company revenue for the first nine months of 2009 and 2008.

***OCG***

| | September Year to Date | | | |
|---|---|---|---|---|
| | 2009 | 2008 | Change | Constant Currency Change |
| | (In millions of dollars) | | | |
| Revenue from Services | $ 151.7 | $ 164.9 | (8.0)% | (6.1)% |
| Fee-based income | 18.4 | 20.6 | (10.9) | (5.8) |
| Gross profit | 44.2 | 54.0 | (18.0) | (14.9) |
| SG&A expenses | 52.3 | 51.6 | 1.3 | 5.4 |
| Earnings from Operations | (8.1) | 2.4 | (452.5) | |
| | | | | |
| Gross profit rate | 29.2% | 32.7% | (3.5) pts. | |
| Expense rates: | | | | |
| % of revenue | 34.5 | 31.3 | 3.2 | |
| % of gross profit | 118.3 | 95.8 | 22.5 | |
| Operating margin | (5.3) | 1.4 | (6.7) | |

Revenue from services in the OCG segment for the first nine months of 2009 decreased in all three regions — Americas, Europe and Asia-Pacific. OCG revenue represented 4.9% of total Company revenue for the first nine months of 2009 and 3.9% for the first nine months of 2008.

The OCG gross profit rate decreased primarily due to a shift in revenue mix among the OCG business units. Revenue in the higher-margin RPO and CWO units declined, while revenue in our lower-margin BPO unit grew modestly during the first nine months of 2009. This change in business mix, coupled with a decrease in the gross profit rates in our RPO practice as compared to the first nine months of 2008, resulted in the overall gross profit decline.

SG&A expenses increased from the prior year, due to continuing costs related to investments to build out implementation and operations infrastructure from the second and third quarters of 2008, and continued investment in new initiatives. This increase was partially offset by a reduction in salary costs in our RPO and executive placement business units, as well as an overall decrease in discretionary spending on business travel and general staffing expenses.

## Financial Condition

Kelly has financed its operations through cash generated by operating activities and available from various credit facilities. 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 $91.0 million at the end of the third quarter of 2009, a decrease of $27.3 million from the $118.3 million at year-end 2008. As further described below, we generated $40.7 million of cash from operating activities, used $18.3 million of cash in investing activities and used $53.3 million of cash in financing activities.

***Operating Activities***

In the first nine months of 2009, we generated $40.7 million in cash from operating activities, as compared to $86.4 million in the first nine months of 2008. The decrease was due to the decline in operating earnings.

Trade accounts receivable totaled $707.3 million at the end of the third quarter of 2009. Global days sales outstanding at the end of the third quarter of 2009 were 52 days, compared to 51 days at the end of the third quarter of 2008.

Our working capital position was $376.7 million at the end of the third quarter of 2009 and $427.4 million at year-end 2008. The current ratio was 1.8 at the end of the third quarter of 2009 and 1.7 at year-end 2008.

***Investing Activities***

In the first nine months of 2009, we used $18.3 million for investing activities, compared to $56.3 million in the first nine months of 2008. Capital expenditures totaled $7.9 million for the first nine months of 2009 and $23.5 million for the first nine months of 2008.

Capital expenditures are primarily related to information technology programs. In the prior year, capital expenditures included costs for the implementation of the PeopleSoft payroll, billing and accounts receivable project. The PeopleSoft project continues to remain on hold until at least 2011.

During the first nine months of 2009, we made the following payments: $5.7 million earnout payment related to the 2007 acquisition of access AG, $1.0 million related to the 2007 acquisition of CGR/seven LLC, $0.6 million earnout payment related to the 2006 acquisition of The Ayers Group and $0.2 million earnout payment related to the 2008 acquisition of Toner Graham.

During the first nine months of 2008, we made the following net cash payments: $12.8 million related to the acquisition of the Portuguese subsidiaries of Randstad Holding N.V., $9.0 million related to the acquisition of Toner Graham, $7.6 million related primarily to the acquisition of access AG and a $3.0 million related to the acquisition of CGR/seven LLC.

***Financing Activities***

In the first nine months of 2009, we used $53.3 million in financing activities, compared to $8.6 million in the first nine months of 2008. Debt totaled $81.3 million at the end of the third quarter of 2009, compared to $115.2 million at year-end 2008. At the end of the third quarter of 2009, debt represented approximately 12.3% of total capital.

In the first quarter of 2009, we repaid short-term debt of $22.9 million.

During the first quarter of 2008, 0.4 million shares were repurchased for $8.0 million under the $50.0 million Class A share repurchase program authorized by the board of directors in August, 2007. A total of 2.1 million outstanding Class A shares were repurchased under the program at a total cost of $42.7 million. The share repurchase program expired in August, 2009.

No dividends were paid in the first nine months of 2009; dividends paid in the first nine months of 2008 totaled $14.2 million.

Included in other financing activities is the year-to-date change in bank overdrafts.

***New Accounting Pronouncements***

See Note 11, New Accounting Pronouncements, 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***

Other than the changes to the credit facilities discussed in Note 6, 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 11, 2009. 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- and long-term cash requirements, including the funding of costs related to litigation settlements, principally through cash generated from operations, available cash and equivalents and committed unused credit facilities. Additional funding sources could include public or private bonds, asset-based lending, securitization, additional bank facilities or other sources.

Effective September 28, 2009, we negotiated a new secured revolving credit facility. Our new revolver has total capacity of $90 million and carries a term of three years, maturing in September of 2012.

We are also presently in the process of establishing a 364-day, $100 million securitization facility that will provide additional liquidity. The facility should close in the fourth quarter of 2009; however, it is possible that this may not occur or that it may not occur within the expected timeframe.

We expect that the available credit under these agreements is sufficient to fund our forecasted cash needs.

## Critical Accounting Estimates

The preparation of our consolidated financial statements and related disclosures in conformity with generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We have discussed the critical accounting estimates that we believe affect our more significant estimates and judgments used in the preparation of our consolidated financial statements in the "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates" section of our Annual Report on Form 10-K for the fiscal year ended December 28, 2008 filed with the Securities and Exchange Commission. There have been no material changes to those critical accounting estimates, except as discussed below.

### *Goodwill*

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Generally accepted accounting principles require that goodwill be tested for impairment at a reporting unit level. We have determined that our reporting units are the same as our reportable segments. Goodwill is tested for impairment using a two-step process. In the first step, the estimated fair value of a reporting unit is compared to its carrying value. If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is required. To derive the estimated fair value of reporting units, we primarily relied on an income approach. Under the income approach, estimated fair value is determined based on estimated future cash flows discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit being measured. Estimated future cash flows are based on our internal projection model. For reasonableness, the summation of reporting units' fair values is compared to our market capitalization. We also considered estimated fair value based on a market value approach.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, a second step of the impairment test is performed in order to determine the implied fair value of a reporting unit's goodwill. Determining the implied fair value of goodwill requires valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference.

Due to significantly worse than anticipated economic conditions and the impacts to our business in the second quarter of 2009, we revised our internal forecasts for all of our segments, which we deemed to be a triggering event for purposes of assessing goodwill for impairment. Accordingly, goodwill at all of our reporting units was tested for impairment in the second quarter of 2009. From step one of the goodwill impairment test, we determined that the estimated fair values of our Americas Commercial, APAC Commercial and EMEA PT reporting units were less than their carrying value. As a result, we performed step two of the goodwill impairment tests to determine the implied fair value of Americas Commercial, APAC Commercial and EMEA PT goodwill. From step two of the goodwill impairment test, we determined that the implied fair value of the goodwill was less than the carrying value of the goodwill for these reporting units. As a result, we recorded a goodwill impairment loss of $16.4 million related to the Americas Commercial reporting unit, $12.1 million related to the APAC Commercial reporting unit and $22.0 million related to the EMEA PT reporting unit. This expense was recorded in the asset impairments line on the consolidated statement of earnings. The estimated fair values of all other reporting units exceeded their carrying values.

Our analysis used significant assumptions by segment, including: expected future revenue and expense growth rates, profit margins, cost of capital, discount rate and forecasted capital expenditures. Our projections assumed revenue remained relatively flat in the near term, followed by a recovery and long-term modest growth. Assumptions and estimates about future cash flows and discount rates are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts.

Although we believe the assumptions and estimates we made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. Different assumptions of the anticipated future results and growth from these businesses could result in an impairment charge, which would decrease operating income and result in lower asset values on our consolidated balance sheet. For example, a continued worsening of the economy or assumed growth rate reduced by half for the next two years could result in the estimated fair value of the OCG segment falling below its book value. At September 27, 2009 and December 28, 2008, total goodwill amounted to $67.3 million and $117.8 million, respectively (See Notes 2 and 5).

## Forward-Looking Statements

Certain statements contained in this document are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”). 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 Company actions that may be provided by management are also forward-looking statements as defined by the Act. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about the Company, and economic and market factors in the countries in which the Company does business, among other things. These statements are not guarantees of future performance, and the Company has 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 the Company’s 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, 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, liabilities for client and employee actions, foreign currency fluctuations, changes in laws and regulations (including federal, state and international tax laws), continued availability of financing for funding working capital and acquisitions and for general corporate purposes, the Company’s ability to effectively implement and manage its information technology programs, and the ability of the Company to successfully expand into new markets and service lines. Certain risk factors are discussed more fully under “Risk Factors” in Part I, Item 1A of the Company’s Annual Report filed on Form 10-K.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Kelly 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, which conduct business in their local currencies. These risks are partially mitigated by the impact of the Company's local currency-denominated local borrowings, which mitigate 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 and other borrowings. A hypothetical fluctuation of 10% in market interest rates would not have a material impact on 2009 third 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 Note 2, Fair Value Measurements, in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q for further discussion.

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 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, the Company's holdings and positions in market risk-sensitive instruments do not subject the Company 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 (the "Exchange Act")) are effective.

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.**

See Note 9, Contingencies, in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q for a discussion of current legal proceedings.

**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 December 28, 2008.

**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

| 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) |
|---|---|---|---|---|
| June 29, 2009 through August 2, 2009 | 277 | $ 11.50 | — | $ 7.3 |
| August 3, 2009 through August 30, 2009 | — | — | — | — |
| August 31, 2009 through September 27, 2009 | 366 | 12.33 | — | — |
| Total | 643 | $ 11.97 | — | |

On August 8, 2007, the Company's board of directors authorized the repurchase of up to $50.0 million of the Company's outstanding Class A common shares. The Company has repurchased $42.7 million of shares in the open market. The share repurchase program expired in August, 2009. We may reacquire shares outside the program in connection with the surrender of shares to cover taxes due upon the vesting of restricted stock held by employees. Accordingly, 643 shares were reacquired in transactions outside the program during the quarter.

**Item 6. Exhibits.**

See Index to Exhibits required by Item 601, Regulation S-K, set forth on page 39 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: November 6, 2009

/s/ Patricia Little
Patricia Little
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: November 6, 2009

/s/ Michael E. Debs
Michael E. Debs
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

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

| Exhibit No. | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation, effective May 6, 2009. (Reference is made to Exhibit 3.1 to the Form 8-K dated May 5, 2009, filed with the Commission on May 8, 2009, which is incorporated by reference.) |
| 3.2 | Bylaws, effective May 6, 2009. (Reference is made to Exhibit 3.2 to the Form 8-K dated May 5, 2009, filed with the Commission on May 8, 2009, which is incorporated by reference.) |
| 4 | Rights of security holders are defined in Articles Fourth, Fifth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth and Fourteenth of the Restated Certificate of Incorporation, Exhibit 3.1. |
| 10.6 | Three-year, secured, revolving credit agreement, dated September 28, 2009. (Reference is made to Exhibit 10.6 to the Form 8-K dated September 28, 2009, filed with the Commission on September 29, 2009, which is incorporated herein by reference.) |
| 10.13 | First Amendment to Loan Agreement, dated as of April 24, 2009. (Reference is made to Exhibit 10.13 to the Form 8-K dated April 24, 2009, filed with the Commission on April 28, 2009, which is incorporated herein by reference.) |
| 10.14 | Pledge and Security Agreement, dated September 28, 2009. (Reference is made to Exhibit 10.14 to the Form 8-K dated September 28, 2009, filed with the Commission on September 29, 2009, which is incorporated herein by reference.) |
| 10.15 | Second Amendment to the 5.5 billion yen term loan agreement, dated September 28, 2009. (Reference is made to Exhibit 10.15 to the Form 8-K dated September 28, 2009, filed with the Commission on September 29, 2009, which is incorporated herein by reference.) |
| 10.16 | Second Amendment to the 9.0 million euro and 5.0 million UK pound syndicated term loan facility agreement, dated September 28, 2009. (Reference is made to Exhibit 10.16 to the Form 8-K dated September 28, 2009, filed with the Commission on September 29, 2009, which is incorporated herein by reference.) |
| 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. |

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 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: November 6, 2009

/s/ Carl T. Camden
Carl T. Camden
President and
Chief Executive Officer

Exhibit 31.2

**CERTIFICATIONS**

I, Patricia Little, 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 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: November 6, 2009

/s/ Patricia Little
Patricia Little
Executive 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 September 27, 2009 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: November 6, 2009

/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 September 27, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patricia Little, 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: November 6, 2009

/s/ Patricia Little
Patricia Little
Executive 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.