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

FORM 10-Q

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

For the quarterly period ended October 1, 2000

OR

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

Commission File Number 0-1088

KELLY SERVICES, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

38-1510762

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

999 WEST BIG BEAVER ROAD, TROY, MICHIGAN 48084

(Address of principal executive offices)
(Zip Code)

(248) 362-4444

(Registrant's telephone number, including area code)

No Change

(Former name, former address and former fiscal
year, if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

At November 3, 2000, 32,238,678 shares of Class A and 3,495,009 shares of Class B common stock of the Registrant were outstanding.

KELLY SERVICES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF EARNINGS
(UNAUDITED)

(In thousands of dollars except per share data)

	13 Weeks Ended		39 Weeks Ended	
	October 1, 2000	October 3, 1999	October 1, 2000	October 3, 1999
Sales of services	\$1,154,480	\$1,092,002	\$3,341,289	\$3,184,744
Cost of services	948,683	893,900	2,750,509	2,617,537
Gross profit	205,797	198,102	590,780	567,207
Selling, general and administrative expenses	162,017	155,390	483,765	463,770
Earnings from operations	43,780	42,712	107,015	103,437
Interest expense, net	297	309	177	147
Earnings before income taxes	43,483	42,403	106,838	103,290
Income taxes	17,480	17,385	42,950	42,350
Net earnings	\$ 26,003	\$ 25,018	\$ 63,888	\$ 60,940
Earnings per share:				
Basic	\$.73	\$.70	\$ 1.79	\$ 1.70
Diluted	.73	.69	1.78	1.69
Average shares outstanding (thousands):				
Basic	35,728	35,868	35,716	35,842
Diluted	35,840	36,060	35,807	36,000
Dividends per share	\$.25	\$.24	\$.74	\$.71

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

BALANCE SHEETS AS OF OCTOBER 1, 2000 AND JANUARY 2, 2000
(In thousands of dollars)

ASSETS	2000	1999
-----	-----	-----
CURRENT ASSETS:	(UNAUDITED)	
Cash and equivalents	\$ 69,092	\$ 54,032
Short-term investments	3,979	6,018
Accounts receivable, less allowances of \$13,667 and \$13,575, respectively	640,790	602,485
Prepaid expenses and other current assets	21,870	22,801
Deferred taxes	50,882	50,832
	-----	-----
Total current assets	786,613	736,168
PROPERTY AND EQUIPMENT:		
Land and buildings	51,472	49,458
Equipment, furniture and leasehold improvements	257,712	231,654
Accumulated depreciation	(116,648)	(94,112)
	-----	-----
Total property and equipment	192,536	187,000
INTANGIBLES AND OTHER ASSETS	134,740	110,523
	-----	-----
TOTAL ASSETS	\$ 1,113,889	\$ 1,033,691
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Short-term borrowings	\$ 53,512	\$ 47,210
Accounts payable	79,600	73,516
Payroll and related taxes	260,781	215,706
Accrued insurance	65,486	65,881
Income and other taxes	51,367	49,005
	-----	-----
Total current liabilities	510,746	451,318
STOCKHOLDERS' EQUITY:		
Capital stock, \$1 par value		
Class A common stock, 36,609,040 shares issued in 2000 and 36,602,210 in 1999	36,609	36,602
Class B common stock, 3,506,826 shares issued in 2000 and 3,513,656 in 1999	3,507	3,514
Treasury stock, at cost		
Class A common stock, 4,370,651 shares in 2000 and 4,234,524 shares in 1999	(84,387)	(80,538)
Class B common stock, 10,817 shares in 2000 and 7,767 shares in 1999	(322)	(248)
Paid-in capital	16,306	15,761
Earnings invested in the business	661,035	623,564
Accumulated foreign currency adjustments	(29,605)	(16,282)
	-----	-----
Total stockholders' equity	603,143	582,373
	-----	-----
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,113,889	\$ 1,033,691
	=====	=====

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

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

	13 Weeks Ended		39 Weeks Ended	
	October 1, 2000	October 3, 1999	October 1, 2000	October 3, 1999
Capital Stock				
Class A common stock				
Balance at beginning of period	\$ 36,609	\$ 36,548	\$ 36,602	\$ 36,541
Conversions from Class B	--	12	7	19
Balance at end of period	36,609	36,560	36,609	36,560
Class B common stock				
Balance at beginning of period	3,507	3,568	3,514	3,575
Conversions to Class A	--	(12)	(7)	(19)
Balance at end of period	3,507	3,556	3,507	3,556
Treasury Stock				
Class A common stock				
Balance at beginning of period	(84,792)	(80,635)	(80,538)	(81,669)
Treasury stock issued for acquisitions	358	146	522	146
Purchase of treasury stock	--	--	(5,614)	--
Exercise of stock options, restricted stock awards and other	47	278	1,243	1,312
Balance at end of period	(84,387)	(80,211)	(84,387)	(80,211)
Class B common stock				
Balance at beginning of period	(284)	(248)	(248)	(248)
Purchase of treasury stock	(38)	--	(74)	--
Balance at end of period	(322)	(248)	(322)	(248)
Paid-in Capital				
Balance at beginning of period	16,212	15,448	15,761	14,844
Treasury stock issued for acquisitions	73	66	112	66
Exercise of stock options, restricted stock awards and other	21	151	433	755
Balance at end of period	16,306	15,665	16,306	15,665
Earnings Invested in the Business				
Balance at beginning of period	643,965	591,599	623,564	572,517
Net earnings	26,003	25,018	63,888	60,940
Dividends	(8,933)	(8,609)	(26,417)	(25,449)
Balance at end of period	661,035	608,008	661,035	608,008
Accumulated Foreign Currency Adjustments				
Balance at beginning of period	(23,132)	(17,129)	(16,282)	(7,796)
Equity adjustment for foreign currency	(6,473)	4,718	(13,323)	(4,615)
Balance at end of period	(29,605)	(12,411)	(29,605)	(12,411)
Stockholders' Equity at end of period	\$ 603,143	\$ 570,919	\$ 603,143	\$ 570,919
Comprehensive Income				
Net earnings	\$ 26,003	\$ 25,018	\$ 63,888	\$ 60,940
Other comprehensive income - Foreign currency adjustments	(6,473)	4,718	(13,323)	(4,615)
Comprehensive Income	\$ 19,530	\$ 29,736	\$ 50,565	\$ 56,325

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
(UNAUDITED)
FOR THE 39 WEEKS ENDED OCTOBER 1, 2000 AND OCTOBER 3, 1999
(In thousands of dollars)

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 63,888	\$ 60,940
Noncash adjustments:		
Depreciation and amortization	28,949	24,044
Increase in accounts receivable, net	(52,889)	(41,602)
Changes in certain working capital components	63,715	42,562
	-----	-----
Net cash from operating activities	103,663	85,944
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(35,155)	(60,621)
Proceeds from sales and maturities of short-term investments	695,165	671,510
Purchases of short-term investments	(693,126)	(665,440)
Increase in other assets	(9,933)	(9,195)
Acquisition of companies, net of cash received	(19,860)	(4,189)
	-----	-----
Net cash from investing activities	(62,909)	(67,935)
	-----	-----
Cash flows from financing activities:		
Increase in short-term borrowings	6,302	1,521
Dividend payments	(26,380)	(25,438)
Purchase of treasury stock	(5,688)	--
Stock options and other	72	780
	-----	-----
Net cash from financing activities	(25,694)	(23,137)
	-----	-----
Net change in cash and equivalents	15,060	(5,128)
Cash and equivalents at beginning of period	54,032	59,799
	-----	-----
Cash and equivalents at end of period	\$ 69,092	\$ 54,671
	=====	=====

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

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

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and notes required by generally accepted accounting principles for complete financial statements. All adjustments, consisting only of normal recurring adjustments, have been made which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the fiscal year ended January 2, 2000 (the 1999 consolidated financial statements).

2. Segment Disclosures

The Company's reportable segments, which are based on the Company's method of internal reporting, are: (1) U.S. Commercial Staffing, (2) Professional, Technical and Staffing Alternatives (PTSA) and (3) International. The following table presents information about the reported sales and earnings from operations of the Company for the 13-week and 39-week periods ended October 1, 2000 and October 3, 1999. Segment data presented is net of intersegment revenues. Asset information by reportable segment is not presented, since the Company does not produce such information internally.

	13 Weeks Ended		39 Weeks Ended	
	2000	1999	2000	1999
	-----	-----	-----	-----
Sales:				
U.S. Commercial Staffing	\$ 603,394	\$ 570,692	\$ 1,727,440	\$ 1,685,781
PTSA	268,905	237,034	787,154	700,662
International	282,181	284,276	826,695	798,301
	-----	-----	-----	-----
Consolidated Total	\$ 1,154,480	\$ 1,092,002	\$ 3,341,289	\$ 3,184,744
	=====	=====	=====	=====
Earnings from Operations:				
U.S. Commercial Staffing	\$ 51,951	\$ 51,424	\$ 141,217	\$ 143,973
PTSA	20,125	14,263	52,385	40,561
International	8,596	11,359	21,183	22,963
Corporate	(36,892)	(34,334)	(107,770)	(104,060)
	-----	-----	-----	-----
Consolidated Total	\$ 43,780	\$ 42,712	\$ 107,015	\$ 103,437
	=====	=====	=====	=====

3. Contingencies

The Company is subject to various legal proceedings, claims and liabilities which arise in the ordinary course of its business. Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance and it is reasonably possible that some of the foregoing matters could be decided unfavorably to the Company. Although the amount of the liability at October 1, 2000 with respect to these matters cannot be ascertained, the Company believes that any resulting liability will not be material to the financial statements of the Company at October 1, 2000.

KELLY SERVICES, INC. AND SUBSIDIARIES

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

4. Earnings Per Share

The reconciliations of earnings per share computations for the 13-week and 39-week periods ended October 1, 2000 and October 3, 1999 were as follows:

	13 Weeks Ended 2000	1999	39 Weeks Ended 2000	1999
	-----	-----	-----	-----
Net earnings	\$26,003	\$25,018	\$63,888	\$60,940
	=====	=====	=====	=====
Determination of shares (thousands):				
Weighted average common shares outstanding	35,728	35,868	35,716	35,842
Effect of dilutive securities:				
Stock options	--	71	--	42
Restricted and performance awards and other	112	121	91	116
	-----	-----	-----	-----
Weighted average common shares outstanding - assuming dilution	35,840	36,060	35,807	36,000
	=====	=====	=====	=====
Earnings per share - basic	\$.73	\$.70	\$ 1.79	\$ 1.70
Earnings per share - assuming dilution	\$.73	\$.69	\$ 1.78	\$ 1.69

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

Results of Operations:

Third Quarter

Sales of services in the third quarter of 2000 were \$1.154 billion, an increase of 5.7% from the same period in 1999. Sales in the U.S. Commercial Staffing segment grew by 5.7%, while Professional, Technical and Staffing Alternatives (PTSA) sales grew by 13.4% compared to last year. Within the PTSA segment, science and healthcare revenue growth remained strong, at more than 15%. There was also a significant improvement in the staff leasing business unit during the quarter. International sales decreased by 0.7% as compared to the third quarter of 1999. The sales decline in International was due to the impact of unfavorable foreign currency translation as well as a slowdown in sales in the United Kingdom.

Cost of services, consisting of payroll and related tax and benefit costs of employees assigned to customers, increased 6.1% in the third quarter as compared to the same period in 1999. Direct wage costs have increased from 1999 at a rate somewhat higher than the general inflation rate, due to strong worldwide demand for labor.

Gross profit of \$205.8 million was 3.9% higher than the third quarter of 1999, and gross profit as a percentage of sales was 17.8% in 2000, which was down from the 18.1% rate in 1999. This reflected a decrease in the gross profit rate of the U.S. Commercial and International businesses, primarily due to a shift in mix of sales to our larger customers.

Selling, general and administrative expenses were \$162.0 million in the third quarter, an increase of 4.3% over the same period in 1999. Expenses averaged 14.0% of sales in 2000, a 0.2% improvement versus the 14.2% rate in 1999. Compared to last year, the elimination of Y2K expenses was partially offset by an increase in depreciation expense.

Earnings from operations of \$43.8 million were 2.5% greater than the third quarter of 1999. Net interest expense was \$297 thousand, virtually unchanged from last year's net interest expense of \$309 thousand.

Earnings before income taxes were \$43.5 million, an increase of 2.5%, compared to pretax earnings of \$42.4 million earned for the same period in 1999. Income taxes were 40.2% of pretax income in the third quarter of 2000 and 41.0% in the third quarter of 1999.

Net earnings were \$26.0 million in the third quarter of 2000, an increase of 3.9% over the third quarter of 1999. Diluted earnings per share were \$.73, an increase of 5.8% as compared to \$.69 in the same period last year.

Year-to-Date

Sales of services totaled \$3.341 billion during the first nine months of 2000, an increase of 4.9% over 1999. Sales in the U.S. Commercial Staffing segment grew by 2.5%, while Professional, Technical and Staffing Alternatives (PTSA) sales grew by 12.3% compared to last year. International sales grew by 3.6% as compared to the first nine months of 1999. The strong U.S. dollar significantly weakened translated sales for the International segment.

Cost of services of \$2.751 billion was 5.1% higher than last year, reflecting volume growth and increases in payroll rates due to strong demand for labor worldwide.

Gross profit increased 4.2% in 2000 due to increased sales. The gross profit rate was 17.7% for the first nine months of 2000, which was slightly lower than the 17.8% rate in 1999. This reflected a modest increase in the gross profit rate of the Company's professional and technical business, offset by slightly lower rates in the U.S. Commercial Staffing and International segments.

Selling, general and administrative expenses of \$483.8 million were 4.3% higher than last year. The expense rate was 14.5% of sales in 2000, slightly better than the 14.6% rate in 1999. Compared to last year, the elimination of Y2K expenses again was partially offset by increased depreciation.

Earnings before taxes were \$106.8 million, an increase of 3.4% over 1999. Income taxes were 40.2% of pretax earnings in the first nine months of 2000 and 41.0% in 1999.

Net earnings were \$63.9 million or 4.8% above the first nine months of 1999.

Diluted earnings per share were \$1.78, an increase of 5.3% as compared to \$1.69 in the first nine months of 1999.

Financial Condition

Assets totaled \$1.114 billion at October 1, 2000, an increase of 7.8% over the \$1.034 billion at January 2, 2000. Working capital decreased \$9.0 million during the nine-month period. The current ratio was 1.5 at October 1, 2000 and 1.6 at January 2, 2000.

During the first nine months of 2000, net cash from operating activities was \$103.7 million, an increase of 20.6% from the comparable period in 1999. This increase resulted principally from an increase in the accounts payable balances offset by growth in accounts receivable. The Company's global day's sales outstanding for the 39-week period were 52 days in 2000, an improvement of one day over the 53 days reported in 1999.

Capital expenditures for the first nine months totaled \$35 million, a planned decrease from the \$61 million spent during the same period of 1999. Of the total, over 75% related to information technology investments. Annual capital expenditures are projected to total between \$50 to \$55 million this year, a planned decrease from the \$77 million spent in 1999.

During the third quarter, the Company completed two acquisitions. The ProStaff Group, a leading Milwaukee, Wisconsin staffing company, was acquired in August. ProStaff operates under four brand names, including ProStaff Preferred, Accountants Preferred, HRfirst and Connectivity IT. This acquisition represents a significant expansion of the Company's market share in the Milwaukee area and demonstrates a commitment to growing the U.S. Commercial Staffing business. In September, the Company acquired the Business Trends Group, based in Singapore. Business Trends provides temporary and permanent placement staffing services, contract staffing and payroll administration. As a result of this acquisition, the Company will extend its coverage into Southeast Asia and add six new countries: Singapore, India, Indonesia, Malaysia, the Philippines and Thailand.

The quarterly dividend rate applicable to Class A and Class B shares outstanding was \$.25 per share in the third quarter of 2000. This represents a 4.2% increase compared to a dividend rate of \$.24 per share in the third quarter of 1999.

During September, 2000, the Company arranged an \$8.25 million one year credit facility to be used to fund its Singapore acquisition. At October 1, 2000, the outstanding balance was denominated in Singapore dollars and totaled \$7.46 million at an interest rate of 3.2%.

The Company's financial position continues to be strong. This strength will allow it to continue to pursue business growth opportunities, while supporting current operations.

Market Risk-Sensitive Instruments And Positions

The market risk inherent in the Company's market risk-sensitive instruments and positions is the potential loss arising from adverse changes in foreign currency exchange rates and interest rates. Foreign currency exchange risk is mitigated by the usage of the Company's multi-currency line of credit. This credit facility can be used to borrow in local currencies that can mitigate the exchange rate risk resulting from foreign currency-denominated assets fluctuating in relation to the U.S. dollar.

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

Forward-Looking Statements

Except for the historical statements and discussions contained herein, statements contained in this report relate to future events that are subject to risks and uncertainties, such as: competition, changing market and economic conditions, currency fluctuations, changes in laws and regulations, the Company's ability to effectively implement and manage its information technology programs and other factors discussed in the report and in the Company's filings with the Securities and Exchange Commission. Actual results may differ materially from any projections contained herein.

Companies for which this report is filed are:

Kelly Services, Inc. and its subsidiaries:

Kelly Assisted Living Services, Inc.
 Kelly Properties, Inc.
 Kelly Services (Canada), Ltd.
 Kelly Services (UK), Ltd.
 Kelly Services (Ireland), Ltd.
 Kelly Services (Australia), Ltd.
 Kelly Services (New Zealand), Ltd.
 Kelly Services (Nederland), B.V.
 Kelly Services of Denmark, Inc.
 Kelly de Mexico, S.A. de C.V.
 Kelly Services Norge A.S.
 KSI Acquisition Corp.
 Kelly Staff Leasing, Inc.
 Kelly Services (Suisse) Holding S.A.
 Kelly Professional Services (France), Inc.
 Kelly Services France S.A.
 Competences RH S.A.R.L.
 Kelly Services Luxembourg S.A.R.L.
 Kelly Services Italia Srl
 Kelly Services Iberia Holding Company, S.L.
 Kelly Services Empleo Empresa de Trabajo Temporal, S.L.
 Kelly Services Seleccion y Formacion, S.L.
 Kelly Services CIS, Inc.
 ooo Kelly Services
 Kelly Services (Societa di forniture di lavoro temporaneo) SpA
 Kelly Services Interim, S.A.
 Kelly Services Deutschland GmbH
 Kelly Services Consulting GmbH
 Kelly Services Interim (Belgium) S.A., N.V.
 Kelly Services Select (Belgium) S.A., N.V.
 Kelly Services Sverige A.B.
 LabStaff Pty. Ltd.
 Interim Job S.A.R.L.
 Kellament Properties, Inc.
 Kelly Services Holding (Singapore) Pte. Ltd.
 Business Trends Pte. Ltd.
 BTI Consultants Pte. Ltd.
 Agensi Pekerjaan Business Trends Sdn. Bhd.
 Agensi Pekerjaan BTI Consultants Sdn. Bhd.

PART II. OTHER INFORMATION AND SIGNATURE

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

- (a) See Index to Exhibits required by Item 601, Regulation S-K, set forth on page 14 of this filing.
- (b) No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURE

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

KELLY SERVICES, INC.

Date: November 14, 2000

/s/ William K. Gerber
William K. Gerber

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

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

Exhibit No. -----	Description -----	Document -----
4	Rights of security holders are defined in Articles Fourth, Fifth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth and Fifteenth of the Certificate of Incorporation. (Reference is made to Exhibit 3.2 to the Form 10-Q for the quarterly period ended June 30, 1996, filed with the Commission in August, 1996, which is incorporated herein by reference).	
27	Financial Data Schedule for nine months ended October 1, 2000.	2

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND STATEMENT OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS		
	DEC-31-2000	
	JAN-03-2000	
	OCT-01-2000	
		69,092
		3,979
		654,457
		13,667
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		786,613
		309,184
		116,648
		1,113,889
	510,746	
		0
	0	
		0
		40,116
		563,027
1,113,889		
		0
	3,341,289	
		0
		2,750,509
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		0
		106,838
		42,950
	63,888	
		0
		0
		0
		63,888
		1.79
		1.78