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, 2020

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.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A Common	KELYA	NASDAQ Global Market
Class B Common	KELYB	NASDAQ Global Market

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 ☐

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 ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

At October 26, 2020, 35,869,222 shares of Class A and 3,427,538 shares of Class B common stock of the Registrant were outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	13 Weeks Ended		39 Weeks Ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Revenue from services	$ 1,038.2	$ 1,267.7	$ 3,274.6	$ 4,017.8
Cost of services	847.2	1,040.0	2,671.1	3,294.5
Gross profit	191.0	227.7	603.5	723.3
Selling, general and administrative expenses	193.4	210.6	591.0	666.9
Goodwill impairment charge	—	—	147.7	—
Gain on sale of assets	—	—	(32.1)	(12.3)
Earnings (loss) from operations	(2.4)	17.1	(103.1)	68.7
Gain (loss) on investment in Persol Holdings	16.8	(39.3)	(31.4)	35.1
Other income (expense), net	(0.7)	(0.2)	3.6	(1.1)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	13.7	(22.4)	(130.9)	102.7
Income tax expense (benefit)	(1.2)	(12.8)	(36.5)	6.3
Net earnings (loss) before equity in net earnings (loss) of affiliate	14.9	(9.6)	(94.4)	96.4
Equity in net earnings (loss) of affiliate	1.8	(0.9)	(1.0)	(1.0)
Net earnings (loss)	$ 16.7	$ (10.5)	$ (95.4)	$ 95.4
Basic earnings (loss) per share	$ 0.42	$ (0.27)	$ (2.43)	$ 2.42
Diluted earnings (loss) per share	$ 0.42	$ (0.27)	$ (2.43)	$ 2.41
Average shares outstanding (millions):				
Basic	39.3	39.1	39.3	39.0
Diluted	39.4	39.1	39.3	39.2

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

(In millions of dollars)

	13 Weeks Ended		39 Weeks Ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Net earnings (loss)	$ 16.7	$ (10.5)	$ (95.4)	$ 95.4
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax expense of $0.4, tax benefit of $0.2, tax expense of $0.0 and tax benefit of $0.1, respectively	5.1	(6.2)	0.4	(0.8)
Less: Reclassification adjustments included in net earnings	(1.5)	—	(1.5)	—
Foreign currency translation adjustments	3.6	(6.2)	(1.1)	(0.8)
Other comprehensive income (loss)	3.6	(6.2)	(1.1)	(0.8)
Comprehensive income (loss)	$ 20.3	$ (16.7)	$ (96.5)	$ 94.6

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(In millions)

	September 27, 2020	December 29, 2019
Assets		
Current Assets		
Cash and equivalents	$ 248.2	$ 25.8
Trade accounts receivable, less allowances of $11.4 and $12.9, respectively	1,111.4	1,282.2
Prepaid expenses and other current assets	71.4	76.5
Properties held for sale	—	21.2
Total current assets	1,431.0	1,405.7
Noncurrent Assets		
Property and equipment:		
Property and equipment	220.6	225.8
Accumulated depreciation	(179.8)	(182.7)
Net property and equipment	40.8	43.1
Operating lease right-of-use assets	84.0	60.4
Deferred taxes	273.3	229.1
Goodwill, net	—	127.8
Investment in Persol Holdings	145.8	173.2
Investment in equity affiliate	115.6	117.2
Other assets	301.2	324.1
Total noncurrent assets	960.7	1,074.9
Total Assets	$ 2,391.7	$ 2,480.6

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(In millions)

	September 27, 2020	December 29, 2019
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	$ 0.5	$ 1.9
Accounts payable and accrued liabilities	458.4	503.6
Operating lease liabilities	19.5	20.1
Accrued payroll and related taxes	240.7	267.6
Accrued workers' compensation and other claims	25.0	25.7
Income and other taxes	52.4	65.2
Total current liabilities	796.5	884.1
Noncurrent Liabilities		
Operating lease liabilities	68.1	43.3
Accrued payroll and related taxes	75.7	—
Accrued workers' compensation and other claims	44.4	45.8
Accrued retirement benefits	188.2	187.4
Other long-term liabilities	52.7	55.5
Total noncurrent liabilities	429.1	332.0
Commitments and contingencies (see Contingencies footnote)		
Stockholders' Equity		
Capital stock, $1.00 par value		
Class A common stock, 100.0 shares authorized; 36.6 shares issued at 2020 and 2019	36.6	36.6
Class B common stock, 10.0 shares authorized; 3.5 shares issued at 2020 and 2019	3.5	3.5
Treasury stock, at cost		
Class A common stock, 0.8 shares at 2020 and 1.0 shares at 2019	(16.6)	(20.3)
Class B common stock	(0.6)	(0.6)
Paid-in capital	20.6	22.5
Earnings invested in the business	1,139.5	1,238.6
Accumulated other comprehensive income (loss)	(16.9)	(15.8)
Total stockholders' equity	1,166.1	1,264.5
Total Liabilities and Stockholders' Equity	$ 2,391.7	$ 2,480.6

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

(In millions of dollars)

	13 Weeks Ended		39 Weeks Ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
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	(16.7)	(20.9)	(20.3)	(25.4)
Net issuance of stock awards	0.1	0.2	3.7	4.7
Balance at end of period	(16.6)	(20.7)	(16.6)	(20.7)
Class B common stock				
Balance at beginning of period	(0.6)	(0.6)	(0.6)	(0.6)
Net issuance of stock awards	—	—	—	—
Balance at end of period	(0.6)	(0.6)	(0.6)	(0.6)
Paid-in Capital				
Balance at beginning of period	20.5	23.2	22.5	24.4
Net issuance of stock awards	0.1	(0.9)	(1.9)	(2.1)
Balance at end of period	20.6	22.3	20.6	22.3
Earnings Invested in the Business				
Balance at beginning of period	1,122.8	1,238.1	1,238.6	1,138.1
Cumulative-effect adjustment, net of tax, from adoption of ASU 2016-13, Credit Losses	—	—	(0.7)	—
Net earnings (loss)	16.7	(10.5)	(95.4)	95.4
Dividends	—	(3.0)	(3.0)	(8.9)
Balance at end of period	1,139.5	1,224.6	1,139.5	1,224.6
Accumulated Other Comprehensive Income (Loss)				
Balance at beginning of period	(20.5)	(11.7)	(15.8)	(17.1)
Other comprehensive income (loss), net of tax	3.6	(6.2)	(1.1)	(0.8)
Balance at end of period	(16.9)	(17.9)	(16.9)	(17.9)
Stockholders' Equity at end of period	$ 1,166.1	$ 1,247.8	$ 1,166.1	$ 1,247.8

See accompanying unaudited Notes to Consolidated Financial Statements.

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

	39 Weeks Ended	
	September 27, 2020	September 29, 2019
Cash flows from operating activities:		
Net earnings (loss)	$ (95.4)	$ 95.4
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
Goodwill impairment charge	147.7	—
Deferred income taxes on goodwill impairment charge	(23.0)	—
Depreciation and amortization	18.0	23.8
Operating lease asset amortization	15.9	16.9
Provision for credit losses and sales allowances	10.7	3.2
Stock-based compensation	2.9	4.7
(Gain) loss on investment in Persol Holdings	31.4	(35.1)
(Gain) loss on sale of assets	(32.1)	(12.3)
Equity in net (earnings) loss of PersolKelly Pte. Ltd.	1.0	1.0
Other, net	1.8	(1.0)
Changes in operating assets and liabilities, net of acquisitions	137.6	(22.4)
Net cash from operating activities	216.5	74.2
Cash flows from investing activities:		
Capital expenditures	(12.3)	(13.8)
Proceeds from sale of assets	55.5	13.8
Acquisition of companies, net of cash received	(36.4)	(86.4)
Proceeds from company-owned life insurance	2.3	3.0
Proceeds from sale of Brazil, net of cash disposed	1.2	—
Loans to equity affiliate	—	(4.4)
Investment in equity securities	(0.2)	(1.0)
Other investing activities	0.2	—
Net cash from (used in) investing activities	10.3	(88.8)
Cash flows from financing activities:		
Net change in short-term borrowings	(1.5)	15.2
Financing lease payments	(1.0)	(0.4)
Dividend payments	(3.0)	(8.9)
Payments of tax withholding for stock awards	(1.2)	(2.3)
Other financing activities	(0.1)	—
Net cash (used in) from financing activities	(6.8)	3.6
Effect of exchange rates on cash, cash equivalents and restricted cash	3.4	(0.5)
Net change in cash, cash equivalents and restricted cash	223.4	(11.5)
Cash, cash equivalents and restricted cash at beginning of period	31.0	40.1
Cash, cash equivalents and restricted cash at end of period [(1)]	$ 254.4	$ 28.6

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(UNAUDITED)
(In millions of dollars)

[1] The following table provides a reconciliation of cash, cash equivalents and restricted cash to the amounts reported in our consolidated balance sheets:

	39 Weeks Ended	
	September 27, 2020	September 29, 2019
Reconciliation of cash, cash equivalents and restricted cash:		
Current assets:		
Cash and cash equivalents	$ 248.2	$ 22.8
Restricted cash included in prepaid expenses and other current assets	0.9	0.8
Noncurrent assets:		
Restricted cash included in other assets	5.3	5.0
Cash, cash equivalents and restricted cash at end of period	$ 254.4	$ 28.6

See accompanying unaudited Notes to Consolidated Financial Statements.

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Kelly Services, Inc. (the “Company,” “Kelly,” “we” or “us”) have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and notes required by generally accepted accounting principles (“GAAP”) for complete financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, necessary for a fair statement of the results of the interim periods, have been made. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The unaudited consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the fiscal year ended December 29, 2019, included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 13, 2020 (the 2019 consolidated financial statements). The Company’s third fiscal quarter ended on September 27, 2020 (2020) and September 29, 2019 (2019), each of which contained 13 weeks. The corresponding September year to date periods for 2020 and 2019 each contained 39 weeks.

Noncurrent accrued payroll and related taxes of $75.7 million in the consolidated balance sheet as of third quarter-end 2020 represent deferred U.S. payroll tax payments as allowed by COVID-19 economic relief legislation. Approximately half of the balance is expected to be paid by the end of fiscal 2021, with the remaining amount expected to be paid by the end of fiscal 2022.

As discussed in the Segment Disclosures footnote, the Company has changed its reportable segments during the third quarter of 2020. As a result, certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

2. Revenue

Revenue Disaggregated by Service Type

Kelly has five specialty segments: Professional & Industrial ("P&I" formerly Commercial), Science, Engineering & Technology ("SET"), Education, Outsourcing & Consulting Group ("Outsourcing & Consulting," "OCG") and International. Other than OCG, each segment delivers talent through staffing services, permanent placement or outcome-based services. Our OCG segment delivers talent solutions including managed service provider ("MSP"), payroll process outsourcing ("PPO"), recruitment process outsourcing ("RPO"), and talent advisory services.

The following table presents our segment revenues disaggregated by service type (in millions):

	Third Quarter		September Year to Date	
	2020	2019	2020	2019
Professional & Industrial				
Staffing services	$ 341.3	$ 445.0	$ 1,033.1	$ 1,398.5
Permanent placement	2.3	4.2	7.0	14.4
Outcome-based services	102.9	88.8	306.6	255.8
Total Professional & Industrial	446.5	538.0	1,346.7	1,668.7
Science, Engineering & Technology				
Staffing services	181.6	213.5	562.3	646.7
Permanent placement	3.1	4.3	9.0	11.8
Outcome-based services	59.3	67.4	190.2	201.2
Total Science, Engineering & Technology	244.0	285.2	761.5	859.7
Education				
Staffing services	27.4	56.9	194.9	313.3
Permanent placement	0.1	0.2	0.2	0.6
Total Education	27.5	57.1	195.1	313.9
Outsourcing & Consulting				
Talent solutions	87.9	94.4	261.0	282.3
Total Outsourcing & Consulting	87.9	94.4	261.0	282.3
International				
Staffing services	228.8	287.0	697.9	873.6
Permanent placement	3.6	6.4	12.7	20.0
Total International	232.4	293.4	710.6	893.6
Total Intersegment	(0.1)	(0.4)	(0.3)	(0.4)
Total Revenue from Services	$ 1,038.2	$ 1,267.7	$ 3,274.6	$ 4,017.8

Revenue Disaggregated by Geography

Our operations are subject to different economic and regulatory environments depending on geographic location. Our P&I and Education segments operate in the Americas region, our SET segment operates in the Americas and Europe regions, and OCG operates in the Americas, Europe and Asia-Pacific regions. The International segment includes Europe and our Brazil and Mexico operations, which are included in the Americas region. Our Brazil operations were sold in August 2020 (see Acquisitions and Disposition footnote).

The below table presents our revenues disaggregated by geography (in millions):

	Third Quarter		September Year to Date	
	2020	2019	2020	2019
Americas				
United States	$ 740.6	$ 903.2	$ 2,369.2	$ 2,913.4
Canada	30.3	34.6	88.7	100.8
Mexico	27.4	32.4	78.6	89.6
Puerto Rico	18.4	18.8	56.1	57.6
Brazil	1.8	8.4	17.0	25.1
Total Americas Region	818.5	997.4	2,609.6	3,186.5
Europe				
Switzerland	49.6	50.6	141.2	150.0
France	48.8	59.7	141.2	188.6
Portugal	31.7	44.0	99.1	135.5
Russia	27.2	29.9	88.6	84.1
United Kingdom	16.4	24.9	56.5	81.6
Italy	14.5	18.5	42.5	59.8
Germany	7.0	11.5	22.1	32.5
Ireland	4.9	7.1	14.0	28.1
Other	12.0	16.6	38.7	51.5
Total Europe Region	212.1	262.8	643.9	811.7
Total Asia-Pacific Region	7.6	7.5	21.1	19.6
Total Kelly Services, Inc.	$ 1,038.2	$ 1,267.7	$ 3,274.6	$ 4,017.8

The below table presents our SET, OCG and International segment revenues disaggregated by geographic region (in millions):

	Third Quarter		September Year to Date	
	2020	2019	2020	2019
Science, Engineering & Technology				
Americas	$ 242.8	$ 283.2	$ 757.3	$ 852.3
Europe	1.2	2.0	4.2	7.4
Total Science, Engineering & Technology	$ 244.0	$ 285.2	$ 761.5	$ 859.7
Outsourcing & Consulting				
Americas	$ 72.9	$ 78.9	$ 215.9	$ 238.2
Europe	7.4	8.0	24.0	24.5
Asia-Pacific	7.6	7.5	21.1	19.6
Total Outsourcing & Consulting	$ 87.9	$ 94.4	$ 261.0	$ 282.3
International				
Americas	$ 28.9	$ 40.5	$ 94.9	$ 113.8
Europe	203.5	252.9	615.7	779.8
Total International	$ 232.4	$ 293.4	$ 710.6	$ 893.6

Deferred Costs

Deferred sales commissions, which are included in other assets in the consolidated balance sheet, were $1.0 million as of third quarter-end 2020 and $1.5 million as of year-end 2019. Amortization expense for the deferred costs for the third quarter and September year to date 2020 was $0.2 million and $0.8 million, respectively. Amortization expense for the deferred costs for the third quarter and September year to date 2019 was $0.4 million and $1.3 million, respectively.

Deferred fulfillment costs, which are included in prepaid expenses and other current assets in the consolidated balance sheet, were $4.0 million as of third quarter-end 2020 and $3.6 million as of year-end 2019. Amortization expense for the deferred costs for the third quarter and September year to date 2020 was $5.3 million and $14.9 million, respectively. Amortization expense for the deferred costs for the third quarter and September year to date 2019 was $3.8 million and $10.3 million, respectively.

3. Credit Losses

On December 30, 2019, we adopted Accounting Standards Codification ("ASC") Topic 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures, as applicable. Results for reporting periods beginning after December 30, 2019 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. As a result of adopting this guidance, we have updated our accounting policies as follows.

Allowance for Uncollectible Accounts Receivable The Company records an allowance for uncollectible accounts receivable, billed and unbilled, based on historical loss experience, customer payment patterns, current economic trends, and reasonable and supportable forecasts, as applicable. The reserve for sales allowances is also included in the allowance for uncollectible accounts receivable. The Company estimates the current expected credit losses by applying internally developed loss rates to all outstanding receivable balances by aging category. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The Company reviews the adequacy of the allowance for uncollectible accounts receivable on a quarterly basis and, if necessary, increases or decreases the balance by recording a charge or credit to selling, general and administrative ("SG&A") expenses for the portion of the adjustment relating to uncollectible accounts receivable, and a charge or credit to revenue from services for the portion of the adjustment relating to sales allowances.

Allowance for Credit Losses - Other Financial Assets The Company measures expected credit losses on qualified financial assets that do not result from revenue transactions using a probability of default method by type of financing receivable. The estimate of expected credit losses considers credit ratings, financial data, historical write-off experience, current conditions, and reasonable and supportable forecasts, as applicable, to estimate the risk of loss.

We are exposed to credit losses primarily through our sales of workforce solution services to customers. We establish an allowance for estimated credit losses in the current period resulting from the failure of our customers to make required payments on their trade accounts receivable in future periods. We pool such assets by geography and other similar risk characteristics, such as accounts in collection, and apply an aging method to estimate future credit losses utilizing inputs such as historical write-off experience, customer payment patterns, current collection data, and reasonable and supportable forecasts, as applicable. Credit risk with respect to accounts receivable is limited due to short payment terms. The Company also performs ongoing credit evaluations using applicable credit ratings of its customers to help analyze credit risk. We monitor ongoing credit exposure through frequent review of past due accounts (based on the payment terms of the contract) and follow-up with customers, as appropriate. We may employ collection agencies and legal counsel to pursue recovery of defaulted receivables.

We are engaged in litigation with a customer over a disputed accounts receivable balance of approximately $10 million for certain services rendered more than five years ago, which is recorded as a long-term receivable in other assets in the consolidated balance sheet. In September 2020, a ruling was issued in favor of the customer, which we have appealed. Upon receiving the ruling, we increased our allowance for credit losses by $9.2 million to reflect the likelihood of collection, which is recorded in other assets in the consolidated balance sheet.

We are also exposed to credit losses from our loan to PersolKelly Pte. Ltd. and other receivables measured at amortized cost. No other allowances related to the loan or other receivables were material for September year to date 2020. See Investment in PersolKelly Pte. Ltd. footnote for more information on the loan to PersolKelly Pte. Ltd.

The rollforward of our allowance for credit losses related to trade accounts receivable, which is recorded in trade accounts receivable, less allowance in the consolidated balance sheet, is as follows (in millions):

	September Year to Date 2020
Allowance for credit losses:	
Beginning balance	$ 9.7
Impact of adopting ASC 326	0.3
Current period provision	1.2
Currency exchange effects	(0.2)
Write-offs	(1.6)
Ending balance	$ 9.4

Write-offs are presented net of recoveries, which were not material for September year to date 2020.

The rollforward of our allowance for credit losses related to the long-term customer receivable, which is recorded in other assets in the consolidated balance sheet, is as follows (in millions):

	September Year to Date 2020
Allowance for credit losses:	
Beginning balance	$ 1.0
Impact of adopting ASC 326	0.7
Current period provision	9.5
Currency exchange effects	(0.3)
Ending Balance	$ 10.9

4. Acquisitions and Disposition

Acquisitions

In the first quarter of 2020, Kelly Services USA, LLC, a wholly owned subsidiary of the Company, acquired Insight Workforce Solutions LLC and its affiliate, Insight EDU LLC (collectively, "Insight"), as detailed below. In the first quarter of 2019, the Company acquired NextGen Global Resources LLC (“NextGen”) and Global Technology Associates, LLC (“GTA”), as detailed below. We have accounted for these acquisitions under ASC 805, Business Combinations.

Insight

On January 14, 2020, Kelly Services USA, LLC acquired 100% of the membership interests of Insight, an educational staffing company in the U.S, for a purchase price of $34.5 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by Insight at the closing date and estimated working capital adjustments resulting in the Company paying cash of $38.1 million. The purchase price of the acquisition also includes contingent consideration with an estimated fair value of $1.6 million related to an earnout payment in the event certain conditions are met per the terms of the agreement. The initial fair value of the earnout was established using a Monte Carlo simulation and the liability is recorded in accounts payable and accrued liabilities in the consolidated balance sheet (see Fair Value Measurements footnote). In the third quarter of 2020, the earnout was revalued, resulting in an increase to the liability of $0.5 million. In the second quarter of 2020, the Company paid a working capital adjustment of $0.1 million. The purchase price allocation for this acquisition is preliminary and could change.

This acquisition will increase our market share in the education staffing market in the U.S. Insight's results of operations are included in the Education segment. Pro forma results of operations for this acquisition have not been presented as it is not material to the consolidated statements of earnings.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (in millions of dollars):

Cash	$	1.8
Trade accounts receivable		9.6
Other current assets		0.2
Property and equipment		0.2
Goodwill		19.9
Intangibles		10.6
Other noncurrent assets		0.2
Current liabilities		(2.6)
Noncurrent liabilities		(0.1)
Assets acquired net of liabilities assumed	$	39.8

The fair value of the acquired receivables represents the contractual value. Included in the assets purchased in the Insight acquisition was approximately $10.6 million of intangible assets, made up entirely of customer relationships. The fair value of the customer relationships was determined using the multi-period excess earnings method. The customer relationships will be amortized over 10 years with no residual value. Goodwill generated from the acquisition was primarily attributable to the expected synergies from combining operations and expanding market potential, and was assigned to the Americas Staffing reporting unit (see Goodwill footnote). The amount of goodwill expected to be deductible for tax purposes is approximately $18.6 million.

NextGen Global Resources

On January 2, 2019, the Company acquired 100% of the membership interests of NextGen, a leading provider of telecommunications staffing solutions, for a purchase price of $51.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by NextGen at the closing date and estimated working capital adjustments resulting in the Company paying cash of $54.3 million. Due to the date of the acquisition, the third quarter and September year to date 2019 actual results represent the third quarter and September year to date 2019 pro forma results.

Goodwill generated from this acquisition was primarily attributable to the market potential as a staffing solutions provider to the expanding telecommunications industry, and was assigned to the Americas Staffing reporting unit (see Goodwill footnote).

Global Technology Associates

On January 2, 2019, in a separate transaction, the Company acquired 100% of the membership interests of GTA, a leading provider of engineering, technology and business consulting solutions in the telecommunications industry, for a purchase price of $34.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by GTA at the closing date and estimated working capital adjustments resulting in the Company paying cash of $35.7 million. Due to the date of the acquisition, the third quarter and September year to date 2019 actual results represent the third quarter and September year to date 2019 pro forma results.

Goodwill generated from this acquisition is primarily attributable to the market potential as a solutions provider to the expanding telecommunications industry, and was assigned to the GTS reporting unit (see Goodwill footnote).

As noted above, goodwill related to these acquisitions was assigned to the Americas Staffing and GTS reporting units and was included in the goodwill impairment charge taken in the first quarter of 2020. The goodwill impairment charge resulted from an interim goodwill impairment test triggered by declines in our common stock price as a result of negative market reaction to the COVID-19 crisis (see Goodwill footnote).

Disposition

On August 18, 2020, the Company sold its Brazil operations for a purchase price of $1.4 million. The Company received cash proceeds of $1.2 million, net of cash disposed. As a part of the transaction, the Company has agreed to indemnify the buyer for losses and costs incurred in connection with certain events or occurrences initiated within a six-year period after closing. The aggregate losses for which the Company will provide indemnification shall not exceed $8.8 million. Accordingly, the Company recorded an indemnification liability of $2.5 million in other long-term liabilities in the consolidated balance sheet, which represents the fair value of the liability (see Fair Value Measurements footnote) and completely offset the gain on the sale.

5. Investment in Persol Holdings

The Company has a yen-denominated investment through the Company's subsidiary, Kelly Services Japan, Inc., in the common stock of Persol Holdings Co., Ltd. ("Persol Holdings"), the Company's joint venture partner in PersolKelly Pte. Ltd. (the "JV"). As our investment is a noncontrolling interest in Persol Holdings, this investment is recorded at fair value based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end (see Fair Value Measurements footnote). A gain on the investment of $16.8 million and a loss on the investment of $31.4 million in the third quarter and September year to date 2020, respectively, and a loss on the investment of $39.3 million and a gain on the investment of $35.1 million in the third quarter and September year to date 2019, respectively, was recorded in gain (loss) on investment in Persol Holdings in the consolidated statements of earnings.

6. Investment in PersolKelly Pte. Ltd.

The Company has a 49% ownership interest in the JV (see Investment in Persol Holdings footnote above), a staffing solutions business operating in eight geographies in the Asia-Pacific region. The operating results of the Company's interest in the JV are accounted for on a one-quarter lag under the equity method and are reported in equity in net earnings (loss) of affiliate in the consolidated statements of earnings, which amounted to a gain of $1.8 million and a loss of $1.0 million in the third quarter and September year to date 2020, respectively, and a loss of $0.9 million and $1.0 million in the third quarter and September year to date 2019, respectively. This investment is evaluated for indicators of impairment on a periodic basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. If we conclude that there is an other-than-temporary impairment of this equity investment, we will adjust the carrying amount of the investment to the current fair value.

The investment in equity affiliate on the Company's consolidated balance sheet totaled $115.6 million as of third quarter-end 2020 and $117.2 million as of year-end 2019. The net amount due from the JV, a related party, was $10.9 million as of the third quarter-end 2020 and as of year-end 2019. The Company made loans, proportionate to its 49% ownership, to the JV for $7.0 million in 2018 and an additional $4.4 million in 2019 to fund working capital requirements as a result of their sustained revenue growth. The loans, which are outstanding as of third quarter-end 2020, are included in the net amounts due from the JV. Subsequent to the third quarter of 2020, the JV repaid $5.6 million of the outstanding loan balance; therefore, as of the third quarter-end 2020, $5.6 million of the loan balance is included in prepaid expenses and other current assets, and the remaining balance is included in other assets in the consolidated balance sheet. The carrying value of the loans approximates the fair value based on market interest rates. Accrued interest receivable, which is included in prepaid expenses and other current assets in the consolidated balance sheet, was not material at third quarter-end 2020 and year-end 2019. The JV is a supplier to certain MSP programs in the region and the amounts for services provided to the Company, which are included in trade accounts payable in the consolidated balance sheet, are not material.

Expected credit losses are estimated over the contractual term of the loans. The required allowance is based on current and projected financial information from the JV, market-specific information and other relevant data available to the Company, as applicable. The allowance was not material at the third quarter-end 2020.

The Company has accrued interest receivable from our loan to the JV. If applicable, we write off the uncollectible accrued interest receivable balance related to our loan to the JV within the same quarter the interest is determined to be uncollectible, which is considered timely. As such, an allowance for credit losses is not deemed necessary. Any write offs, if necessary, are recorded by reversing interest income.

On April 1, 2020, 100% of the shares of Kelly Services Australia Pty Ltd and Kelly Services (New Zealand) Limited, both subsidiaries of the JV, were sold to an affiliate of Persol Holdings. The JV received proceeds of $17.5 million upon the sale and the Company received a direct royalty payment of $0.7 million.

7. Fair Value Measurements

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present assets and liabilities measured at fair value on a recurring basis as of third quarter-end 2020 and year-end 2019 in the consolidated balance sheet by fair value hierarchy level, as described below.

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

Description	As of Third Quarter-End 2020			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 153.5	$ 153.5	$ —	$ —
Investment in Persol Holdings	145.8	145.8	—	—
Total assets at fair value	$ 299.3	$ 299.3	$ —	$ —
Brazil indemnification	(2.5)	—	—	(2.5)
Insight earnout	(2.1)	—	—	(2.1)
Total liabilities at fair value	$ (4.6)	$ —	$ —	$ (4.6)

Description	As of Year-End 2019			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 4.9	$ 4.9	$ —	$ —
Investment in Persol Holdings	173.2	173.2	—	—
Total assets at fair value	$ 178.1	$ 178.1	$ —	$ —

Money market funds as of third quarter-end 2020 and year-end 2019 represent investments in money market funds that hold government securities, of which $5.3 million and $4.9 million, respectively, are restricted as to use and included in other assets in the consolidated balance sheet. The money market funds that are restricted as to use account for the majority of our restricted cash balance and represents cash balances that are required to be maintained to fund disability claims in California. The valuations of money market funds are based on quoted market prices of those accounts as of the respective period end. The increase in money market funds from year-end 2019 was the result of higher cash and cash equivalent balances as of the end of the third quarter from an increase in cash flows from operations.

The valuation of the investment in Persol Holdings is based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end, and the related changes in fair value are recorded in the consolidated statements of earnings (see Investment in Persol Holdings footnote). The cost of this yen-denominated investment, which fluctuates based on foreign exchange rates, was $19.6 million as of the third quarter-end 2020 and $18.9 million at year-end 2019.

As of third quarter-end 2020, the Company had an indemnification liability of $2.5 million in other long-term liabilities on the consolidated balance sheet related to the sale of the Brazil operations (see Acquisitions and Disposition footnote). The valuation of the indemnification liability was established using a discounted cash flow methodology based on probability weighted-average cash flows discounted by weighted-average cost of capital. The valuation, which represents the fair value, is considered a level 3 liability, and will be measured on a recurring basis. During the third quarter and September year to date 2020, the Company recognized $2.5 million in expenses related to the indemnification liability in other income (expense), net in the consolidated statements of earnings.

In connection with the first quarter 2020 acquisition of Insight, the Company has recorded an earnout liability totaling $2.1 million as of third quarter-end 2020 in accounts payable and accrued liabilities in the consolidated balance sheet (see Acquisitions and Disposition footnote). The valuation of the earnout liability was initially established using a Monte Carlo simulation and represents the fair value and is considered a level 3 liability. The Company recognized $0.5 million of expense related to the earnout liability in the third quarter of 2020, in SG&A expenses in the consolidated statements of earnings.

Equity Investment Without Readily Determinable Fair Value

The Company has a minority investment in Business Talent Group, LLC, which is included in other assets in the consolidated balance sheet. This investment is measured using the measurement alternative for equity investments without a readily determinable fair value. The measurement alternative represents cost, less impairment, plus or minus observable price changes. The carrying amount of $5.0 million as of the third quarter-end 2020 and year-end 2019 represents the purchase price. There have been no observable price changes to the carrying amount or impairments.

The Company also has a minority investment in Kenzie Academy Inc., which is included in other assets in the consolidated balance sheet. This investment is also measured using the measurement alternative for equity investments without a readily determinable fair value as described above. The investment totaled $1.4 million as of the third quarter-end 2020 and $1.3 million at year-end 2019, representing total cost plus observable price changes to date.

Assets Measured at Fair Value on a Nonrecurring Basis

Due to the negative market reaction to the COVID-19 crisis, including declines in our common stock price, management determined that a triggering event occurred during the first quarter of 2020. We therefore performed an interim step one quantitative impairment test for both of our previous reporting units with goodwill. As a result of this quantitative assessment, we determined that the estimated fair value of the reporting units no longer exceeded the carrying value, and recorded a goodwill impairment charge of $147.7 million in the first quarter of 2020 (see Goodwill footnote).

8. Restructuring

In the first quarter of 2020, the Company took restructuring actions to align costs with expected revenues, position the organization to adopt a new operating model later in 2020 and to align the U.S. branch network facilities footprint with a more technology-enabled service delivery methodology.

Restructuring costs incurred in 2020 totaled $8.4 million and are recorded entirely in SG&A expenses in the consolidated statements of earnings, as detailed below (in millions of dollars).

	Lease Termination Costs	Severance Costs	Total
Professional & Industrial	$ 3.5	$ 0.8	$ 4.3
Science, Engineering & Technology	0.5	—	0.5
Education	0.1	0.7	0.8
International	0.7	0.4	1.1
Corporate	—	1.7	1.7
Total	$ 4.8	$ 3.6	$ 8.4

A summary of the global restructuring balance sheet accrual, included in accrued payroll and related taxes and accounts payable and accrued liabilities in the consolidated balance sheet, is detailed below (in millions of dollars).

Balance as of year-end 2019	$	0.3
Additions charged to Professional & Industrial		4.4
Additions charged to Science, Engineering & Technology		0.5
Additions charged to Education		0.9
Additions charged to International		1.1
Additions charged to Corporate		1.8
Reductions for lease termination costs related to fixed assets		(0.6)
Reductions for cash payments related to all restructuring activities		(4.5)
Balance as of first quarter-end 2020		3.9
Reductions for cash payments related to all restructuring activities		(2.1)
Accrual adjustments		(0.2)
Balance as of second quarter-end 2020		1.6
Reductions for cash payments related to all restructuring activities		(0.8)
Accrual adjustments		(0.1)
Balance as of third quarter-end 2020	$	0.7

The remaining balance of $0.7 million as of third quarter-end 2020 primarily represents severance costs, and the majority is expected to be paid by the end of 2020. No material adjustments are expected to be recorded.

9. Goodwill

The Company performs its annual goodwill impairment testing in the fourth quarter each year and regularly assesses whenever events or circumstances make it more likely than not that an impairment may have occurred. During the first quarter of 2020, negative market reaction to the COVID-19 crisis, including declines in our common stock price, caused our market capitalization to decline significantly compared to the fourth quarter of 2019, causing a triggering event. Therefore, we performed an interim step one quantitative test for our previous reporting units with goodwill, Americas Staffing and GTS, and determined that the estimated fair values of both reporting units no longer exceeded their carrying values. Based on the result of our interim goodwill impairment test as of the first quarter of 2020, we recorded a goodwill impairment charge of $147.7 million to write off goodwill for both reporting units. A portion of the goodwill balance was deductible for tax purposes. See impairment adjustments in the table below.

In performing the step one quantitative test and consistent with our prior practice, we determined the fair value of each reporting unit using the income approach, which is validated through reconciliation to observable market capitalization data. Under the income approach, estimated fair value is determined based on estimated future cash flows discounted by an estimated market participant 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 and reflects management’s outlook for the reporting units. Assumptions and estimates about future cash flows and discount rates are complex and often subjective. 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 and working capital.

The changes in the carrying amount of goodwill as of June year to date 2020 are included in the table below. See Acquisitions and Disposition footnote for a description of the addition to goodwill in the first quarter of 2020. Due to the complete write-off of goodwill in the first quarter of 2020, reallocation of goodwill to the new reporting units as part of the third quarter 2020 change in segment reporting (see Segment Disclosures footnote) was not necessary. There were no additions to goodwill during the third quarter of 2020.

	As of Year-End 2019	Additions to Goodwill	Impairment Adjustments	As of Second Quarter-End 2020
	(In millions of dollars)			
Americas Staffing	$ 58.5	$ 19.9	$ (78.4)	$ —
Global Talent Solutions	69.3	—	(69.3)	—
Total	$ 127.8	$ 19.9	$ (147.7)	$ —

10. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component, net of tax, for the third quarter and September year to date 2020 and 2019 are included in the table below. Amounts in parentheses indicate debits. Reclassification adjustments out of accumulated other comprehensive income (loss), as shown in the table below, were recorded in the other income (expense), net line item in the consolidated statements of earnings.

	Third Quarter		September Year to Date	
	2020	2019	2020	2019
	(In millions of dollars)			
Foreign currency translation adjustments:				
Beginning balance	$ (17.9)	$ (10.3)	$ (13.2)	$ (15.7)
Other comprehensive income (loss) before reclassifications	5.1	(6.2)	0.4	(0.8)
Amounts reclassified from accumulated other comprehensive income (loss)	(1.5)	—	(1.5)	—
Net current-period other comprehensive income (loss)	3.6	(6.2)	(1.1)	(0.8)
Ending balance	(14.3)	(16.5)	(14.3)	(16.5)
Pension liability adjustments:				
Beginning balance	(2.6)	(1.4)	(2.6)	(1.4)
Other comprehensive income (loss) before reclassifications	—	—	—	—
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—	—
Net current-period other comprehensive income (loss)	—	—	—	—
Ending balance	(2.6)	(1.4)	(2.6)	(1.4)
Total accumulated other comprehensive income (loss)	$ (16.9)	$ (17.9)	$ (16.9)	$ (17.9)

11. Earnings (Loss) Per Share

The reconciliation of basic and diluted earnings (loss) per share on common stock for the third quarter and September year to date 2020 and 2019 follows (in millions of dollars except per share data):

	Third Quarter		September Year to Date	
	2020	2019	2020	2019
Net earnings (loss)	$ 16.7	$ (10.5)	$ (95.4)	$ 95.4
Less: earnings allocated to participating securities	(0.2)	—	—	(1.0)
Net earnings (loss) available to common shareholders	$ 16.5	$ (10.5)	$ (95.4)	$ 94.4
Average shares outstanding (millions):				
Basic	39.3	39.1	39.3	39.0
Dilutive share awards	0.1	—	—	0.2
Diluted	39.4	39.1	39.3	39.2
Basic earnings (loss) per share	$ 0.42	$ (0.27)	$ (2.43)	$ 2.42
Diluted earnings (loss) per share	$ 0.42	$ (0.27)	$ (2.43)	$ 2.41

Potentially dilutive shares outstanding are primarily related to performance shares for the third quarter and September year to date 2020 and 2019. Dividends paid per share for Class A and Class B common stock were $0.00 for the third quarter 2020, $0.075 for the third quarter 2019 and September year to date 2020, and $0.225 for September year to date 2019.

12. Stock-Based Compensation

For the third quarter of 2020, the Company recognized stock compensation expense of $0.5 million, and related tax benefit of $0.2 million. For the third quarter of 2019, the Company recognized stock compensation benefit of $0.5 million, and related tax benefit of $0.4 million. For September year to date 2020, the Company recognized stock compensation expense of $2.9 million, and related tax benefit of $0.2 million. For September year to date 2019, the Company recognized stock compensation expense of $4.7 million, and related tax benefit of $1.1 million.

Performance Shares

A summary of the status of all nonvested performance shares at target as of third quarter-end 2020 and year-to-date changes is presented as follows below (in thousands of shares except per share data). There has been no grant of performance shares since year-end 2019. The majority of the vested shares in the table below is related to the 2017 performance share grant, which cliff-vested after approval from the Compensation Committee during the first quarter of 2020. The majority of the forfeited shares in the table below is related to the separation of two former senior officers during the third quarter of 2020. The vesting adjustment in the table below represents the 2017 Total Shareholder Return ("TSR") performance shares that did not vest because actual achievement was below the threshold level and resulted in no payout.

	Financial Measure Performance Shares		TSR Performance Shares	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at year-end 2019	502	$ 24.21	114	$ 25.24
Granted	—	—	—	—
Vested	(155)	24.02	—	—
Forfeited	(96)	24.85	(5)	31.38
Vesting adjustment	—	—	(62)	20.15
Nonvested at third quarter-end 2020	251	$ 22.32	47	$ 31.38

2018 Grant Update

For the 2018 financial measure performance awards, the annual goals are set in February of each year, with the total award payout for 2018 grants based on a cumulative measure of the 2018, 2019 and 2020 goals. Accordingly, the Company remeasures the fair value of the 2018 financial measure performance shares each reporting period until the third year goals are set, after which the grant date fair value will be fixed for the remaining performance period. During the first quarter 2020, the final year of goals was set for the performance shares granted in 2018 and the grant date fair value for the 2018 financial measure performance shares was set at $17.35 per share. The grant date fair value per share will remain fixed for the remaining performance period.

Restricted Stock

A summary of the status of nonvested restricted stock as of third quarter-end 2020 and year-to-date changes is presented as follows below (in thousands of shares except per share data). The majority of the restricted stock granted related to new hires in the first quarter of 2020.

	Shares	Weighted Average Grant Date Fair Value
Nonvested at year-end 2019	360	$ 24.92
Granted	64	14.69
Vested	(114)	24.07
Forfeited	(30)	24.64
Nonvested at third quarter-end 2020	280	$ 22.91

13. Sale of Assets

In the second quarter of 2020, the Company monetized wage subsidy receivables outside the U.S. for $16.9 million, net of fees and 5% retainer. The sale of these receivables was accounted for as a sale of financial assets with certain recourse provisions in which we derecognized the receivables. Although the sale of receivables is with recourse, the Company did not record a recourse obligation as of the third quarter 2020 as the Company has concluded the receivables are collectible. The net cash proceeds related to the sale are included in operating activities in the consolidated statements of cash flows and the fees related to the sale are included in SG&A expenses in the consolidated statements of earnings.

On March 20, 2020, the Company sold three of our four headquarters properties for a purchase price of $58.5 million as a part of a sale and leaseback transaction. The properties included the parcels of land, together with all rights and easements, in addition to all improvements located on the land, including buildings. The Company received cash proceeds of $55.5 million, which was net of transaction expenses. As of the date of the sale, the properties had a combined net carrying amount of $23.4 million. The resulting gain on the sale of the assets was $32.1 million which is recorded in gain on sale of assets in the consolidated statements of earnings. The Company leased back the headquarters buildings on the same date; see the Leases footnote for discussion of the sale and leaseback transaction.

Gain on sale of assets of $12.3 million in the second quarter of 2019 primarily represents the sale of unused land located near the Company headquarters, and includes the excess of the $11.7 million sale proceeds over the cost of the parcel. The gain on sale of assets also includes proceeds of $2.1 million from the transfer of customer contracts related to the Company's legal specialty operations to a third party during the second quarter of 2019.

14. Other Income (Expense), Net

Included in other income (expense), net for the third quarter and September year to date 2020 and 2019 are the following:

	Third Quarter		September Year to Date	
	2020	2019	2020	2019
	(In millions of dollars)			
Interest income	$ 0.1	$ 0.4	$ 0.5	$ 0.8
Interest expense	(0.5)	(0.9)	(2.2)	(3.2)
Dividend income	—	—	1.3	1.3
Foreign exchange gains (losses)	(0.2)	0.3	3.5	(0.4)
Other	(0.1)	—	0.5	0.4
Other income (expense), net	$ (0.7)	$ (0.2)	$ 3.6	$ (1.1)

15. Income Taxes

Income tax benefit was $1.2 million and $12.8 million for the third quarter of 2020 and 2019, respectively. Income tax benefit was $36.5 million and expense was $6.3 million for September year to date 2020 and 2019, respectively. These amounts were impacted by changes in the fair value of the Company's investment in Persol Holdings, which resulted in a charge of $5.2 million for the third quarter of 2020 and a benefit of $9.6 million for September year to date 2020, compared to a benefit of $12.1 million for the third quarter of 2019 and a charge of $10.7 million for September year to date 2019. September year to date 2020 includes a tax benefit of $23.0 million on the impairment of goodwill and a second quarter tax benefit of $7.7 million from Brazil outside basis differences. September year to date 2019 includes a second quarter net benefit of $10.4 million from valuation allowance changes in the United Kingdom and Germany.

Our tax expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits and the change in cash surrender value of tax exempt investments in life insurance policies. It is also affected by discrete items that may occur in any given period but are not consistent from period to period, such as tax law changes, changes in judgment regarding the realizability of deferred tax assets, the tax effects of stock compensation, and changes in the fair value of the Company’s investment in Persol Holdings, which are treated as discrete since they cannot be estimated. The impairment of goodwill in the first quarter of 2020, the recording of deferred taxes on Brazil outside basis differences in the second quarter of 2020, and the valuation allowance changes in the second quarter of 2019 were treated as discrete items.

The work opportunity credit program is a temporary provision in the U.S. tax law and expires for employees hired after 2020. While the program has routinely been extended, it is uncertain whether it will again be extended. In the event the program is not renewed, we will continue to receive credits for qualified employees hired prior to 2021. The impact of the current economic slow-down resulting from the COVID-19 crisis did not change our judgment on the realizability of deferred tax assets or our plans to repatriate cash from foreign subsidiaries.

16. Leases

The Company has operating and financing leases for field offices and various equipment. Our leases have remaining lease terms of one year to 15 years. We determine if an arrangement is a lease at inception.

At the beginning of the first quarter of 2019, we adopted ASC 842, Leases, using an optional transition method which allowed us to adopt the new lease standard at the adoption date, as compared to the beginning of the earliest period presented, and recognize a cumulative-effect adjustment to the beginning balance of earnings invested in the business in the period of adoption. We recorded $74.1 million of right-of-use (“ROU”) assets within operating lease right-of-use assets, $19.8 million of current lease liabilities within operating lease liabilities, current and $54.3 million of noncurrent lease liabilities within operating lease liabilities, noncurrent in the consolidated balance sheet on the date of adoption. No adjustment to the beginning balance of earnings invested in the business was necessary as a result of adopting this standard.

During the first quarter 2020, the Company sold its main headquarters building and entered into a leaseback agreement, which is accounted for as an operating lease. As of first quarter-end 2020, we recognized $37.6 million of ROU assets within operating lease right-of-use assets, $1.2 million of current lease liabilities within operating lease liabilities, current and $36.1 million of noncurrent lease liabilities within operating lease liabilities, noncurrent in the consolidated balance sheet, with a discount rate of 4.8% over a 15-year lease term related to this lease. The sale and leaseback obligation matures as follows: $0.8 million in fiscal 2020, remaining; $3.3 million in fiscal 2021; $3.3 million in fiscal 2022; $3.4 million in fiscal 2023; $3.4 million in fiscal 2024; $3.4 million in fiscal 2025 and $34.0 million thereafter.

17. Contingencies

The Company is continuously engaged in litigation, threatened litigation, claims, audits or investigations arising in the ordinary course of its business, such as matters alleging employment discrimination, wage and hour violations, claims for indemnification or liability, violations of privacy rights, anti-competition regulations, commercial and contractual disputes, and tax related matters which could result in a material adverse outcome.

We record accruals for loss contingencies when we believe it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet. At third quarter-end 2020 and year-end 2019, the gross accrual for litigation costs amounted to $0.8 million and $9.9 million, respectively. The decrease in the gross accrual from year-end 2019 was due to cash payments made and the liabilities related to our Brazil operations which were sold during 2020.

The Company maintains insurance coverage which may cover certain claims. When claims exceed the applicable policy deductible and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records receivables from the insurance company for the excess amount, which are included in prepaid expenses and other current assets in the consolidated balance sheet. At third quarter-end 2020 and year-end 2019, the related insurance receivables amounted to $0.0 million and $4.1 million, respectively.

The Company estimates the aggregate range of reasonably possible losses, in excess of amounts accrued, is $0.0 million to $1.4 million as of third quarter-end 2020. This range includes matters where a liability has been accrued but it is reasonably possible that the ultimate loss may exceed the amount accrued and for matters where a loss is believed to be reasonably possible, but a liability has not been accrued. The aggregate range only represents matters in which we are currently able to estimate a range of loss and does not represent our maximum loss exposure. The estimated range is subject to significant judgment and a variety of assumptions and only based upon currently available information. For other matters, we are currently not able to estimate the reasonably possible loss or range of loss.

While the ultimate outcome of these matters cannot be predicted with certainty, we believe that the resolution of any such proceedings will not have a material adverse effect on our financial condition, results of operations or cash flows.

18. Segment Disclosures

Beginning in the third quarter of 2020, the Company adopted a new operating model reflecting the Company's focus on delivering specialty talent solutions. The Company’s new operating segments, which also represent its reporting segments, are based on the organizational structure for which financial results are regularly evaluated by the Company’s chief operating decision-maker ("CODM", the Company’s CEO) to determine resource allocation and assess performance. The Company’s five reportable segments, (1) Professional & Industrial, (2) Science, Engineering & Technology, (3) Education, (4) Outsourcing & Consulting, and (5) International, reflect the specialty services the Company provides to customers and represent how the business is organized internally. Intersegment revenue represents revenue earned between the reportable segments and is eliminated from total segment revenue from services.

Professional & Industrial specializes in delivering professional and industrial talent to customers including staffing, KellyConnect, and outcome-based solutions in the Americas region. Science, Engineering & Technology delivers both staffing and outcome-based solutions in the specialty areas of science, technology, telecom and engineering primarily in the U.S. and Canada. Education primarily specializes in K-12 substitute teachers and support staff, as well as some early childhood and higher education support, in the Americas region. Outsourcing & Consulting is focused on providing RPO, MSP and PPO solutions in the Americas, Europe and Asia-Pacific regions. International provides talent to customers across all specialties primarily through staffing services within Europe as well as Brazil and Mexico in the Americas region. Our Brazil operations were sold in August 2020 (see Acquisitions and Disposition footnote).

Corporate expenses that directly support the operating units have been allocated to Professional & Industrial, Science, Engineering & Technology, Education, Outsourcing & Consulting, and International based on work effort, volume or, in the absence of a readily available measurement process, proportionately based on gross profit realized. Unallocated corporate expenses include those related to incentive compensation, law and risk management, certain finance and accounting functions, executive management, corporate campus facilities, IT production support, certain legal costs and expenses related to corporate initiatives that do not directly benefit a specific operating segment. Consistent with the information provided to and evaluated by the CODM, the goodwill impairment charge in the first quarter of 2020 is included in Corporate expenses.

The following tables present information about the reported revenue from services and gross profit of the Company by segment, along with a reconciliation to earnings (loss) before taxes and equity in net earnings (loss) of affiliate, for the third quarter and September year to date 2020 and 2019 based on the new operating model. Prior year reportable segment results were recast to align 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.

	Third Quarter		September Year to Date	
	2020	2019	2020	2019
	(In millions of dollars)			
Revenue from Services:				
Professional & Industrial	$ 446.5	$ 538.0	$ 1,346.7	$ 1,668.7
Science, Engineering & Technology	244.0	285.2	761.5	859.7
Education	27.5	57.1	195.1	313.9
Outsourcing & Consulting	87.9	94.4	261.0	282.3
International	232.4	293.4	710.6	893.6
Less: Intersegment revenue	(0.1)	(0.4)	(0.3)	(0.4)
Consolidated Total	$ 1,038.2	$ 1,267.7	$ 3,274.6	$ 4,017.8

	Third Quarter		September Year to Date	
	2020	2019	2020	2019
	(In millions of dollars)			
Earnings (loss) from Operations:				
Professional & Industrial gross profit	$ 77.1	$ 91.8	$ 241.1	$ 291.6
Professional & Industrial SG&A expenses	(65.3)	(77.6)	(210.4)	(246.9)
Professional & Industrial earnings (loss) from operations	11.8	14.2	30.7	44.7
Science, Engineering & Technology gross profit	50.7	58.3	156.0	171.8
Science, Engineering & Technology SG&A expenses	(31.3)	(36.0)	(99.1)	(111.4)
Science, Engineering & Technology earnings (loss) from operations	19.4	22.3	56.9	60.4
Education gross profit	4.1	8.6	28.8	49.9
Education SG&A expenses	(11.6)	(13.8)	(37.7)	(41.5)
Education earnings (loss) from operations	(7.5)	(5.2)	(8.9)	8.4
Outsourcing & Consulting gross profit	29.1	29.5	87.1	90.7
Outsourcing & Consulting SG&A expenses	(25.4)	(29.1)	(79.1)	(90.9)
Outsourcing & Consulting earnings (loss) from operations	3.7	0.4	8.0	(0.2)
International gross profit	30.0	39.5	90.5	119.3
International SG&A expenses	(39.9)	(35.3)	(101.4)	(107.2)
International earnings (loss) from operations	(9.9)	4.2	(10.9)	12.1
Less: Intersegment gross profit	—	—	—	—
Less: Intersegment SG&A expenses	—	—	—	—
Net Intersegment activity	—	—	—	—
Corporate	(19.9)	(18.8)	(178.9)	(56.7)
Consolidated Total	(2.4)	17.1	(103.1)	68.7
Gain (loss) on investment in Persol Holdings	16.8	(39.3)	(31.4)	35.1
Other income (expense), net	(0.7)	(0.2)	3.6	(1.1)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	$ 13.7	$ (22.4)	$ (130.9)	$ 102.7

19. New Accounting Pronouncements

Recently Adopted

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. We adopted this guidance prospectively effective December 30, 2019. In accordance with the standard, we present capitalized implementation costs incurred in a hosting arrangement that is a service contract as other assets on our consolidated balance sheet. This presentation is consistent with the presentation of the prepayment of fees for the hosting arrangement. We recognized $0.3 million of amortization expense for capitalized implementation costs incurred in hosting arrangements September year to date 2020 as a component of SG&A expenses in our consolidated statements of earnings. We recognized $3.6 million of payments for capitalized implementation costs September year to date 2020 in the same manner as payments made for fees associated with the related hosting arrangements as a component of net cash from operating activities in our consolidated statements of cash flows. The Company's cloud computing arrangements are comprised of internal-use software platforms accounted for as service contracts. The Company does not have the ability to take possession of the software without significant penalty nor can the Company run the software on its own hardware or contract with another party unrelated to the vendor to host the software.

In June 2016, the FASB issued ASU 2016-13 (ASC Topic 326), as clarified in ASU 2019-04, ASU 2019-05, ASU 2019-11 and ASU 2018-19, amending how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance requires the application of a current expected credit loss model, which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions and forecasted information rather than the prior methodology of delaying recognition of credit losses until it is probable a loss has been incurred. The standard also requires additional quantitative and qualitative disclosures regarding credit risk inherent in a reporting entity's portfolio, how management monitors this risk, management's estimate of expected credit losses, and the changes in the estimate that has taken place during the period. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019 with early adoption permitted for annual reporting periods beginning after December 15, 2018. We adopted this ASU using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures, as applicable. Results for reporting periods beginning after December 30, 2019 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. We recorded a decrease to retained earnings of $0.7 million, net of tax, in the first quarter 2020 for the cumulative effect of adopting ASC 326. Related disclosures have been updated throughout the financial statements and footnotes.

In August 2018, the FASB issued ASU 2018-13 which eliminates, adds and modifies certain fair value measurement disclosures. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. The adoption of this standard did not have a material impact to our consolidated financial statements.

Not Yet Adopted

In January 2020, the FASB issued ASU 2020-01 which clarifies the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. The guidance clarifies how to account for the transition into and out of the equity method of accounting when considering observable transactions under the measurement alternative. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12 simplifying various aspects related to the accounting for income taxes. The guidance removes exceptions to the general principles in Topic 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

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

20. Subsequent Event

In October 2020, management made the decision to begin reducing staffing levels in all segments and Corporate through involuntary terminations. Restructuring charges of approximately $4-$5 million for severance and related benefits to be paid to impacted employees will be recognized as a charge to SG&A expenses in the fourth quarter of 2020.

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

Executive Overview

The COVID-19 pandemic and related containment measures have resulted in dramatic shifts in most aspects of the economy and how professional and private lives are conducted. While the pace of change was unprecedented and the resulting impacts are still being determined, our Noble Purpose, "We connect people to work in ways that enrich their lives," will continue to guide our strategy and actions. Kelly remains committed to being a leading talent solutions provider among the talent with whom we choose to specialize and in the global markets in which we choose to compete. As we navigate the uncertainty over the next several quarters, we will continue to demonstrate our expected behaviors and actions:

- Employ a talent-first mentality
- Relentlessly deliver for customers
- Grow through discipline and focus
- Deliver efficiency and effectiveness in everything we do

By aligning ourselves with our Noble Purpose and executing against these behaviors, we intend to weather the current situation and emerge as a more agile and focused organization, prepared to achieve new levels of growth and profitability as we further develop our portfolio of businesses.

The Talent Solutions Industry

Prior to the COVID-19 pandemic, labor markets were in the midst of change due to automation, secular shifts in labor supply and demand and skills gaps and we expect the current economic situation to further accelerate that change. Global demographic trends are reshaping and redefining the way in which companies find and use talent and the COVID-19 pandemic is changing where and how companies expect work to be performed. In response, the talent solutions industry is adjusting how it sources, recruits, trains and places talent.

Our industry is evolving to meet businesses' growing demand for specialized talent, whether delivered as a single individual or as part of a total workforce solution. Companies in our industry are using novel sourcing approaches—including gig platforms, independent contractors and other talent pools—to create customized workforce solutions that are flexible and responsive to the labor market.

In addition, today's companies are elevating their commitment to talent, with the growing realization that meeting the changing needs and requirements of talent is essential to remain competitive. The ways in which people view, find and conduct work are undergoing fundamental shifts. And as the demand for skilled talent continues to climb, workers' changing ideas about the integration of work into life are becoming more important. In this increasingly talent-driven market, a diverse set of workers, empowered by technology, is seeking to take greater control over their career trajectories and Kelly's Talent Promise confirms our responsibility to workers in search of a better way to work.

Our Business

Kelly is a talent and global workforce solutions company serving customers of all sizes in a variety of industries. We offer innovative outsourcing and consulting services, as well as staffing on a temporary and direct-hire basis. At the beginning of the third quarter, we have adopted our new Kelly Operating Model and have realigned our business into five specialty business units which are also our reportable segments.

- Professional & Industrial – delivers staffing, outcome-based and direct-hire services focused on office, Professional, Light Industrial and Contact Center specialties in the U.S. and Canada, including our KellyConnect product

- Science, Engineering & Technology – delivers staffing, outcome-based and direct-hire services focused on science and clinical research, engineering, information technology and telecommunications specialties predominately in the U.S. and Canada and includes our NextGen and Global Technology Associates subsidiaries

- Education – delivers staffing and direct-hire services to the K-12, early childhood and higher education market in the U.S., including our recent acquisitions, Teachers On Call and Insight Workforce Solutions

- Outsourcing & Consulting – delivers Master Service Provider ("MSP"), Recruitment Process Outsourcing ("RPO"), Business Process Outsourcing ("BPO") and Advisory Services to customers on a global basis

- International – delivers staffing and direct-hire services in fifteen countries in Europe, as well as Mexico

In addition, we provide staffing services to customers in APAC through PersolKelly Pte. Ltd., our joint venture with Persol Holdings, a leading provider of HR solutions in Japan.

We earn revenues from customers that procure the services of our temporary employees on a time and materials basis, that use us to recruit permanent employees, and that rely on our talent advisory and outsourcing services. Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. The nature of our business is such that trade accounts receivable are our most significant asset. Average days sales outstanding varies within and outside the U.S. and was 61 days on a global basis as of the 2020 third quarter end, 58 days as of the 2019 year end and 59 days as of the 2019 third quarter end. Since receipts from customers generally lag temporary employee payroll, working capital requirements increase substantially in periods of growth and decline in periods of economic contraction.

Our Perspective

Short Term

While far from certain, the impacts of COVID-19 on the global economy, the talent solutions industry, our customers and our talent have become more clear since the beginning of the pandemic. Year-over-year revenue declines have been substantial and recent trends have pointed to a slow recovery in demand. In response to the crisis, in April 2020 we took a series of proactive actions. These actions were designed to reduce spending, minimize layoffs, and bolster the strength and flexibility of Kelly's finances. These actions include:

- a 10% pay cut for full-time salaried employees in the U.S., Puerto Rico and Canada, in addition to certain actions in EMEA and APAC;
- substantially reduced CEO compensation and reduced compensation of 10% or more for senior leaders;
- temporary furloughing and/or redeployment of some employees until business conditions improve;
- suspension of the Company match to certain retirement accounts in the U.S. and Puerto Rico;
- reduction of discretionary expenses and projects, including capital expenditures; and
- a hiring freeze with the exception of critical revenue-generating positions.

The actions have generated substantial cost savings and have allowed us the time necessary to assess the variety of impacts the crisis has had on our business. These initial actions were intentionally broad in scope and as we have moved forward our actions are becoming more targeted to the areas of business where demand declines have been more significant and persistent. Actions such as the 10% pay cut, compensation adjustments for senior leaders and temporary furloughs were ended early in the fourth quarter of 2020. The suspension of the Company match to retirement accounts will end in January 2021 and others such as reductions in discretionary spending, capital expenditures and carefully managing staffing levels in non-revenue generating positions will continue. In October 2020, management made the decision to begin reducing staffing levels through involuntary terminations, and restructuring charges of approximately $4-$5 million for severance and related benefits to be paid to impacted employees are expected to be recognized in our fourth quarter results.

Given the level of uncertainty surrounding the duration of the COVID-19 crisis, Kelly's board also voted to suspend the quarterly dividend until conditions improve and continues to assess future actions with respect to dividend policy.

The impact of the pandemic began in March 2020 with the limitations on public life in the U.S. and the European markets we serve and have continued in the second and third quarters as the effect of the pandemic response has slowed global economic activity. We do expect that there will continue to be a material decline in our year-over-year revenues through the first quarter of 2021 as demand for our services is dampened by reaction to the economic slowdown and by companies and talent concerns related to operating safely during a pandemic. The impact on the revenues of each segment will vary given the differences in pandemic-related measures enacted in each geography, the customer industries served and the skill sets of the talent provided to our customers and their ability to work remotely. We currently expect a gradual return to pre-crisis levels of customer demand, however, the pace of such a return may be delayed by repeated cycles of increased economic activity and a resurgence in infection leading to additional containment measures. While our cost reduction efforts are expected to reduce year-over-year expenses significantly in the fourth quarter, they will not be enough to completely offset declines in revenue and gross profit. As a result, we expect our fourth quarter and full year earnings to decline year-over-year.

In addition, negative market reaction to the COVID-19 crisis in March 2020, including declines in our common stock price, caused our market capitalization to decline significantly. This triggered an interim goodwill impairment test and resulted in a $147.7 million non-cash goodwill impairment charge in the first quarter of 2020.

Moving Forward

While the severity of the economic impacts and their duration cannot be precisely predicted, we believe that the mid-term impacts on how people view, find and conduct work will continue to align with our strategic path.

As a result, we have continued to move forward with our specialization strategy, reinventing our operating model and reorganizing our business into five distinct reporting segments. These specialties represent areas where we see the most robust demand, the most promising growth opportunities, and where we believe we excel in attracting and placing talent. Our new segments also reflect our desire to shift our portfolio toward high-margin, higher-value specialties.

Kelly has done business in these specialties for many years, but our new operating model represents a new approach – one that brings together both staffing and outcome-based pieces of a specialty under a single specialty leader and aggregates assets to accelerate specialty growth and profitability. We believe this new specialty structure will give us greater advantages in the market, and we expect our disciplined focus to deliver profitable growth coming out of the crisis. In addition, we intend to invest in strategic, targeted M&A opportunities in our specialties, while optimizing our portfolio, as demonstrated by the sale of our operations in Brazil during the third quarter.

Faced with market conditions that may temporarily delay our growth efforts, Kelly continues to focus on accelerating the execution of our strategic plan and making necessary investments to advance that strategy.

- We are making strides in our digital transformation journey, building a technology foundation to sustain growth.

- We’re capturing a larger share of voice in the marketplace, using television spots and targeted social media campaigns to re-introduce Kelly to companies, highlight our specialty skills sets, and showcase our refreshed brand.

- We are consistently investing to better understand and support our talent. And we have affirmed our commitment to that talent, recently introducing our five-point Talent Promise and reallocating resources to be solely focused on the temporary worker experience.

- Using our unique position in the middle of the supply and demand equation, we are stepping up with a new platform called Equity@Work to break down long-standing, systemic barriers that make it difficult for many people to secure enriching work. This powerful extension of our Noble Purpose will help more people flow into Kelly’s talent pools, while also helping families, communities and economies thrive.

While the COVID-19 pandemic has resulted in uncertainty in the economy and the labor markets that will affect our near-term financial performance, we have determined long-term measures to gauge our progress, including:

- Revenue growth (both organic and inorganic)
- Gross profit rate improvement
- Conversion rate and EBITDA margin

Financial Measures

The constant currency (“CC”) change amounts in the following tables refer to the year-over-year percentage changes resulting from translating 2020 financial data into U.S. dollars using the same foreign currency exchange rates used to translate financial data for 2019. We believe that CC measurements are a useful measure, indicating the actual trends of our operations without distortion due to currency fluctuations. We use CC results when analyzing the performance of our segments and measuring our results against those of our competitors. Additionally, substantially all of our foreign subsidiaries derive revenues and incur cost of services and selling, general and administrative (“SG&A”) expenses within a single country and currency which, as a result, provides a natural hedge against currency risks in connection with their normal business operations.

CC measures are non-GAAP (Generally Accepted Accounting Principles) measures and are used to supplement measures in accordance with GAAP. Our non-GAAP measures may be calculated differently from those provided by other companies, limiting their usefulness for comparison purposes. Non-GAAP measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

Reported and CC percentage changes in the following tables were computed based on actual amounts in thousands of dollars.

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

NM ("not meaningful") in the following tables is used in place of percentage changes where: the change is in excess of 500%, the change involves a comparison between earnings and loss amounts, or the comparison amount is zero.

Days sales outstanding (“DSO”) represents the number of days that sales remain unpaid for the period being reported. DSO is calculated by dividing average net sales per day (based on a rolling three-month period) into trade accounts receivable, net of allowances at the period end. Although secondary supplier revenues are recorded on a net basis (net of secondary supplier expense), secondary supplier revenue is included in the daily sales calculation in order to properly reflect the gross revenue amounts billed to the customer.

Results of Operations
Total Company
(Dollars in millions)

	Third Quarter			September Year to Date		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
Revenue from services	$ 1,038.2	$ 1,267.7	(18.1) %	$ 3,274.6	$ 4,017.8	(18.5) %
Gross profit	191.0	227.7	(16.1)	603.5	723.3	(16.6)
SG&A expenses excluding restructuring charges	193.5	210.7	(8.1)	582.6	661.3	(11.9)
Restructuring charges	(0.1)	(0.1)	68.5	8.4	5.6	49.1
Total SG&A expenses	193.4	210.6	(8.2)	591.0	666.9	(11.4)
Goodwill impairment charge	—	—	—	147.7	—	NM
Gain on sale of assets	—	—	—	32.1	12.3	161.6
Earnings (loss) from operations	(2.4)	17.1	NM	(103.1)	68.7	NM
Gain (loss) on investment in Persol Holdings	16.8	(39.3)	NM	(31.4)	35.1	NM
Other income (expense), net	(0.7)	(0.2)	(286.4)	3.6	(1.1)	421.4
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	13.7	(22.4)	NM	(130.9)	102.7	NM
Income tax expense (benefit)	(1.2)	(12.8)	90.9	(36.5)	6.3	NM
Equity in net earnings (loss) of affiliate	1.8	(0.9)	NM	(1.0)	(1.0)	(1.8)
Net earnings (loss)	$ 16.7	$ (10.5)	NM	$ (95.4)	$ 95.4	NM
Gross profit rate	18.4 %	18.0 %	0.4 pts.	18.4 %	18.0 %	0.4 pts.
Conversion rate	(1.3)	7.5	(8.8)	(17.1)	9.5	(26.6)

Third Quarter Results

Revenue from services in the third quarter declined in all segments, reflecting the continuing impact of the COVID-19 pandemic and resulting mitigation efforts. These efforts have resulted in a decline in demand for our temporary staffing and permanent placement services across a broad range of industries and geographies. Revenue from staffing services declined 22% compared to the third quarter of 2019. Additionally, permanent placement revenue, which is included in revenue from services, decreased 40% year-over-year as the impact of economic uncertainty depressed full-time hiring in all operating segments. These declines were partially offset by an increase in outcome-based services of 4% as demand from customers utilizing these services increased during the quarter.

Gross profit declined as a result of lower revenue volume, partially offset by an increase in the gross profit rate. The gross profit rate increased 40 basis points from the prior year. The increase in the gross profit rate was due to the impact of lower employee-related costs and improved product mix. This was partially offset by the negative impact of lower permanent placement revenue and unfavorable customer mix. The recovery of demand for temporary staffing services from large customers with lower margins outpaced the recovery for small and medium-sized customers.

Total SG&A expenses decreased 8.2% compared to last year. This decrease reflects lower salaries and benefits costs as a result of temporary expense mitigation actions that were taken in response to the COVID-19 crisis, lower incentive compensation expenses and the benefit of COVID-19 government subsidies related to full-time employees recognized in the third quarter. Included in SG&A expenses in the third quarter of 2020 is a $9.5 million non-cash charge in the International segment related to a customer dispute that resulted in additional uncollectible accounts receivable charges.

The loss from operations for the quarter of $2.4 million reflects a decline from the $17.1 million of earnings from operations in the prior year. Our earnings from operations declined as a result of lower gross profit, partially offset by lower expenses due to cost reduction efforts.

Gain (loss) on investment in Persol Holdings represents the gain or loss resulting from changes in the market price of our investment in the common stock of Persol Holdings. The gains or losses fluctuate each quarter based on the quoted market price of the Persol Holdings common stock at period end.

Income tax benefit was $1.2 million and $12.8 million for the third quarter of 2020 and 2019, respectively. These amounts were impacted by changes in the fair value of the Company's investment in Persol Holdings, which resulted in an income tax charge of $5.2 million for the third quarter of 2020 compared to an income tax benefit of $12.1 million for the third quarter of 2019. The change in income taxes also reflects a decline in earnings from operations in the third quarter of 2020.

Our tax expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits and the change in cash surrender value of tax exempt investments in life insurance policies. It is also affected by discrete items that may occur in any given period but are not consistent from period to period, such as tax law changes, changes in judgment regarding the realizability of deferred tax assets, the tax effects of stock compensation, and changes in the fair value of the Company’s investment in Persol Holdings, which are treated as discrete since they cannot be estimated.

The net earnings for the period of $16.7 million, an increase of $27.2 million from the third quarter of 2019, was due primarily to increased gains of Persol Holdings common stock and a lower effective income tax rate, partially offset by lower earnings from operations.

September Year-to-Date Results

Revenue from services for the first nine months of 2020 declined in all segments, reflecting the impact of COVID-19, and resulting in a decline in demand for our staffing services and permanent placement services across a broad range of industries and geographies. Revenue from staffing services declined 23% compared to last year. Permanent placement revenue, which is included in revenue from services, decreased 38% year-over-year as the impact of economic uncertainty depressed full-time hiring in all operating segments. These declines were partially offset by an increase in outcome-based services of 9% as demand from customers utilizing these services increased during the year.

Gross profit declined as a result of lower revenue volume, partially offset by an increase in the gross profit rate. The gross profit rate increased 40 basis points in comparison to the prior year. With the exception of Education and International, the gross profit rate increased in all other operating segments, primarily reflecting improved product mix and lower employee-related costs. International's gross profit rate was negatively impacted by the decrease in permanent placement revenue. Government subsidies accounted for approximately 20 basis points of the increase for the year.

Total SG&A expenses decreased 11.4% in comparison to the prior year. This decrease was due primarily to lower administrative salaries and performance-based compensation, including additional short-term cost reductions implemented to further align costs with current revenue volume trends. Included in total SG&A expenses are restructuring charges of $8.4 million in the first nine months of 2020. This is related to actions taken to position the Company to adopt the new operating model and to align the U.S. branch network facilities footprint with a more technology-enabled service delivery methodology. Restructuring charges of $5.6 million in the first nine months of 2019 represent severance costs primarily related to U.S. branch-based staffing operations.

During the first nine months of 2020, the negative reaction to the pandemic by the global equity markets also resulted in a decline in the Company's common stock price. This triggered an interim goodwill impairment test, resulting in a $147.7 million goodwill impairment charge in the first quarter of 2020.

Gain on sale of assets of $32.1 million represents the excess of the proceeds over the cost of the headquarters properties sold in the first quarter of 2020. The main headquarters building was subsequently leased back to the Company during the first quarter of 2020. Gain on sale of assets of $12.3 million primarily represents the excess of the proceeds over the cost of an unused parcel of land located near the Company headquarters sold during the second quarter of 2019.

The loss from operations for the first nine months of 2020 of $103.1 million reflects a decline from the $68.7 million of earnings from operations in the prior year. Our earnings from operations declined as a result of the goodwill impairment charge and lower gross profit, partially offset by the gain on sale of assets and lower expenses due to cost reduction efforts.

Gain (loss) on investment in Persol Holdings represents the gain or loss resulting from changes in the market price of our investment in the common stock of Persol Holdings. The gains or losses fluctuate based on the quoted market price of the Persol Holdings common stock at period end.

Income tax benefit was $36.5 million and expense was $6.3 million for September year to date 2020 and 2019, respectively. These amounts were impacted by changes in the fair value of the Company's investment in Persol Holdings, which resulted in an income tax benefit of $9.6 million for September year to date 2020, compared to an income tax charge of $10.7 million for September year to date 2019. September year to date 2020 includes a first quarter tax benefit of $23.0 million on the impairment of goodwill and a second quarter tax benefit of $7.7 million from Brazil outside basis differences. September year to date 2019 includes a net benefit of $10.4 million from valuation allowance changes in the United Kingdom and Germany.

Our tax expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits and the change in cash surrender value of tax exempt investments in life insurance policies. It is also affected by discrete items that may occur in any given period but are not consistent from period to period, such as tax law changes, changes in judgment regarding the realizability of deferred tax assets, the tax effects of stock compensation, and changes in the fair value of the Company’s investment in Persol Holdings, which are treated as discrete since they cannot be estimated. The impairment of goodwill in the first quarter of 2020 and the recording of deferred taxes on Brazil outside basis differences in the second quarter of 2020 were treated as discrete items.

The net loss for the period of $95.4 million, a decrease of $190.8 million from the prior year, was due primarily to lower earnings from operations due to the goodwill impairment charge taken in the first quarter of 2020, combined with increased losses of Persol Holdings common stock, partially offset by the impact of an income tax benefit in comparison to income tax expense last year.

Operating Results By Segment
(Dollars in millions)

	Third Quarter			September Year to Date		
	2020	2019	% Change	2020	2019	% Change
			(Dollars in millions)			
Revenue from Services:						
Professional & Industrial	$ 446.5	$ 538.0	(17.0) %	$ 1,346.7	$ 1,668.7	(19.3) %
Science, Engineering & Technology	244.0	285.2	(14.4)	761.5	859.7	(11.4)
Education	27.5	57.1	(51.8)	195.1	313.9	(37.8)
Outsourcing & Consulting	87.9	94.4	(7.0)	261.0	282.3	(7.6)
International	232.4	293.4	(20.8)	710.6	893.6	(20.5)
Less: Intersegment revenue	(0.1)	(0.4)	(69.6)	(0.3)	(0.4)	(31.9)
Consolidated Total	$ 1,038.2	$ 1,267.7	(18.1) %	$ 3,274.6	$ 4,017.8	(18.5) %

Third Quarter Results

Professional & Industrial revenue from services decreased due primarily to decreases in our hours volume in our staffing businesses which continue to be impacted by COVID-19 due to a slow recovery rate. These decreases were partially offset by increased revenue in our outcome-based businesses due to program expansions.

Science, Engineering & Technology revenue from services decreased due to lower hours volume in our staffing business across most specialties due to the continued impact of COVID-19, with the exception of our government staffing business, which has seen increased demand in talent to support life sciences and clinical research.

Education revenue from services decreased due primarily to the impact of COVID-19. School districts delayed starts and when instruction did begin, many districts used a virtual or hybrid instructional style, reducing the typical demand for Education services. These decreases were partially offset by the revenues from the first quarter 2020 acquisition of Insight.

Outsourcing & Consulting revenue from services decreased due primarily to decreases in our PPO, MSP and RPO products due somewhat to COVID-19-related demand impacts as well as lower demand in the Oil and Gas Industry, partially offset by increases in our Career Transitions product.

International revenue from services decreased 20.8% on a reported basis and 21.1% in CC. The decline was primarily due to a decrease in hours volume as COVID-19 disruptions continued across operations in all countries, in particular Portugal and France. Revenue was also impacted following the sale of operations in Brazil in August 2020.

Overall, although COVID-19 related demand declines continued, demand for our services in the third quarter of 2020 in each segment has increased sequentially since the second quarter of 2020.

September Year-to-Date Results

Professional & Industrial revenue from services decreased due primarily to decreases in our hours volume in our staffing businesses which were impacted by COVID-19. These decreases were partially offset by increased revenue in our outcome-based products due to program expansions.

Science, Engineering & Technology revenue from services decreased due to lower hours volume in our staffing business across most products due to the continued impact of COVID-19, with the exception of our government staffing business, which has seen increased demand in life sciences support.

Education revenue from services decreased due to the impact of COVID-19. Temporary school closures, delayed starts and use of virtual or hybrid instructional styles reduced the typical demand for our Education services. These decreases were partially offset by the revenues from the first quarter acquisition of Insight.

Outsourcing & Consulting revenue from services decreased due primarily to decreases in our PPO, MSP and RPO products due somewhat to COVID-19 as well as lower demand in the Oil and Gas Industry.

International revenue from services decreased 20.5% on a reported basis and 18.7% on a CC basis. The decline was primarily due to a decrease in hours volume as COVID-19 disruptions continued across operations in all countries, in particular France, Portugal and the U.K. These decreases were partially offset by increased revenue in Russia, due to higher hours volume combined with higher average bill rates.

Operating Results By Segment (continued)
(Dollars in millions)

	Third Quarter			September Year to Date		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
			(Dollars in millions)			
Gross Profit:						
Professional & Industrial	$ 77.1	$ 91.8	(16.1) %	$ 241.1	$ 291.6	(17.3) %
Science, Engineering & Technology	50.7	58.3	(13.1)	156.0	171.8	(9.3)
Education	4.1	8.6	(51.1)	28.8	49.9	(42.2)
Outsourcing & Consulting	29.1	29.5	(1.5)	87.1	90.7	(4.0)
International	30.0	39.5	(23.9)	90.5	119.3	(24.1)
Consolidated Total	$ 191.0	$ 227.7	(16.1) %	$ 603.5	$ 723.3	(16.6) %
Gross Profit Rate:						
Professional & Industrial	17.3 %	17.1 %	0.2 pts.	17.9 %	17.5 %	0.4 pts.
Science, Engineering & Technology	20.8	20.4	0.4	20.5	20.0	0.5
Education	15.2	15.0	0.2	14.8	15.9	(1.1)
Outsourcing & Consulting	33.1	31.3	1.8	33.4	32.2	1.2
International	12.9	13.5	(0.6)	12.7	13.3	(0.6)
Consolidated Total	18.4 %	18.0 %	0.4 pts.	18.4 %	18.0 %	0.4 pts.

Third Quarter Results

Gross Profit for the Professional & Industrial segment declined as the result of lower revenue volume, partially offset by an improved gross profit rate. The gross profit rate increased 20 basis points due to lower employee-related costs coupled with improved product mix, as a greater proportion of the segment revenue came from outcome-based services with higher margins.

The Science, Engineering & Technology gross profit declined as lower revenue volume was partially offset by a higher gross profit rate. The gross profit rate increased 40 basis points due to lower employee-related costs, partially offset by specialty mix.

Gross profit for the Education segment declined as a result of lower revenue volume, partially offset by an improved gross profit rate. The gross profit rate increased 20 basis points due to lower employee-related costs, partially offset by increased pricing pressures.

The Outsourcing & Consulting gross profit declined on lower revenue volume, partially offset by an improved gross profit rate. The gross profit rate increased by 180 basis points due to improved product mix coupled with lower employee-related costs in the PPO product.

International gross profit declined as a result of lower revenue volume and a decline in the gross profit rate. The gross profit rate decreased primarily due to lower permanent placement revenue. Permanent placement revenue, which is included in revenue from services and has very low direct costs of services, has a disproportionate impact on gross profit rates.

September Year-to-Date Results

Gross Profit for the Professional & Industrial segment declined as the result of lower revenue volume, partially offset by an improved gross profit rate. The gross profit rate increased 40 basis points due to lower employee-related costs coupled with improved product mix, as a greater proportion of the segment revenue came from outcome-based services with higher margins.

The Science, Engineering & Technology gross profit declined as lower revenue volume was partially offset by a higher gross profit rate. The gross profit rate increased 50 basis points due to lower employee-related costs, partially offset by specialty mix.

Gross profit for the Education segment declined as a result of lower revenue volume, combined with a lower gross profit rate. The Education gross profit rate decreased 110 basis points due to increased pricing pressures, partially offset by lower employee-related costs.

The Outsourcing & Consulting gross profit declined on lower revenue volume, partially offset by an improved gross profit rate. The Outsourcing & Consulting gross profit rate increased 120 basis points due to improved product mix coupled with lower employee-related costs in the PPO product.

International gross profit declined as a result of lower revenue volume and a decline in the gross profit rate. The International gross profit rate decreased primarily due to lower permanent placement revenue.

Operating Results By Segment (continued)
(Dollars in millions)

	Third Quarter			September Year to Date		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
			(Dollars in millions)			
SG&A Expenses:						
Professional & Industrial	$ 65.3	$ 77.6	(15.8) %	$ 210.4	$ 246.9	(14.8) %
Science, Engineering & Technology	31.3	36.0	(13.0)	99.1	111.4	(11.1)
Education	11.6	13.8	(15.5)	37.7	41.5	(9.1)
Outsourcing & Consulting	25.4	29.1	(12.7)	79.1	90.9	(13.0)
International	39.9	35.3	13.1	101.4	107.2	(5.4)
Corporate expenses	19.9	18.8	5.3	63.3	69.0	(8.3)
Consolidated Total	$ 193.4	$ 210.6	(8.2) %	$ 591.0	$ 666.9	(11.4) %

	Third Quarter			September Year to Date		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
			(Dollars in millions)			
Restructuring Charges Included in SG&A Expenses:						
Professional & Industrial	$ (0.1)	$ (0.1)	(24.7) %	$ 4.3	$ 5.2	(18.8) %
Science, Engineering & Technology	—	—	—	0.5	0.4	45.2
Education	—	—	—	0.8	—	NM
Outsourcing & Consulting	—	—	—	—	—	—
International	—	—	—	1.1	—	NM
Corporate expenses	—	—	—	1.7	—	NM
Consolidated Total	$ (0.1)	$ (0.1)	68.5 %	$ 8.4	$ 5.6	49.1 %

Third Quarter Results

Total SG&A expenses in Professional & Industrial decreased 15.8% due primarily to lower salaries and related costs from cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption, coupled with the impact of the restructuring actions taken in the first quarter of this year.

Total SG&A expenses in Science, Engineering & Technology decreased 13.0% due primarily to lower salaries and related costs resulting from the cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption.

Total SG&A expenses in Education decreased 15.5% due primarily to lower salaries and related costs as a result of cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption. This decrease was partially offset by the impact of the acquisition of Insight that took place in the first quarter.

Total SG&A expenses in Outsourcing & Consulting decreased 12.7% due primarily to lower salaries and related costs due to cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption, partially offset by higher performance-based compensation.

Total SG&A expenses in International increased 13.1% due to a specific customer credit loss provision in Mexico as a result of an unfavorable ruling in on-going litigation. The disputed accounts receivable balance relates to services rendered more than five years ago. Excluding this provision, total SG&A expenses decreased 14.0% driven by cost management to contend with the COVID-19 disruption, due primarily to lower salaries, combined with the effect of the sale of operations in Brazil in August 2020.

Corporate expenses increased due to the year-over-year impact of adjustments which lowered performance-based compensation expense in the third quarter of 2019, along with increased rent expense for the headquarters building as a result of the 2020 first quarter sale-leaseback transaction. These increases were partially offset by lower employee salaries and benefits related to COVID-19 cost-saving actions taken.

Subsequent to the end of the third quarter, several temporary expense mitigation actions taken in response to COVID-19 such as furloughs and reductions in compensation for officers and employees in the U.S., were ended in the fourth quarter. Reductions in staffing levels in areas of the business in which the demand declines have been the most severe and pervasive have been initiated.

September Year-to-Date Results

Total SG&A expenses in Professional & Industrial decreased 14.8% due primarily to lower salaries and related costs due to cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption, coupled with the impact of the restructuring actions taken in the first quarter of this year which reduced salaries and related costs and facilities expenses.

Total SG&A expenses in Science, Engineering & Technology decreased 11.1% due primarily to cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption.

Total SG&A expenses in Education decreased 9.1% due primarily to lower salaries and related costs resulting from the cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption. This decrease was partially offset by the impact of the acquisition of Insight that took place in the first quarter.

Total SG&A expenses in Outsourcing & Consulting decreased 13.0% due primarily to lower salaries and related expenses resulting from cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption.

Total SG&A expenses in International decreased 5.4%. Excluding the previously mentioned specific customer credit loss provision in Mexico, total SG&A expenses decreased 14.3% due primarily to lower salaries, driven by cost management to contend with the COVID-19 disruption, combined with lower incentive-based compensation.

Corporate expenses decreased as a result of lower performance-based compensation expense and lower employee salaries and benefits related to COVID-19 cost-saving actions taken. These decreases were partially offset by rent expense for the headquarters building as a result of the 2020 first quarter sale-leaseback transaction.

Operating Results By Segment (continued)
(Dollars in millions)

	Third Quarter			September Year to Date		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
			(Dollars in millions)			
Earnings (Loss) from Operations:						
Professional & Industrial	$ 11.8	$ 14.2	(17.6) %	$ 30.7	$ 44.7	(31.4) %
Science, Engineering & Technology	19.4	22.3	(13.2)	56.9	60.4	(5.9)
Education	(7.5)	(5.2)	(43.2)	(8.9)	8.4	NM
Outsourcing & Consulting	3.7	0.4	NM	8.0	(0.2)	NM
International	(9.9)	4.2	NM	(10.9)	12.1	NM
Corporate	(19.9)	(18.8)	(5.3)	(178.9)	(56.7)	(215.1)
Consolidated Total	$ (2.4)	$ 17.1	NM	$ (103.1)	$ 68.7	NM

Third Quarter Results

Professional & Industrial reported earnings of $11.8 million for the quarter, a 17.6% decrease from a year ago. The decrease in earnings was primarily due to the impact of COVID-19 on our staffing operations, partially offset by increases in our outcome-based products and the cost management initiatives taken to mitigate the impact of the pandemic on our operations.

Science, Engineering & Technology reported earnings of $19.4 million for the quarter, a 13.2% decrease from a year ago. The decrease in earnings was primarily due to the impact of COVID-19 on our operations, partially offset by the cost management initiatives taken to mitigate its impact.

Education reported a loss of $7.5 million for the quarter, a 43.2% increase from a year ago. The increased loss was primarily due to the impact of COVID-19 on our operations, partially offset by the cost management initiatives taken to mitigate its impact.

Outsourcing & Consulting reported earnings of $3.7 million for the quarter, a $3.3 million increase over a year ago. The increase in earnings was primarily due to the impact of the cost management initiatives taken to mitigate the impact of COVID-19 as well as improved product mix.

International reported a loss for the quarter, driven by a specific customer provision in Mexico. Excluding this effect, the loss was $0.4 million, as the cost management actions only partially offset the lower revenues due to the COVID-19 impact on operations.

September Year-to-Date Results

Professional & Industrial reported earnings of $30.7 million, a 31.4% decrease from a year ago. The decrease in earnings was primarily due to the impact of COVID-19 on our staffing operations, partially offset by increases in our outcome-based products and the cost management initiatives taken to mitigate the impact of the pandemic on our operations.

Science, Engineering & Technology reported earnings of $56.9 million, a 5.9% decrease from a year ago. The decrease in earnings was primarily due to the impact of COVID-19 on our operations, partially offset by the cost management initiatives taken to mitigate its impact.

Education reported a loss of $8.9 million. The year-to-date loss is due to the impact of COVID-19 on our revenue, partially offset by the cost management initiatives taken to mitigate its impact.

Outsourcing & Consulting reported earnings of $8.0 million, an $8.2 million increase over a year ago. The increase in earnings was primarily due to the impact of the cost management initiatives taken to mitigate the impact of COVID-19 as well as improved product mix.

International reported a loss on a year-to-date basis, largely driven by a specific customer provision in Mexico. Excluding this effect, the loss was $1.4 million, as the cost management actions only partially offset the lower revenues due to the COVID-19 impact on operations.

Financial Condition

Historically, we have financed our operations through cash generated by operating activities and access to credit markets. Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. Since receipts from customers generally lag payroll to temporary employees, working capital requirements increase substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease. This may result in an increase in our operating cash flows; however, any such increase would not be sustainable in the event that an economic downturn continued for an extended period. The impact of the current economic slow-down resulting from the COVID-19 crisis began in March 2020 and continued during the third quarter. Consistent with our historical results, the impact of the current economic conditions resulted in declines in working capital requirements, primarily trade accounts receivable, and increases in cash flows from operations as revenues slowed.

As highlighted in the consolidated statements of cash flows, our liquidity and available capital resources are impacted by four key components: cash, cash equivalents and restricted cash, operating activities, investing activities and financing activities.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash totaled $254.4 million at the end of the third quarter of 2020 and $31.0 million at year-end 2019. As further described below, we generated $216.5 million of cash from operating activities, generated $10.3 million of cash from investing activities and used $6.8 million of cash for financing activities.

Operating Activities

In the first nine months of 2020, we generated $216.5 million of net cash from operating activities, as compared to generating $74.2 million in the first nine months of 2019. This change was due to reduced working capital requirements as revenues slowed. In addition, the Company deferred $75.7 million of tax payments as allowed by COVID-19 economic relief in several jurisdictions. In the second quarter of 2020, the Company also monetized wage subsidy receivables outside the U.S. for $16.9 million in cash.

Trade accounts receivable totaled $1.1 billion at the end of the third quarter of 2020. Global DSO was 61 days at the end of the third quarter of 2020 and 59 days at the end of the third quarter of 2019. The increase of two days was due to certain customers taking advantage of full payment terms, along with a shift in customer mix to larger customers with longer payment terms.

Our working capital position (total current assets less total current liabilities) was $634.5 million at the end of the third quarter of 2020, an increase of $112.9 million from year-end 2019. Excluding additional cash, working capital declined $109.5 million from year-end 2019. The current ratio (total current assets divided by total current liabilities) was 1.8 at the end of the third quarter of 2020 and 1.6 at year-end 2019.

Investing Activities

In the first nine months of 2020, we generated $10.3 million of cash from investing activities, as compared to using $88.8 million in the first nine months of 2019. Included in cash from investing activities in the first nine months of 2020 is $55.5 million of proceeds representing the cash received, net of transaction expenses, for the sale of three headquarters properties as a part of a sale and leaseback transaction. This was partially offset by $36.4 million of cash used for the acquisition of Insight in January 2020, net of the cash received and including working capital adjustments. Included in cash used for investing activities in the first nine months of 2019 is $50.8 million for the acquisition of NextGen in January 2019, net of the cash received, and $35.6 million for the acquisition of GTA in January 2019, net of the cash received. These amounts were partially offset by proceeds of $13.8 million primarily from the sale of unused land.

Financing Activities

In the first nine months of 2020, we used $6.8 million of cash for financing activities, as compared to generating $3.6 million in the first nine months of 2019. The change in cash used in financing activities was primarily related to the year-over-year change in short-term borrowing activities. Debt totaled $0.5 million at the end of the third quarter of 2020 and was $1.9 million at year-end 2019. Debt-to-total capital (total debt reported in the consolidated balance sheet divided by total debt plus stockholders' equity) is a common ratio to measure the relative capital structure and leverage of the Company. Our ratio of debt-to-total capital was 0.0% at the end of the third quarter of 2020 and 0.1% at year-end 2019.

The change in short-term borrowings in the first nine months of 2020 was primarily due to payments on local lines of credit. The change in short-term borrowings in the first nine months of 2019 was primarily due to borrowings on our securitization facility.

We made dividend payments of $3.0 million in the first nine months of 2020 and $8.9 million in the first nine months of 2019.

New Accounting Pronouncements

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

Critical Accounting Estimates

For a discussion of our critical accounting estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2019 Form 10-K. For a discussion of the goodwill impairment charge recognized during the first quarter of 2020, see the Goodwill footnote in the Notes to our Consolidated Financial Statements of this Quarterly Report on Form 10-Q for more information.

Contractual Obligations and Commercial Commitments

There were no significant changes to our contractual obligations and commercial commitments from those disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2019 Form 10-K, with the exception of the sale and leaseback of the main headquarters building and the indemnification agreement related to the sale of our Brazil operations. Details of the lease payments by year are disclosed in the Leases footnote in the Notes to Consolidated Financial Statements in this Form 10-Q filing. Details of the indemnification agreement are disclosed in the Acquisitions and Disposition footnote and the Fair Value Measurements footnote in the Notes to the Consolidated Financial Statements in this Form 10-Q filing. We have no material unrecorded commitments, losses, contingencies or guarantees associated with any related parties or unconsolidated entities.

Liquidity

We expect to meet our ongoing short-term and long-term cash requirements principally through cash generated from operations, available cash and equivalents, securitization of customer receivables and committed unused credit facilities. Additional funding sources could include asset-based lending or additional bank facilities. During 2020, cash generated from operations will continue to be supplemented by recent enactment of laws providing COVID-19 relief, most notably the Coronavirus Aid, Relief, and Economic Security Act which allows for the deferral of payments of the Company's U.S. social security taxes. Such deferrals are required to be repaid in 2021 and 2022.

We utilize intercompany loans, dividends, capital contributions and redemptions to effectively manage our cash on a global basis. We periodically review our foreign subsidiaries’ cash balances and projected cash needs. As part of those reviews, we may identify cash that we feel should be repatriated to optimize the Company’s overall capital structure. As of the 2020 third quarter end, these reviews have not resulted in any specific plans to repatriate a majority of our international cash balances. We expect much of our international cash will be needed to fund working capital growth in our local operations as working capital needs, primarily trade accounts receivable, increase during periods of growth. A cash pooling arrangement (the “Cash Pool”) is available to fund general corporate needs internationally. The Cash Pool is a set of cash accounts maintained with a single bank that must, as a whole, maintain at least a zero balance; individual accounts may be positive or negative. This allows countries with excess cash to invest and countries with cash needs to utilize the excess cash.

As of the end of the third quarter of 2020, we had $200.0 million of available capacity on our $200.0 million revolving credit facility and $96.8 million of available capacity on our $150.0 million securitization facility. The securitization facility carried no short-term borrowings and $53.2 million of standby letters of credit related to workers’ compensation. Together, the revolving credit and securitization facilities provide the Company with committed funding capacity that may be used for general corporate purposes subject to financial covenants and restrictions. While we believe these facilities will cover our working capital needs over the short term, if economic conditions or operating results change significantly from our current expectations, we may need to seek additional sources of funds. As of the end of the third quarter of 2020, we met the debt covenants related to our revolving credit facility and securitization facility.

We have historically managed our cash and debt very closely to optimize our capital structure. As our cash balances build, we tend to pay down debt as appropriate. Conversely, when working capital needs grow, we tend to use corporate cash and cash available in the Cash Pool first, and then access our borrowing facilities. As cash flows generated from operations through the third quarter of 2020 have been higher than our historical results and uncertainty remains surrounding the duration of the

COVID-19 crisis, we anticipate maintaining a higher level of cash than our prior practice. We do believe that we may begin to utilize a portion of our existing cash balances to fund working capital requirements over the next several quarters if demand for our services continues to increase.

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

Forward-Looking Statements

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

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The principal important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, the recent novel coronavirus (COVID-19) outbreak, competitive market pressures including pricing and technology introductions and disruptions, changing market and economic conditions, our ability to achieve our business strategy, the risk of damage to our brand, the risk our intellectual property assets could be infringed upon or compromised, our ability to successfully develop new service offerings, our exposure to risks associated with services outside traditional staffing, including business process outsourcing and services connecting talent to independent work, our increasing dependency on third parties for the execution of critical functions, the risks associated with past and future acquisitions, exposure to risks associated with investments in equity affiliates including PersolKelly Pte. Ltd., material changes in demand from or loss of large corporate customers as well as changes in their buying practices, risks particular to doing business with the government or government contractors, risks associated with conducting business in foreign countries, including foreign currency fluctuations, the exposure to potential market and currency exchange risks relating to our investment in Persol Holdings, risks associated with violations of anti-corruption, trade protection and other laws and regulations, availability of qualified full-time employees, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, risks arising from failure to preserve the privacy of information entrusted to us or to meet our obligations under global privacy laws, the risk of cyberattacks or other breaches of network or information technology security, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology projects, our ability to maintain adequate financial and management processes and controls, risk of potential impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers’ compensation, unemployment, disability and medical benefit plans, the impact of changes in laws and regulations (including federal, state and international tax laws), competition law risks, the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to realize value from our tax credit and net operating loss carryforwards, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this report and in our other filings with the Securities and Exchange Commission. Actual results may differ materially from any forward-looking statements contained herein, and we have no intention to update these statements. Certain risk factors are discussed more fully under “Risk Factors” in Part I, Item 1A of the Company’s Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

In addition, we are exposed to interest rate risks through our use of the multi-currency line of credit and other borrowings. A hypothetical fluctuation of 10% of market interest rates would not have had a material impact on 2020 third quarter earnings.

We are exposed to market and currency risks on our investment in Persol Holdings, which may be material. The investment is stated at fair value and is marked to market through net earnings. Foreign currency fluctuations on this yen-denominated investment are reflected as a component of other comprehensive income (loss). See Fair Value Measurements footnote in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q for further discussion.

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

Item 4. Controls and Procedures.

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is continuously engaged in litigation, threatened ligation, claims, audits or investigations arising in the ordinary course of its business, such as matters alleging employment discrimination, wage and hour violations, claims for indemnification or liability, violations of privacy rights, anti-competition regulations, commercial and contractual disputes, and tax related matters which could result in a material adverse outcome. We record accruals for loss contingencies when we believe it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities and in accrued workers’ compensation and other claims in the consolidated balance sheet. The Company maintains insurance coverage which may cover certain claims. When claims exceed the applicable policy deductible and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records receivables from the insurance company for the excess amount, which are included in prepaid expenses and other current assets in the consolidated balance sheet.

While the outcome of these matters cannot be predicted with certainty, we believe that the resolution of any such proceedings will not have a material adverse effect on our financial condition, results of operations or cash flows.

In January 2018, the Hungarian Competition Authority initiated proceedings against the Company, along with a local industry trade association and its members due to alleged infringement of national competition regulations. The matter is progressing and we anticipate resolution within the next year. We are fully cooperating with the investigation. The Company does not believe that resolution of this matter will have a material adverse effect upon the Company’s competitive position, results of operations, cash flows or financial position.

Item 1A. Risk Factors.

The following risk factor is in addition to the Company's risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report filed on the Form 10-K for year ended December 29, 2019.

Our business has been adversely impacted by the recent novel coronavirus (COVID-19) outbreak and we expect adverse business and economic conditions will continue in the future.

The outbreak of the novel coronavirus across the globe continues to negatively impact the economies and general welfare in the countries in which we operate. As the pandemic continues, we have maintained our focus on the health and safety of our employees, contractors, customers, and suppliers around the world. Our emergency management team continues to track the impact of COVID-19, implement health and safety measures across our various business lines, and develop plans for safely continuing operations in the event of an extended duration of the pandemic.

The demand for staffing services is significantly affected by general economic conditions. The economic downturn and uncertainties related to the duration of the COVID-19 pandemic had and is expected to continue to have an adverse impact on the staffing industry and the Company’s ability to forecast its financial performance. Containment and mitigation measures taken to combat the spread of COVID-19, including travel bans, quarantines, shelter-in-place orders, temporary shutdowns, and social distancing and other health and safety precautions, have decreased customer demand for staffing services, specifically in our education business unit where many school districts have remained closed for physical instruction since March 2020. The disruptions in on-site instruction and the uncertainties related to the deployment of services via virtual and hybrid education models may continue to materially impact the Company’s financial performance. We continue to assess and address the impact of COVID-19 on the financial viability of third parties on which we rely to provide staffing services or manage critical business functions.

The COVID-19 outbreak and related containment and mitigation efforts resulted in a substantial decline in our revenues. We expect that the revenue decline will continue in the future until demand for our services recovers. We are not able to predict the timing or the extent of the recovery. In the second quarter, we took a number of cost management actions to address declines in our revenues and adverse business conditions. Certain actions, such as reducing officer and employee compensation and furloughing and redeploying employees, ended in the fourth quarter. Other actions taken, including reducing full-time employee staffing levels, reducing discretionary expenses and projects, enacting certain hiring freezes and suspending dividends payable on our common stock, continue. There can be no assurance that these actions will be adequate, and further actions may be required in the future. Due to uncertainty regarding the sufficiency of the containment and mitigation measures to combat the COVID-19 outbreak and the duration of their implementation, coupled with the unknown timeline for development of COVID-19 treatments or vaccines, the extent or the duration of the impact on our business, financial condition, ability to meet financial covenants and restrictions in our debt facilities, and results of operations cannot be predicted with certainty, however, such impacts could be material.

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

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

None.

(c) Issuer Repurchases of Equity Securities

During the third quarter of 2020, we reacquired shares of our Class A common stock as follows:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs (in millions of dollars)
June 29, 2020 through August 2, 2020	167	$ 15.56	—	$ —
August 3, 2020 through August 30, 2020	1,618	17.13	—	$ —
August 31, 2020 through September 27, 2020	210	16.87	—	$ —
Total	1,995	$ 16.97	—	

We may reacquire shares sold to cover employee tax withholdings due upon the vesting of restricted stock and performance shares held by employees. Accordingly, 1,995 shares were reacquired in transactions during the quarter.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

See Index to Exhibits required by Item 601, Regulation S-K, set forth on page 48 of this filing.

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

Exhibit No.	Description
14	Code of Business Conduct and Ethics, revised August 2020.
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 5, 2020

/s/ Olivier G. Thirot
Olivier G. Thirot

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

Date: November 5, 2020

/s/ Laura S. Lockhart
Laura S. Lockhart

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

Kelly

Exhibit 14

Code of Business Conduct and Ethics

Revised August 2020

Kelly Services, Inc., and/or any company directly or indirectly controlled by Kelly Services, Inc. (the entire group together “the Company"), is committed to doing the right thing, conducting ourselves in a legal, ethical, and trustworthy manner, upholding our regulatory obligations, and complying with both the letter and spirit of our business policies and applicable local laws in the countries where we operate. We take pride in doing business with integrity and respect the value of ethical business conduct. The Board of Directors (the "Board") of the Company has adopted the following Code of Business Conduct and Ethics (the “Code”) that applies to the Board itself, and every employee of the Company, regardless of position, country, business unit, or subsidiary.

The Code is intended to help us recognize and deal with ethical issues, deter wrongdoing, provide mechanisms to report any concerns, promote honest and ethical conduct, provide full, fair, and timely disclosure in the Company’s reports and communications, comply with applicable governmental laws, rules, and regulations, and foster a culture of honesty and accountability.

Each of us has a personal responsibility to conduct ourselves, and ensure that our suppliers, agents, and representatives are aware of their obligation to conduct themselves, in a legal, ethical way and to comply with both the letter and the spirit of this Code.

If you are a manager, you have a special trust and responsibility to the Company. Holding a management position with the Company means accepting an additional set of responsibilities. Our managers are given a great deal of influence over Kelly’s values and culture. Managers are expected to embody Kelly’s values, lead by example with their own conduct, demonstrate a strong commitment to leadership and teamwork, create an open-door environment so employees feel comfortable asking questions and making reports, and act promptly when they become aware of something that violates our Code, other policies, or the law.

No code or policy can anticipate every situation that may arise. This Code is intended to serve as a guide in making decisions that aren’t always easy. In complex situations, employees should take the time to consider their options carefully. Employees are encouraged to ask their manager, or another manager they trust questions about specific circumstances that may involve the provisions of this Code. Employees also may present their questions to the Vice President, Internal Audit, the General Counsel, their Human Resources representative, or to the Kelly Business Conduct and Ethics Reporting Program.

It is important that each of us takes the time to review this Code and develop a working knowledge of its provisions. Each of us is required to certify our compliance with the Code at the time of joining the Company, and annually thereafter.

Conflict of Interest

A "conflict of interest" occurs when our individual personal interests interfere, or appear to interfere, in any way with the interests of the Company. Each of us must act with integrity and avoid any relationship or activity that might impair our ability to make objective and fair decisions while fulfilling our job responsibilities. The way we conduct ourselves in the work environment impacts our reputation and the trust we maintain with customers, employees, candidates, applicants, vendors, and suppliers. By avoiding conflicts of interest, this group of Kelly stakeholders clearly understands our commitment to maintaining the integrity of the Company. Care should also be taken about the appearance of a conflict since such appearance might impair confidence in, or the reputation of, the Company even if there is no actual conflict and no wrongdoing.

This Code does not attempt to describe all possible conflicts of interest which could develop. Some of the more common conflicts from which we should refrain, are:

- an employee or a family member receiving an improper personal benefit as a result of the employee's position with the Company. A "family member" means a spouse, parents, children, siblings (whether by blood, marriage, or adoption), or anyone who resides in an employee's home;
- outside employment (i.e., a second job) working for a company that is a competitor, business partner, customer, or supplier to the Company;
- knowingly engaging in any conduct or activity that is inconsistent with the Company's best interests or that disrupts or impairs the Company's relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship;
- accepting compensation or financial benefit, in any form, including loans, from any source other than the Company, which affects job performance in any way, particularly any compensation received from an entity with which the Company has a relationship;
- offering, giving, or receiving gifts to or from anyone who deals with the Company in cases where the gift is being made to influence our actions in our position with the Company, or where acceptance of the gifts could create the appearance of an impropriety.

Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company must be disclosed immediately to the Vice President, Internal Audit or the General Counsel. We must avoid situations that can lead to conflicts of interest, but promptly disclosing them helps to ensure there is never any impropriety in any of our business dealings. Having a conflict of interest isn't necessarily a violation of the Code, but failing to disclose such a situation is.

Directors and executive officers must seek determination and prior authorization or approval of potential conflicts of interest from the Audit Committee.

Anti-Bribery and Anti-Corruption

We take pride in conducting our business with integrity and are committed to abiding by all applicable laws in the countries where we operate. Each of us has an obligation to comply with all applicable anti-bribery and anti-corruption laws, including but not limited to the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act, and the French Law 2016-1691 ("Sapin II"), as well as all other country-specific anti-bribery and anti-corruption laws.

Individuals may not give, promise, offer, or authorize payment of anything of value, no matter how small, to any supplier, vendor, customer, government employee, or other person for the purpose of improperly influencing a decision, securing an advantage, avoiding a disadvantage, or obtaining or retaining business. Examples of items of value may include, but are not limited to, the following: charitable donations, cash, travel expenses, gifts, offers of entertainment, or any other item of value to the recipient. Acceptance of kickbacks is forbidden under this policy as well. Kickbacks are the return of a sum received or due to be received as part of an agreement to foster or arrange business. For additional guidance and examples regarding these standards refer to the Company's Anti-Bribery and Anti-Corruption Policy.

Kelly

Violation of anti-bribery or anti-corruption laws can have serious consequences for both the Company and the individuals involved in such violations, including the possibility of substantial fines and penalties, civil damages, and criminal penalties. In many jurisdictions, violation of anti-bribery and anti-corruption laws can also include significant jail time. Each of us is required to take anti-bribery and anti-corruption training provided by the Company and to certify compliance with the principles outlined in the training, policies, and this Code yearly.

Any suspected violation should be reported immediately to Vice President Internal Audit, General Counsel, or Kelly Services Law Department (at Mailbox Employment Law (employlaw@kellyservices.com)) or +1 248-244-4555 or through Kelly Services' Business Conduct & Ethics Reporting Program at 877-978-0049 or https://www.integrity-helpline.com/kellyservices.jsp in the United States, or for Europe, https://www.financial-integrity.com/kellyserviceseu.jsp or at the hotline numbers located in the Code of Business Conduct and Ethics.

Insider Trading

Individuals who have access to material non-public information are not permitted to use or share the information for securities trading purposes ("insider trading") or for any other purpose except to conduct the Company's business. It is always illegal to trade in Kelly securities (class A and class B common stock) or any related options or other rights while in possession of material non-public information, and it is also illegal to communicate or "tip" such information to others. For something to qualify as inside information, it must be both material (means that a reasonable investor would consider it important as it is likely to change the security's perceived value) and non-public. Examples of material inside information include, but are not limited to: mergers, acquisitions or divestitures, financial results and forecasts, new products or services, unusual financings or offerings, bankruptcy filings, board of director changes, senior officer changes, public accounting firm change, and unexpected financial results or revisions. Kelly has adopted an Insider Trading Policy that includes procedures applicable to all employees and also those that apply to the Company's Board of Directors, executive officers, and other key employees ("Restricted Persons"). This document is also posted on Kelly's website and is sent periodically to Restricted Persons in connection with certification of compliance.

Corporate Opportunities

Each of us has a responsibility to the Company to advance its legitimate interests.
We must not:

- personally take for ourselves or divert to others opportunities that are discovered through the use of Company property, information, or our respective position;
- use Company employees, property, information, or our respective positions for personal gain; or
- compete with the Company, directly or indirectly, for business opportunities.

Confidentiality and Privacy

Kelly is committed to safeguarding the integrity, availability, and confidentiality of Kelly's information and information systems, as well as those entrusted to Kelly by its customers, employees, candidates, applicants, vendors, and suppliers. Accordingly, each of us is expected, as a condition of employment, to safeguard data and systems from unauthorized use, disclosure, modification, destruction, or loss, by complying with Kelly's Privacy Statement, which can be found at https://www.kellyservices.com/global/privacy-statement/, and its Information Security Policy.

Confidential and private information includes personal data, as well as Company information that has not been made public. Confidential personal data includes: salary and earnings data, identification numbers, banking and financial information, and information on health or family issues. Confidential Company information that has not been made public includes: business plans, pricing or cost information, contracts and customer lists, materials disclosing operational goals or projects, copyrighted materials, research or strategies, and inside financial information that could be used for personal gain. The Company's Corporate Disclosure and Communications Policy contains additional details about external communications and the proper sharing of Company information. If there is any doubt as to whether confidential information should be disclosed, employees should seek advice from their manager or a Legal Department representative.

Inquiries from the Media and External Communications

The Company is committed to providing full, fair, and accurate disclosure in all public communications. As a public Company, we are committed to full compliance with the U.S. Securities and Exchange Commission's Regulation FD (Fair Disclosure). Consistent with this commitment, and as further described in the Company's Corporate Disclosure and Communications Policy, employees are not authorized to answer questions from the media, analysts, investors, or any other members of the public. If you should receive such an inquiry, you must record the name of the person and immediately refer the inquiry to Investor Relations.

As an employee of Kelly, you are personally responsible for any comments about, and on behalf of the Company, that you post to a social media network (e.g., Facebook, LinkedIn, Twitter, YouTube, blogs, or forums). When identifying yourself on these networks as a Kelly employee, you associate yourself with the Company, your colleagues, managers, and customers. Therefore, be mindful that your postings will be available to the general public, reflect on the Company's reputation and business interests, and may not interfere with your work or create a conflict of interest between you and Kelly Services. If you communicate about Kelly externally using online social media, you are expected to observe the guidelines of Kelly's Social Media Policy.

Protection and Proper Use of Company Assets

We must each protect the Company's assets and ensure we use them in the most efficient and sustainable fashion. No one is to use Company assets, including Kelly's facilities, equipment, property, technology, information, intellectual property, and brand for personal benefit, and all employees have a duty to safeguard these assets against theft, loss, waste, or damage.

Fair Dealing

We have a responsibility to deal fairly with each other and our customers, employees, applicants, candidates, and suppliers. No one must take unfair advantage of anyone else through manipulation, concealment, abuse of confidential information, misrepresentation of material facts, or any other unfair dealing practices. We must never make an agreement with a competitor that would restrict trade. Any coordination between our Company and our competitors can violate competition laws, even if it is based on an informal agreement. When we interact with competitors, we should never discuss: dividing territories or customers; fixing a price that we charge for a particular product or service; discounts, terms or conditions of sale that we offer; or boycotting certain customers or suppliers.

Contract Management

Kelly's reputation and the trusted relationships we have with customers are the result of our employees' hard work over many years. When we make commitments on the Company's behalf, we always want to be certain that we will be able to follow through on our promises. For this reason, it is critical that in any situation where we create a legal obligation for Kelly, each aspect of the agreement must be properly recorded, reviewed, and approved. When we enter into a contract with a customer, we must ensure the appropriate review and approvals have been obtained by following the Company's Signing Authority. If you have any questions about obtaining the appropriate review and approval of a customer contract, please contact the Company's Legal Department.

Behavior in the Workplace

Kelly is committed to maintaining a work environment which promotes individual dignity and mutual respect and following all applicable laws and legislation related to labor and human rights. A respectful workplace requires the cooperation and support of each and every employee. Employees must set a positive example and avoid behaving disrespectfully, including behavior that would reasonably offend, intimidate, embarrass or humiliate others, whether deliberate or unintentionally. Inappropriate behavior in the workplace, which extends to business travel and after-hour Company sponsored events, will result in disciplinary action, up to and including termination.

We seek to foster a workplace that embraces differences in viewpoints, cultures, race, age, disability, religion, national origin, ethnicity, sexual orientation, gender identity/expression, and gender. We believe that diversity in opinions and ideas help make us a stronger organization, one that is better able to innovate creative solutions for our customers. It is the policy of Kelly to protect the employment rights of qualified applicants and employees regardless of an individual's race, color, age, marital status, veteran status, religion, national origin, genetic information, sexual orientation, gender, gender identity/expression, disability, pregnancy, and/or other protected categories under applicable laws. We never make employment decisions based on these legally protected personal characteristics. Kelly provides equal opportunities based on skills and abilities, striving to create a workforce that reflects the diversity of the communities in which we operate. In many countries, we embrace our legal obligation to take affirmative action to promote hiring and advancement in employment among people within certain protected classifications. We believe doing so is the right thing to do and good for our business.

It is the policy of Kelly to comply with all applicable laws concerning the employment of persons with disabilities. Consistent with that commitment, it is Kelly's policy not to discriminate against qualified individuals with disabilities in regard to application procedures, hiring, advancement, discharge, compensation, training, or other terms, conditions, and privileges of employment.

Any hostile conduct directed at an individual, including but not limited to his or her race, color, age, religion, ancestry, national origin, ethnicity, gender, sexual orientation, gender identity/expression, ~~or~~ physical or mental disability, marital status, veteran status, or any other characteristic protected by local, state or federal law is expressly prohibited. Harassment may take many forms, from overt sexual advances to offhanded remarks or jokes, to offensive comments or gestures, regardless of the intent. Some examples of inappropriate behavior in the workplace that will not be tolerated by the Company include: verbal actions such as threats, derogatory epithets, slurs, derogatory comments, negative stereotyping, or offensive jokes; non-verbal action such as gestures that belittle, insult, ridicule, or show hostility to an individual or group; distributing or displaying degrading or derogatory materials such as posters, photographs, cartoons, drawings or jokes, in either written or electronic form; and sexual advances, requests for sexual favors, other unwanted verbal or physical conduct where submission is a condition of employment or used as the basis for employment decisions, or communication of a sexual nature that is not used for reporting on or investigating conduct of a sexual nature. Any form of harassment can create a hostile, intimidating, or offensive working environment, and can interfere with work performance. Kelly has implemented strong policies against harassment in each country where we operate. These policies describe the conduct that is prohibited and establish procedures for raising concerns and reporting violations. They set expectations of our managers and define the responsibilities of Human Resources, Legal and Compliance Departments in reporting.

To avoid perceptions of favoritism, conflicts of interest, lack of confidentiality, unfair treatment, or potential coercion, 1) a relative of an employee, 2) a person living in the household of an employee, or 3) a person in a dating, sexual, romantic, or other intimate relationship with an employee, should not be hired or transferred into a position that results in him or her being in the same chain of command as that employee without the prior written approval of the Chief Human Resources Officer (the "CHRO"). In the event circumstances develop between employees requiring the written approval noted above, both employees are required to report the circumstances to their Human Resources Representative. With respect to Executive and Senior Officers, based upon the concern that their scope of influence or perceived influence can extend over the entirety of Kelly Services' workforce, prior written approval of the CHRO shall be required for relationships with any and all employees of Kelly Services. Employees involved in a relationship covered by this policy will be asked to sign a document acknowledging that their relationship is entirely consensual and free from coercion and harassment. Employees in violation of this policy may be subject to termination of employment.

Kelly has a zero-tolerance policy regarding violence in the workplace. In order to help protect our co-workers and ourselves, we have an obligation to immediately report any situation involving violence, threats, bullying, or intimidation. If you have concerns about the immediate safety of yourself or others, please contact local authorities at once, before reporting the situation internally.

Kelly strives to ensure a safe, secure workplace and working conditions that promote health and well-being for all of our employees. The Company has put policies and practices in place to support these goals, and provides the resources and training we need to be able to lead injury-free lives. We are each responsible for paying close attention to our surroundings, following all safety rules and procedures, and reporting any unsafe conditions or work-related injury or illness.

Our commitment to maintaining a safe workplace means never reporting to work under the influence of alcohol, illegal drugs, or any other substance that could impair our ability to do our jobs safely. The use of alcohol or illegal drugs while at work is not permitted as it inhibits clear and sound thinking and can endanger the safety of others. Even some prescribed medications can present a problem if they impact your ability to work safely. Please be mindful of your own safety, and the safety of those around you when taking prescribed medications.

All Kelly employees are expected to help ensure the work environment remains respectful, free of unacceptable behavior and harassment free. Every employee shares the responsibility for conducting themselves in accordance with our policies and for supporting respectful workplace behavior.

Corporate Sustainability

Kelly is committed to the highest standards of corporate citizenship with a culture and values rooted in service, integrity, and taking personal responsibility for our actions, outcomes, and reputation. Given the worldwide span of our workers, clients, suppliers, and partners, we recognize the global reach of our business practices and our public accountability.

We are individually and collectively accountable for contributing to our corporate sustainability commitments which are more fully laid out in our Corporate Sustainability Policy. We encourage participation across our organization, and we will work with external stakeholders to continually advocate on behalf of the global workforce, improve our workplaces, contribute to the communities we serve, and ensure our actions are socially, ethically, and environmentally responsible.

Compliance with Laws, Rules, and Regulations

Each of us shall strive to ensure that our suppliers, agents, and representatives are aware of their obligation to, comply with all laws, rules, regulations applicable to the Company including the Foreign Corrupt Practices Act, and other anti-corruption and anti-bribery laws, labor and employment laws, antitrust laws, insider trading laws, applicable health, safety, environmental laws, applicable data privacy and protection laws, and all policies established by the Company. If any third-party is found to be engaging in corrupt activities while working on behalf of the Company, we will take swift and appropriate action pursuant to the Anti-Bribery and Anti-Corruption Policy.

Risk Tolerance

Risk is a necessary aspect of the continuous change that must occur to ensure growth and prosperity. Although the assumption of risk is necessary to protect the Company's well-being, not all risks are wise and appropriate. We will not tolerate activity that unreasonably endangers our employees or others, jeopardizes the Company's financial well-being, or is contrary to our character and values. By contrast, we embrace risks that are carefully considered, within our tolerance, and assumed in pursuit of a suitable reward. We accept that not all deliberate risk decisions will have a favorable outcome.

We expect all Kelly employees to follow these principles as set forth in Kelly's Risk Appetite and Tolerance Statement and its accompanying guidance in their daily business conduct.

Anti-Human Trafficking and Slavery

Kelly has a zero-tolerance policy against all forms of human trafficking and related activities. Kelly is committed to globally protecting against trafficking in any persons, including employees and candidates. Kelly's policy statement regarding Human Trafficking and Slavery is available on the Company's website at https://www.kellyservices.com/global/sectionless-pages/human-trafficking-policy/.

Seeking Advice and Reporting Concerns

When in doubt about the best course of action in a specific situation, employees should talk to their managers, Human Resources representative, Legal Department representative, or other appropriate personnel.

Kelly values the reporting of concerns by employees. Known or suspected violations of laws, rules, and regulations applicable to the Company, of this Code or any Company policy, must be promptly reported to Kelly Services' Business Conduct & Ethics Reporting Program at 877.978.0049 or https://www.integrity-helpline.com/kellyservices.jsp or https://www.financial-integrity.com/kellyserviceseu.jsp for Europe. Subject to applicable laws, anonymous reporting will be permitted through Kelly's Business Code and Ethics Reporting Program. Retaliation, harassment, and reprisals of any kind against any director, officer, or employee for reports made in good faith is expressly prohibited and will result in corrective action, including termination of employment. Moreover, nothing in this Code or any Company policy or agreement prohibits any person from reporting possible violations of law or regulation or making other protected disclosure to any governmental agency or entity without the prior consent of the Company.

It is the Company's responsibility to conduct a prompt investigation of any concern about a violation or possible violation of this Code. If an employee does not feel that a reported violation has been appropriately addressed, he or she should follow up through the Kelly Business Code and Ethics Reporting Program described above or directly with the Vice President, Internal Audit or the General Counsel.

If you seek advice, raise a concern, or report misconduct, you are doing the right thing, and Kelly is committed to providing an opportunity for employees to express their concerns and report misconduct without fear of retaliation. Therefore, retaliation, harassment, or reprisals of any kind against any director, officer, or employee for reports made in good faith will never be tolerated for raising a concern, reporting a violation, or participating in an investigation. Retaliation is usually defined as an adverse employment action or any action affecting the terms or conditions of employment. Any employees attempting to engage in retaliatory action will be subject to disciplinary action, up to and including termination. If you suspect that you or someone else has been retaliated against for raising any legal or business conduct issue, immediately contact the General Counsel, CHRO, or Internal Audit.

If a report regarding a violation of policy or law is received, it will be investigated and documented in accordance with Kelly's approved investigation procedures. Once an allegation of serious misconduct is logged into our system, we will conduct a prompt, thorough, consistent, and unbiased investigation. These investigations are conducted by appropriate internal personnel or outside experts who will work in conjunction with the Law Department, Human Resources, Global Security, Compliance, and Internal Audit. Employees are not permitted to conduct their own investigation into a matter without permission from the Legal Department. All employees are expected to provide full cooperation and truthful answers in an investigation, and failure to do so will result in disciplinary actions, up to and including termination. We will, where practicable and permissible, endeavor to keep the person reporting the issue apprised of the progress and outcome of the investigation, but have no obligation to do so. If corrective action is required as a result of the investigation, we will determine the appropriate steps to take (including, when appropriate, legal action) to stop the ongoing violation, rectify a problem that already occurred, and reduce the likelihood of its recurrence.

Outside Activities

Subject to the limitations imposed by this Code, each employee is free to engage in outside activities that do not interfere with the performance of his or her responsibilities or otherwise conflict with the Company's interests. Where activities may be of a controversial or sensitive nature, employees are encouraged to seek the guidance of a responsible supervisor, the General Counsel, or other appropriate internal authority before engaging in such activities.

Employees must not use their Company position or title or any Company equipment, supplies, or facilities in connection with outside activities, nor may they do anything that might infer sponsorship or support by the Company of such activity, unless they have received approval in writing from the General Counsel or other appropriate internal authority.

Prior to seeking any election or appointment to public office, employees must notify their supervisor and the General Counsel to clarify the Company's position in the event the candidacy is successful or the appointment is made. Written approval must be obtained.

Political Contributions

In the United States, federal and many state laws prohibit corporations from making certain types of political contributions. No direct or indirect political contribution (including the use of Company property, equipment, funds, or other assets) of any kind may be made in the name of the Company, or by using Company funds, unless the Company's General Counsel has certified in writing that such political contribution complies with applicable law. Please refer to the Anti-Bribery and Anti-Corruption Policy for additional instruction on lobbying and rules governing political contributions.

Public Company Reporting; Books and Records; Internal Controls

Employees are expected to support the Company's efforts to fully and fairly disclose the results of operations and financial condition of the Company in compliance with applicable accounting principles, laws, rules, and regulations and make full, fair, accurate, timely, and understandable disclosure in our periodic reports filed with the Securities and Exchange Commission and in other public communications, including to investors, creditors, securities analysts, rating agencies, regulators, and the media.

Our financial statements and the books and records on which they are based must accurately reflect all corporate transactions and conform to all legal and accounting requirements and our system of internal controls. The Company does not tolerate any misclassification of transactions as to accounts, departments, or accounting periods. All records must fairly and accurately reflect in reasonable detail the Company's assets, liabilities, revenues, and expenses. Employees must always: comply with the Company's system of internal accounting controls; record data in a timely and accurate manner (including data used to determine compensation, including hours worked and overtime, and data used for expense reimbursement); and maintain documents in accordance with the Company's records retention policy. We are each responsible for reporting any inaccurate, incomplete, or fraudulent entries we become aware of.

In summary, all employees, and in particular, the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, and their designees (the "Senior Financial Officers"), have a responsibility to ensure that the Company's accounting records do not contain any false or misleading statements. The Senior Financial Officers have the additional responsibility to make sure that the Company files with the U.S. Securities and Exchange Commission full, fair, timely, and understandable reports and documents. In addition to the reporting requirements set forth elsewhere in this Code, Senior Financial Officers must promptly report any known or suspected material violations of the Code to the Audit Committee.

We fully comply with requests from our internal and external auditors and provide them with the most accurate and timely information. Any effort to mislead or coerce the independent auditors or a member of the internal audit staff may have serious legal consequences and is strictly prohibited.

Global Policies, Statements, and Training

Kelly maintains specific policies that cover various areas of conduct and governance. The following are global policies, statements, and training that all employees are expected to understand and honor. Links to those policies that can be found on our public website are included below:

- Anti-Bribery and Anti-Corruption Policy
- Code of Business Conduct and Ethics
- Corporate Disclosure and Communications Policy
- Corporate Sustainability Policy
- Global Diversity and Inclusion Training
- Health and Safety
- Human Trafficking and Slavery
- Information Security
- Insider Trading
- Privacy Statement
- Respectful Workplace Policy (Unacceptable Behavior)
- Risk Appetite and Tolerance Statement
- Social Media
- Travel, Expense, and Entertainment
- Workplace Violence

Failure to Comply; Compliance Procedures

The failure by any director, officer, or employee to comply with the laws, rules, or regulations governing the Company's business, this Code, or any Company policy will constitute grounds for corrective action, up to and including termination of employment or engagement. Reports of known or suspected violations will be promptly investigated by the appropriate function, which may include Audit, Human Resources or Law.

Contacts		
Kelly Services' Business Conduct & Ethics Reporting Program	877-978-0049	https://www.integrity-helpline.com/kellyservices.jsp or for Europe: https://kellyserviceseu.alertline.com/gcs/welcome
Sara Hennig, Vice President, Internal Audit	248-244-4825	Sara.Hennig@kellyservices.com
Vanessa Williams, Senior Vice President and General Counsel	248-963-5561	vanessa.williams@kellyservices.com
Jim Polehna, Senior Vice President, Corporate Secretary and Investor Relations	248-244-4586	polehjm@kellyservices.com
Amy Bouque, Senior Vice President and Chief Human Resources Officer	248-744-3606	amy.bouque@kellyservices.com

Reviewed and adopted by Board of Directors August 5, 2020.

Dialing Instructions

1. Place your call from a “land line” that allows international calls (not a mobile phone).
2. Using the chart below, locate the Direct Access Code for the country you are calling from.
3. Dial the Direct Access Code provided.
4. When prompted, dial the Hotline Number (877-978-0049).
5. Once connected to the Hotline, follow the prompts to speak with a Hotline representative.

Kelly Services, Inc.

COUNTRY	DIRECT ACCESS CODE	HOTLINE NUMBER
Australia (Optus)	1-800-551-155	877-978-0049
Australia (Telstra)	1-800-881-011	877-978-0049
Austria / Österreich	0800-200-288	877-978-0049
Belgium / België	0-800-100-10	877-978-0049
Brazil / Brasil	0800 890 0288 or 0800-8888-288	877-978-0049
China / 中国	108-888 (Beijing) or 108-11 (rest of China)	877-978-0049
Canada	N/A	877-978-0049
Denmark / Danmark	8001-0010	877-978-0049
France	0800-99-0011 or 0805-701-288	877-978-0049
Germany / Deutschland	0-800-2255-288	877-978-0049
Hong Kong / 香港	800-96-1111 (HK Telephone) or 800-93-2266 (New World Telephone)	877-978-0049
Hungary / Magyarország	06 800-01111	877-978-0049
India / □□□□	000-117	877-978-0049
Indonesia / Republik Indonesia	001-801-10	877-978-0049
Italy / Italia	800-172-444	877-978-0049
Japan / 日本/ Nihon	00 539-111 (KDDI); 0034-811-001 (NTT); 00-663-5111 (Softbank)	877-978-0049
Luxembourg	800 2 0111	877-978-0049
Malaysia / مليسيا	1-800-80-0011	877-978-0049
Mexico / México	01-800-288-2872	877-978-0049
Netherlands (Holland) / Nederland	0800-022-9111	877-978-0049
New Zealand	000-911	877-978-0049
Norway / Norge	800-190-11	877-978-0049
Poland / Polska	0-0-800-111-1111	877-978-0049
Portugal	800-800-128	877-978-0049
Puerto Rico	N/A	877-978-0049
Russia / Россия	363-2400 (Moscow); 8^495-363-2400 (outside Moscow); 363-2400 (St. Petersburg); 8^812-363-2400 (outside St. Petersburg)	877-978-0049
Singapore / 新加坡 / Singapuraf	800-0111-111 (Sing Tel) or 80-0001-0001 (StarHub)	877-978-0049
Spain / España	900-99-00-11	877-978-0049
Sweden / Sverige	020-799-111	877-978-0049
Switzerland / Suisse	0-800-890011	877-978-0049
Thailand / □□□□□□□□□	1-800-0001-33 or 001-999-111-11	877-978-0049
United States	N/A	877-978-0049

Exhibit 31.1

CERTIFICATIONS

I, Peter W. Quigley, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2020

/s/ Peter W. Quigley

Peter W. Quigley

President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Olivier G. Thirot, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2020

/s/ Olivier G. Thirot
Olivier G. Thirot
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, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter W. Quigley, 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 5, 2020

/s/ Peter W. Quigley
Peter W. Quigley
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, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Olivier G. Thirot, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 5, 2020

/s/ Olivier G. Thirot

Olivier G. Thirot

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.