WE CONNECT PEOPLE TO WORK

IN WAYS THAT ENRICH THEIR LIVES.

Kelly®

2020 ANNUAL REPORT

VISION

To be the most creative, insightful, and agile talent company, committed to uniting vital talent with great organizations where, together, we thrive.

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

FORM 10-K

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

For the fiscal year ended January 3, 2021

OR

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

For the transition period from _________ to __________

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)

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

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter, was approximately $524.3 million.

Registrant had 35,929,080 shares of Class A and 3,372,521 of Class B common stock, par value $1.00, outstanding as of February 08, 2021.

Documents Incorporated by Reference

The proxy statement of the registrant with respect to its 2021 Annual Meeting of Stockholders is incorporated by reference in Part III.

PART I

Unless the context otherwise requires, throughout this Annual Report on Form 10-K the words "Kelly," "Kelly Services," "the Company," "we," "us" and "our" refer to Kelly Services, Inc. and its consolidated subsidiaries.

ITEM 1. BUSINESS.

History and Development of Business

Founded by William Russell Kelly in 1946, Kelly Services® pioneered an industry that connects people to work in ways that enrich their lives. Our inception helped usher in and embolden a workforce of women, opening doors and creating completely new opportunities. As work evolved, Kelly equipped people with skills to master the technologies of the day: launching the first-of-its-kind online learning center for scientists; creating testing and training packages for breakthrough office programs; and launching skill builders that aligned with new light industrial protocols. With each advance, Kelly empowered people to meet the needs of the marketplace, and enabled companies to access skilled talent to move their businesses forward.

As work has evolved so has Kelly's range of solutions, growing over the years to reflect the changing needs of businesses and the desires and lifestyles of talent. We have progressed from a traditional office staffing business to a creative, insightful and agile talent company delivering expertise in a portfolio of specialty services. In line with customer demand, we are increasingly delivering a variety of outcome-based services in which we provide specialized talent and operational management of functions and departments on behalf of our customers.

We rank as one of the world's largest scientific and clinical staffing providers and place talent at various levels in engineering, IT and finance. We are also the leading provider in the K-12 educational staffing market in the U.S., while also providing talent in early childhood education, non-instructional roles and adjunct professors. These services complement our expertise in professional office services, contact center, light industrial and electronic assembly staffing. As work has evolved and talent management has become more complex, we have also developed innovative solutions to help many of the world's largest companies plan for and manage their workforce through recruitment outsourcing, payroll processing, talent advisory, career transition and supplier management services.

Geographic Breadth of Services

Headquartered in the United States, Kelly provides workforce solutions to a diverse group of customers in the Americas, Europe and the Asia-Pacific regions. Our customer base spans a variety of industries and includes 75 of the *Fortune 100*™ companies.

In 2020, we assigned nearly 370,000 temporary employees to a variety of customers around the globe.

Description of Business Segments

Kelly is a specialty talent solutions company serving customers of all sizes in a variety of industries. In 2020, Kelly implemented a new operating model and realigned its 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, direct-hire and executive search services to the K-12, early childhood and higher education markets in the U.S., and includes several acquisitions: Teachers On Call, Insight Workforce Solutions and Greenwood/Asher & Associates

- Outsourcing & Consulting – delivers Managed Service Provider ("MSP"), Recruitment Process Outsourcing ("RPO"), Payroll Process Outsourcing ("PPO") and Talent Advisory Services to customers on a global basis

- International – delivers staffing and direct-hire services in 15 countries in Europe, as well as Mexico

In addition, we provide staffing services to customers in the Asia-Pacific region through PersolKelly Pte. Ltd., our joint venture with Persol Asia Pacific Pte. Ltd., a wholly owned subsidiary of Persol Holdings, a leading provider of HR solutions in Japan.

Kelly's new operating structure enables the Company to focus on specialties with robust demand, promising growth opportunities, and areas in which Kelly excels in attracting and placing talent.

Financial information regarding our reportable segments is included in the Segment Disclosures footnote in the notes to our consolidated financial statements presented in Part II, Item 8 of this report.

Business Objectives

By connecting our customers with qualified talent in an ever-evolving world of work, Kelly has a positive impact on the people, businesses and communities we serve. As a destination for top talent and a strategic business partner for our customers, we continue to adopt innovative business practices and forward-looking technologies that drive success in a dynamic market. With more than one-third of the world's workforce now participating as independent workers, we help companies adopt strategies that recognize and utilize contingent labor, consultants and project-based work as tools to their ongoing success.

We're also using our position in the middle of the talent supply and demand equation to challenge outdated barriers that hold back far too many people from attaining meaningful work, supporting their families and contributing to the economy. In 2020, Kelly launched its Equity@Work platform, which seeks to upend systemic barriers to employment and make the U.S. labor market more equitable and accessible for more people.

Business Operations

Service Marks

We own numerous service marks that are registered with the United States Patent and Trademark Office, the European Union Intellectual Property Office and numerous individual country trademark offices.

Seasonality

Our quarterly operating results are affected by the seasonality of our customers' businesses which impact the demand for our services. With the exception of our Education operating segment, demand for our services historically has been lower during the first quarter, and typically increases during the remainder of the year. Our Education operating segment generally has its lowest revenue in the third quarter in line with schools' summer break.

Working Capital

Our working capital requirements are primarily generated from employee payroll which is generally paid weekly or monthly and customer accounts receivable which is generally outstanding for longer periods, with days sales outstanding ("DSO") of 64 days as of January 3, 2021. Since receipts from customers lag payroll payments to temporary employees, working capital requirements increase and operating cash flows decrease substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease and operating cash flows increase. Such increases dissipate over time if the economic downturn continues for an extended period.

Customers

Kelly's client portfolio spans companies of all sizes, ranging from local and mid-sized businesses to the Fortune 500. In 2020, an estimated 53% of total company revenue was attributed to our largest 100 customers. Our largest single customer accounted for approximately five percent of total revenue in 2020.

Government Contracts

Although we conduct business under various federal, state, and local government contracts, no one contract represents more than four percent of total company revenue in 2020.

Competition

The worldwide workforce solutions industry is competitive and highly fragmented. In the United States, we compete with other firms that operate nationally and offer a breadth of service similar to ours, and with thousands of smaller regional or specialized companies that compete in varying degrees. Outside the United States, we face similar competition. In 2020, our largest competitors were Randstad, Adecco Group, ManpowerGroup Inc., Recruit Holdings and Allegis Group.

Key factors that influence our success are quality of service, price and breadth of service, including our ability to manage staffing suppliers.

Quality of service is highly dependent on the availability of qualified, competent talent, and our ability to promptly and effectively recruit, screen, train, retain and manage a pool of employees who match the skills required by our customers. We must balance competitive pricing pressures, which may intensify during an economic downturn, with the need to attract and retain a qualified workforce. Price competition in the staffing industry is intense, particularly for education, office clerical and light industrial personnel, and pricing pressure from customers and competitors continues to be significant.

The ability to manage staffing suppliers has become more critical as customers seek a single supplier to manage all of their demand for contingent talent. Kelly's talent supply chain management approach seeks to address this requirement for our larger customers, enabling us to deliver talent wherever and whenever they need it around the world.

Corporate Sustainability

Kelly is committed to the highest standards of corporate citizenship. Given the worldwide reach of our workers, clients, suppliers, and partners, we recognize the global impact of our business practices and the importance of public accountability.

We continue to 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.

Regulation

Our services are subject to a variety of complex federal and state laws and regulations. We continuously monitor legislation and regulatory changes for their potential effect on our business. We invest in technology and process improvements to implement required changes while minimizing the impact on our operating efficiency and effectiveness. Regulatory cost increases are passed through to our clients to the fullest extent possible. As a service business, we are not materially impacted by federal, state, or local laws that regulate the discharge of materials into the environment.

Human Capital

We are a talent solutions company dedicated to connecting people to work in ways that enrich their lives and our employees are critical to achieving this noble purpose. In order to compete and succeed in our highly competitive and rapidly evolving market, it is crucial that we attract and retain experienced internal employees, as well as talent to work for our customers. As part of these efforts, we strive to offer competitive total rewards programs, foster an inclusive and diverse environment, and give employees the opportunity to give back to their communities and make a social impact.

First and foremost, the success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees and talent. In response to the COVID-19 pandemic, we implemented significant operating environment changes that we determined were in the best interest of our employees and talent, as well as the communities in which we operate, and which comply with government regulations. This includes having the vast majority of our internal employees work from home, while implementing additional safety measures for employees and talent continuing critical on-site work.

Internal Employees

As of January 3, 2021, we employed approximately 1,000 staff members at our corporate headquarters in Troy, Michigan, approximately 3,300 staff members in other locations in the United States and an additional 2,800 in our international locations. While our retention of employees improved year over year, it still lags our comparable external benchmarks. Our retention rates for employees identified as High Performing and High Potential align with our comparable external benchmark.

Compensation and Benefits. Kelly is committed to providing competitive, equitable and fiscally responsible total rewards programs to our employees. Our compensation programs are designed to attract, retain and reward talented individuals who possess the skills necessary to achieve our strategic goals and create long-term value for our shareholders. We provide employees with competitive compensation opportunities, with strong pay for performance linkages that include a mix of base salary, short-term incentives and, in the case of our more senior employees, long-term equity awards. We believe that our programs provide fair and competitive opportunities that align employee and stockholder interests. In addition to cash and equity compensation, we also offer employees competitive benefits such as life and health (medical, dental and vision) insurance, paid time off, wellness benefits, and defined contribution retirement plans. Pay and benefits programs provided to our international employees are in line with competitive local practice.

Inclusion and Diversity. Since 1947, our founder fought to increase access to work for women and we’ve long been an outspoken advocate for the value temporary and independent workers bring to the workplace. We are committed to fostering an inclusive and diverse workforce. For example, a significant majority of Kelly's U.S. workforce is female, including a majority of director and above roles. We believe an inclusive environment with diverse teams creates a workplace that is conducive to producing more creative solutions, results in better, more innovative products and services and presents Kelly as a workplace leader, aiding our ability to attract and retain key talent. We are focused on fostering a culture of belonging, where everyone feels welcomed and respected and can thrive as we work together.

Community Involvement. We consider sustainability to be a guiding principle in strengthening the relationship with our global workforce, suppliers and customers. Through our programs and initiatives, we seek to contribute to improving the quality of life of our employees, their families, as well as the communities in which they operate. Designed on the concept of social investment, our approach ensures the creation of future development capacities instead of aiding on isolated occasions. We support initiatives where our employees can actively engage in the causes they believe in that are also connected to our sustainability strategy. Through our Equity@Work platform, we are living our commitment to ensure equitable access to work and growth for all by creating alliances with like-minded companies, policy groups and institutions to positively impact the way companies hire, advance and help more people thrive.

For more information on our diversity and inclusion and community involvement initiatives, please see our Corporate Responsibility report which is available at kellyservices.com.

Talent

In addition to our internal employees, Kelly recruits talent on behalf of our customers on a global basis. In 2020, we placed nearly 370,000 individuals in positions with our customers. In all of these instances, Kelly remains the employer of record for all talent working at our customer locations. This means that we retain responsibility for all assignments, wages, benefits, workers' compensation insurance, and the employers' share of applicable payroll taxes as well as the administration of the employees' share of these taxes. We also offer our Kelly talent access to competitive health and benefit programs while they are working with us.

Foreign Operations

For information regarding sales, earnings from operations and long-lived assets by domestic and foreign operations, please refer to the information presented in the Segment Disclosures footnote in the notes to our consolidated financial statements, presented in Part II, Item 8 of this report.

Access to Company Information

We electronically file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission ("SEC"). The SEC maintains an Internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically.

We make available, free of charge, through our website, and by responding to requests addressed to our senior vice president of investor relations, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports. These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is: www.kellyservices.com. The information contained on our website, or on other websites linked to our website, is not part of this report.

ITEM 1A. RISK FACTORS.

Risks Related to Macroeconomic Conditions

Our business is significantly affected by fluctuations in general economic conditions.

Demand for staffing services is significantly affected by the general level of economic activity and employment in the United States and the other countries in which we operate. When economic activity increases, temporary employees are often added before full-time employees are hired. As economic activity slows, however, many companies reduce their use of temporary employees before laying off full-time employees. Significant swings in economic activity historically have had a disproportionate impact on staffing industry volumes. We may not fully benefit from times of increased economic activity should we experience shortages in the supply of temporary employees. We may also experience more competitive pricing pressure and slower customer payments during periods of economic downturn. A substantial portion of our revenues and earnings are generated by our business operations in the United States. Any significant economic downturn in the United States or certain other countries in which we operate could have a material adverse effect on our business, financial condition and results of operations.

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 well as in the countries in which demand for our customers' goods and services are created. 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, including the deployment of vaccines, implementation of health and safety measures across our various business segments, and development of plans for safely continuing operations during 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 have had and are expected 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, social distancing, and other health and safety precautions have decreased customer demand for staffing services, especially in our Education segment where many school districts have remained closed or partially 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 and the timing of vaccine availability, 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. Business decisions by customers made in response to the COVID-19 pandemic, including automation, social distancing, and remote work, if sustained in a post-pandemic business environment, could negatively impact customer demand for our services.

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 effective deployment of COVID-19 vaccines to a large portion of the workforce, 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.

Our stock price may be subject to significant volatility and could suffer a decline in value.

The market price of our common stock may be subject to significant volatility. We believe that many factors, including several which are beyond our control, have a significant effect on the market price of our common stock. These include:

- actual or anticipated variations in our quarterly operating results;
- announcements of new services by us or our competitors;
- announcements relating to strategic relationships or acquisitions;
- changes in financial estimates by securities analysts;
- changes in general economic conditions;
- actual or anticipated changes in laws and government regulations;
- commencement of, or involvement in, litigation;
- any major change in our board or management;
- changes in industry trends or conditions; and
- sales of significant amounts of our common stock or other securities in the market.

In addition, the stock market in general, and the NASDAQ Global Market in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, securities class action litigation has often been instituted following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of our management's attention and resources. Further, our operating results may be below the expectations of securities analysts or investors. In such event, the price of our common stock may decline.

Risks Related to our Industry Segment

We operate in a highly competitive industry with low barriers to entry and may be unable to compete successfully against existing or new competitors.

The worldwide staffing services market is highly competitive with limited barriers to entry. We compete in global, national, regional and local markets with full-service and specialized temporary staffing and consulting companies. Randstad, Adecco Group, ManpowerGroup Inc., Recruit Holdings and Allegis Group, are considerably larger than we are and have more substantial marketing and financial resources. Additionally, the emergence of online staffing platforms or other forms of disintermediation may pose a competitive threat to our services, which operate under a more traditional staffing business model. Price competition in the staffing industry is intense, particularly for the provision of office clerical, light industrial and education personnel. We expect that the level of competition will remain high, which could limit our ability to maintain or increase our market share or profitability.

The number of customers distributing their staffing service purchases among a broader group of competitors continues to increase which, in some cases, may make it more difficult for us to obtain new customers, or to retain or maintain our current share of business, with existing customers. We also face the risk that our current or prospective customers may decide to provide similar services internally. As a result, there can be no assurance that we will not encounter increased competition in the future.

Technological advances may significantly disrupt the labor market and weaken demand for human capital.

Our success is directly dependent on our customers' demands for talent. As technology continues to evolve, more tasks currently performed by people may be replaced by automation, robotics, machine learning, artificial intelligence, and other technological advances outside of our control. This trend poses a risk to the staffing industry, particularly in lower-skill job categories that may be more susceptible to such replacement. If we are unsuccessful in responding to this potential shift in customer demand due to advancing technology it could have a material adverse effect on our results of operations and financial condition.

Competition rules arising from government legislation, litigation or regulatory activity may limit how we structure and market our services.

As a leading staffing and recruiting company, we are closely scrutinized by government agencies under U.S. and foreign competition laws. An increasing number of governments are regulating competition law activities, leading to increased scrutiny. Some jurisdictions also allow competitors or consumers to assert claims of anti-competitive conduct.

The European Commission and its various competition authorities have targeted industry trade associations in which we participate. Any government regulatory actions may hamper our ability to provide the cost-effective benefits to consumers and businesses, reducing the attractiveness of our services and the revenues that come from them. New competition law actions could be initiated. The outcome of such actions, or steps taken to avoid them, could adversely affect us in a variety of ways, including:

- We may have to choose between withdrawing certain services from certain geographies to avoid fines or designing and developing alternative versions of those services to comply with government rulings, which may entail a delay in a service delivery.
- Adverse rulings may act as precedent in other competition law proceedings.

Our business is subject to extensive government regulation, which may restrict the types of employment services we are permitted to offer or result in additional or increased taxes, including payroll taxes or other costs that reduce our revenues and earnings.

The temporary employment industry is heavily regulated in many of the countries in which we operate. Changes in laws or government regulations may result in prohibition or restriction of certain types of employment services we are permitted to offer or the imposition of new or additional benefit, licensing or tax requirements that could reduce our revenues and earnings. In particular, we are subject to state unemployment taxes in the U.S., which typically increase during periods of increased levels of unemployment. We also receive benefits, such as the work opportunity income tax credit in the U.S., that regularly expire and may not be reinstated. There can be no assurance that we will be able to increase the fees charged to our customers in a timely manner and in a sufficient amount to fully cover increased costs as a result of any changes in laws or government regulations. Any future changes in laws or government regulations, or interpretations thereof, including additional laws and regulations enacted at a local level may make it more difficult or expensive for us to provide staffing services and could have a material adverse effect on our business, financial condition and results of operations.

Unexpected changes in claim trends on our workers' compensation, unemployment, disability and medical benefit plans may negatively impact our financial condition.

We self-insure, or otherwise bear financial responsibility for, a significant portion of expected losses under our workers' compensation program, disability and medical benefits claims. Unexpected changes in claim trends, including the severity and frequency of claims, actuarial estimates and medical cost inflation, could result in costs that are significantly different than initially reported. If future claims-related liabilities increase due to unforeseen circumstances, or if we must make unfavorable adjustments to accruals for prior accident years, our costs could increase significantly. In addition, unemployment insurance costs are dependent on benefit claims experience from employees which may vary from current levels and result in increased costs. There can be no assurance that we will be able to increase the fees charged to our customers in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

We may have additional tax liabilities that exceed our estimates.

We are subject to a multitude of federal, state, local, and foreign taxes in the jurisdictions we operate in, including the tax provisions of the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of

2010. Our tax expense could be materially impacted by changes in tax laws in these jurisdictions, changes in the valuation of deferred tax assets and liabilities or changes in the mix of income by country. The overall size of our workforce and visibility of our industry may make it more likely we become a target of government investigations, and we are regularly subject to audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits and any related litigation could be materially different from our historical tax provisions and accruals. The results of an audit or litigation could materially harm our business.

Risks Related to Strategy and Execution

Our future performance depends on the Company's effective execution of our business strategy.

The performance of the Company's business is dependent on our ability to effectively execute our growth strategy. Our strategy includes targeted investments in select specialty areas, focusing on growth platforms and implementation of a robust operating model to bridge our strategy to execution. If we are unsuccessful in executing our strategy, we may not achieve either our stated goal of revenue growth or the intended productivity improvements, which could negatively impact profitability. Even if effectively executed, our strategy may be insufficient considering changes in market conditions, technology, competitive pressures or other external factors.

If we fail to successfully develop new service offerings, we may be unable to retain and acquire customers, resulting in a decline in revenues.

The Company's successful execution of our growth strategy requires that we match evolving customer expectations with evolving service offerings. The development of new service offerings requires accurate anticipation of customer needs and emerging technology trends. We must make long-term investments in our information technology infrastructure and commit resources to development efforts before knowing whether these investments will result in service offerings that achieve customer acceptance and generate the revenues required to provide desired returns. If we fail to accurately anticipate and meet our customers' needs through the development of new service offerings or do not successfully deliver new service offerings, our competitive position could weaken, causing a material adverse effect on our results of operations and financial condition.

A loss of major customers or a change in such customers' buying behavior could have a material adverse effect on our business.

We serve many large corporate customers through high volume global service agreements. While we intend to maintain or increase our revenues and earnings from our major corporate customers, we are exposed to risks arising from the possible loss of major customer accounts. The deterioration of the financial condition or business prospects of these customers could reduce their need for our services and result in a significant decrease in the revenues and earnings we derive from these customers. Continuing merger and acquisition activity involving our large corporate customers could put existing business at risk or impose additional pricing pressures. Since receipts from customers generally lag payroll to temporary employees, the bankruptcy of a major customer could have a material adverse impact on our ability to meet our working capital requirements. Additionally, most of our customer contracts can be terminated by the customer on short notice without penalty. This creates uncertainty with respect to the revenues and earnings we may recognize with respect to our customer contracts.

Our business with large customer accounts reflects a market-driven shift in buying behaviors in which reliance on a small number of staffing partners has shifted to reliance upon a network of talent providers. The movement from single-sourced to competitively sourced staffing contracts may also substantially reduce our future revenues from such customers. While Kelly has sought to address this trend, including providing Contingent Workforce Outsourcing ("CWO") services within our Outsourcing & Consulting ("OCG") segment, we may not be selected or retained as the CWO service provider by our large customers. This may result in a material decrease in the revenue we derive from providing staffing services to such customers. In addition, revenues may be materially impacted from our decision to exit customers due to pricing pressure or other business factors.

Our business with the federal government and government contractors presents additional risk considerations. We must comply with laws and regulations relating to the formation, administration and performance of federal government contracts.

Failure to meet these obligations could result in civil penalties, fines, suspension of payments, reputational damage, disqualification from doing business with government agencies and other sanctions or adverse consequences. Government procurement practices may change in ways that impose additional costs or risks upon us or pose a competitive disadvantage. Our employees may be unable to obtain or retain the security clearances necessary to conduct business under certain contracts, or we could lose or be unable to secure or retain a necessary facility clearance. Government agencies may temporarily or permanently lose funding for awarded contracts, or there could be delays in the start-up of projects already awarded and funded.

We are at risk of damage to our brand, which is important to our success.

Our success depends, in part, on the goodwill associated with our brand. Because we assign employees to work under the direction and supervision of our customer at work locations not under Kelly's control, we are at risk of our employees engaging in unauthorized conduct that could harm our reputation. Our Education segment is particularly susceptible to this exposure. Any incident, act or omission that damages Kelly's reputation could cause the loss of current and future customers, additional regulatory scrutiny and liability to third parties, which could negatively impact profitability.

As we increasingly offer services outside the realm of traditional staffing, including business process outsourcing and services intended to connect talent to independent work, we are exposed to additional risks which could have a material adverse effect on our business.

Our business strategy focuses on driving profitable growth in key specialty areas, including through business process outsourcing arrangements, where we provide operational management of our customers' non-core functions or departments. This could expose us to certain risks unique to that business, including product liability or product recalls. As the nature of work changes, we deliver services that connect talent to independent work with our customers and expose the Company to risks of misclassifying workers, which could result in regulatory audits and penalties. Although we have internal vetting processes intended to control such risks, there is no assurance that these processes will be effective or that we will be able to identify these potential risks in a timely manner. Our specialties also include professional engineering services where design, construction or systems failures and project delays can result in substantial injury or damages. We attempt to mitigate and transfer such risks through contractual arrangements with our customers; however, these services may give rise to liability claims and litigation. While we maintain insurance in types and amounts we believe are appropriate for the contemplated risks, there is no assurance that such insurance coverage will remain available on reasonable terms or be sufficient in amount or scope.

We are increasingly dependent on third parties for the execution of critical functions.

We rely on third parties to support critical functions within our operations, including portions of our technology infrastructure, vendor management, customer relationship management, and applicant tracking systems. If we are unable to contract with third parties having the specialized skills needed to support our growth strategies or integrate their products and services with our business, or if they fail to meet our performance requirements, the results of operations could be adversely impacted. We also rely on supplier partnerships to deliver our services to customers in certain territories. If our suppliers fail to meet our standards and expectations or are unfavorably regarded by our customers, our ability to discontinue the relationship may be limited and could result in reputational damage, customer loss, and adversely affect our results of operations. For example, in the Asia-Pacific region, we rely on third parties and partners to provide certain back office and administrative services to our operations in that region. The failure or inability to perform on the part of one or more of these critical suppliers or partners could cause significant disruptions and increased costs.

Our information technology strategy may not yield its intended results.

Our information technology strategy includes improvements to our applicant onboarding and tracking systems, order management, and improvements to financial processes such as billing and accounts payable through system consolidation and upgrades. We do not use a single enterprise resource planning system, which limits our ability to react to evolving technology and customer expectations and increases the amount of investment and effort necessary to provide global service integration to our customers. Although the technology strategy is intended to increase productivity and operating efficiencies, these initiatives may not yield their intended results. Any delays in completing, or an inability to successfully complete, these technology initiatives or an inability to achieve the anticipated efficiencies could adversely affect our operations, liquidity and financial condition. Some of the initiatives are dependent on the products and services of third party vendors. If our vendors are unable to provide these services, or fail to meet our standards and expectations, we could experience business interruptions or data loss which could have a material adverse effect on our business, financial condition and results of operations.

Past and future acquisitions may not be successful.

As a part of our growth strategy, we continue to monitor the market for acquisition targets to bolster our inorganic growth aspirations. Acquisitions involve a number of risks, including the diversion of management's attention from its existing operations, the failure to retain key personnel or customers of an acquired business, the failure to realize anticipated benefits such as cost savings and revenue enhancements, potential substantial transaction costs associated with acquisitions, the assumption of unknown liabilities of the acquired business and the inability to successfully integrate the business into our operations. There can be no assurance that any past or future acquired businesses will generate anticipated revenues or earnings.

Further, acquisitions result in goodwill and intangible assets which have the risk of impairment if the future operating results and cash flows of such acquisitions are lower than our initial estimates. In the event that we determine that there is an impairment, we may be required to record a significant non-cash charge to earnings that could adversely affect our results of operations.

Investments in equity affiliates expose us to additional risks and uncertainties.

We participate, or may participate in the future, in certain investments in equity affiliates, such as joint ventures or other equity method investments with strategic partners, including PersolKelly Pte. Ltd. These arrangements expose us to a number of risks, including the risk that the management of the combined venture may not be able to fulfill their performance obligations under the management agreements or that the joint venture parties may be incapable of providing the required financial support. Additionally, improper, illegal or unethical actions by the venture management could have a negative impact on the reputation of the venture and our Company.

Further, equity method investments, including our investment in PersolKelly Pte. Ltd., are reviewed for indicators of impairment on a quarterly basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of equity method investments. In the event that we determine that there is an impairment, we may be required to record a significant non-cash charge to earnings that could adversely affect our results of operations.

Risks Related to Operating a Global Enterprise

We conduct a significant portion of our operations outside of the United States and we are subject to risks relating to our international business activities, including fluctuations in currency exchange rates and numerous legal and regulatory requirements.

We conduct our business in major staffing markets throughout the world. Our operations outside the United States are subject to risks inherent in international business activities, including:

- fluctuations in currency exchange rates;
- restrictions or limitations on the transfer of funds;
- government intrusions including asset seizures, expropriations or de facto control;
- varying economic and political conditions;
- differences in cultures and business practices;
- differences in employment and tax laws and regulations;
- differences in accounting and reporting requirements;
- differences in labor and market conditions;
- compliance with trade sanctions;
- changing and, in some cases, complex or ambiguous laws and regulations; and
- litigation, investigations and claims.

Our operations outside the United States are reported in the applicable local currencies and then translated into U.S. dollars at the applicable currency exchange rates for inclusion in our consolidated financial statements. Exchange rates for currencies of these countries may fluctuate in relation to the U.S. dollar and these fluctuations may have an adverse or favorable effect on our operating results when translating foreign currencies into U.S. dollars.

Our investment in Persol Holdings exposes us to potential market and currency exchange risks.

We are exposed to market and currency risks on our investment in Persol Holdings. The investment is stated at fair value and is marked to market through net earnings. Changes in the market price are based on the Persol Holdings stock price as listed in the Tokyo stock exchange, and such changes may be material. Foreign currency fluctuations on this yen-denominated investment are reflected as a component of other comprehensive income and, accordingly, the exchange rate fluctuations may have a material adverse or favorable effect on our financial statements.

Our international operations subject us to potential liability under anti-corruption, trade protection, and other laws and regulations.

The Foreign Corrupt Practices Act and other anti-corruption laws and regulations ("Anti-Corruption Laws") prohibit corrupt payments by our employees, vendors, or agents. While we devote substantial resources to our global compliance programs and have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments, our employees, vendors, or agents may violate our policies. Our failure to comply with Anti-Corruption Laws could result in significant fines and penalties, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. Operations outside the U.S. may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. As a result, we may be subject to legal liability and reputational damage.

Risks Related to Human Capital

We depend on our ability to attract, develop and retain qualified permanent full-time employees.

As we aim to expand the number of clients utilizing our higher margin specialty solutions in support of our growth strategy, we are highly reliant on individuals who possess specialized knowledge and skills to lead related specialty solutions and operations. There can be no assurance that qualified personnel will continue to be available. Competition for individuals with proven specialized knowledge and skills is intense, and demand for these individuals is expected to remain strong in the foreseeable future. Our success is dependent on our ability to attract, develop and retain these employees.

We depend on our ability to attract and retain qualified temporary personnel (employed directly by us or through third-party suppliers).

We depend on our ability to attract qualified temporary personnel who possess the skills and experience necessary to meet the staffing requirements of our customers. We must continually evaluate our base of available qualified personnel to keep pace with changing customer needs. Competition for individuals with proven professional skills is intense, and demand for these individuals is expected to remain strong for the foreseeable future. There can be no assurance that qualified personnel will continue to be available in sufficient numbers and on terms of employment acceptable to us and our customers. Our success is substantially dependent on our ability to recruit and retain qualified temporary personnel.

We may be exposed to employment-related claims and losses, including class action lawsuits and collective actions, which could have a material adverse effect on our business.

We employ and assign personnel in the workplaces of other businesses. The risks of these activities include possible claims relating to:

- discrimination and harassment;
- wrongful termination or retaliation;

- violations of employment rights related to employment screening or privacy issues;
- apportionment between us and our customer of legal obligations as an employer of temporary employees;
- classification of workers as employees or independent contractors;
- employment of unauthorized workers;
- violations of wage and hour requirements;
- retroactive entitlement to employee benefits, including health insurance;
- failure to comply with leave policy requirements; and
- errors and omissions by our temporary employees, particularly for the actions of professionals such as attorneys, accountants, teachers and scientists.

We are also subject to potential risks relating to misuse of customer proprietary information, misappropriation of funds, death or injury to our employees, damage to customer facilities due to negligence of temporary employees, criminal activity and other similar occurrences. We may incur fines and other losses or negative publicity with respect to these risks. In addition, these occurrences may give rise to litigation, which could be time-consuming and expensive. In the U.S. and certain other countries in which we operate, new employment and labor laws and regulations have been proposed or adopted that may increase the potential exposure of employers to employment-related claims and litigation. In addition, such laws and regulations are arising with increasing frequency at the state and local level in the U.S. and the resulting inconsistency in such laws and regulations results in additional complexity. There can be no assurance that the corporate policies and practices we have in place to help reduce our exposure to these risks will be effective or that we will not experience losses as a result of these risks. Although we maintain insurance in types and amounts we believe are appropriate in light of the aforementioned exposures, there can also be no assurance that such insurance policies will remain available on reasonable terms or be sufficient in amount or scope of coverage. Additionally, should we have a material inability to produce records as a consequence of litigation or a government investigation, the cost or consequences of such matters could become much greater.

Risks Related to Cyber Security and Data Privacy

Damage to our key data centers could affect our ability to sustain critical business applications.

Many business processes critical to our continued operation are hosted in outsourced facilities in America and Europe. Certain other processes are hosted at our corporate headquarters complex or occur in cloud-based computer environments. These critical processes include, but are not limited to, payroll, customer reporting, and order management. Although we have taken steps to protect all such instances by establishing robust data backup and disaster recovery capabilities, the loss of these data centers or access to the cloud-based environments could create a substantial risk of business interruption which could have a material adverse effect on our business, financial condition and results of operations.

A failure to maintain the privacy of information entrusted to us could have significant adverse consequences.

In the normal course of business we control, process, or have access to personal information regarding our own employees or employment candidates, as well as that of many of our customers or managed suppliers. Information concerning these individuals may also reside in systems controlled by third parties for purposes such as employee benefits and payroll administration. The legal and regulatory environment concerning data privacy is becoming more complex and challenging, and the potential consequences of non-compliance have become more severe. Changes in the regulatory environment, such as the European Union's General Data Protection Regulation and the California Consumer Privacy Act, impose additional compliance requirements related to the collection, use, processing, transfer, disclosure, and retention of personal information, which can increase operating costs and resources to accomplish. Any failure to abide by these regulations or to protect such personal information from inappropriate access or disclosure, whether through social engineering or by accident or other cause, could have severe consequences including fines, litigation, regulatory sanctions, reputational damage, and loss of customers or employees. Although we have a program designed to preserve the privacy of the personal data that we control or process, as well as personal data that we entrust to third parties, there can be no assurance that our program will meet all current and future regulatory requirements, anticipate all potential methods of unauthorized access, or prevent all inappropriate disclosures. Our insurance coverage may not be sufficient to cover all such costs or consequences, and there can be no assurance that any insurance that we now maintain will remain available under acceptable terms.

Cyberattacks or other breaches of network or information technology security could have an adverse effect on our systems, services, reputation and financial results.

We rely upon multiple information technology systems and networks, some of which are web-based or managed by third parties, to process, transmit, and store electronic information and to manage or support a variety of critical business processes and activities. Our networks and applications are increasingly accessed from locations and by devices not within our physical control, and the specifics of our technology systems and networks may vary by geographic region. In the course of ordinary business, we may store or process proprietary or confidential information concerning our business and financial performance and current, past or prospective employees, customers, vendors and managed suppliers. The secure and consistent operation of these systems, networks and processes is critical to our business operations. Moreover, our temporary employees may be exposed to, or have access to, similar information in the course of their customer assignments. We routinely experience cyberattacks, which may include the use or attempted use of malware, ransomware, computer viruses, phishing, social engineering schemes and other means of attempted disruption or unauthorized access. Additionally, the rapid pace of change in information security and cyber security threats could result in a heightened threat level for us or companies in our industry with little notice. Our relationships with third parties, including suppliers we manage, customers, and vendors creates potential avenues for malicious actors to initiate a supply chain attack. Even in instances where we are not a target of a malicious actor, we could be exposed to risk due to our relationships and business processes with these third parties.

The actions we take to reduce the risk of impairments to our operations or systems and breaches of confidential or proprietary data may not be sufficient to prevent or repel future cyber events or other impairments of our networks or information technologies. An event involving the destruction, modification, accidental or unauthorized release, or theft of sensitive information from systems related to our business, or an attack that results in damage to or unavailability of our key technology systems or those of critical vendors (e.g., ransomware), could result in damage to our reputation, fines, regulatory sanctions or interventions, contractual or financial liabilities, additional compliance and remediation costs, loss of employees or customers, loss of payment card network privileges, operational disruptions and other forms of costs, losses or reimbursements, any of which could materially adversely affect our operations or financial condition. Our cyber security and business continuity plans, and those of our third parties with whom we do business, may not be effective in anticipating, preventing and effectively responding to all potential cyber risk exposures. Our insurance coverage may not be sufficient to cover all such costs or consequences, and there can be no assurance that any insurance that we now maintain will remain available under acceptable terms.

Risks Related to Our Capital Structure

Our controlling stockholder exercises voting control over our company and has the ability to elect or remove from office all of our directors.

The Terence E. Adderley Revocable Trust K ("Trust K") which became irrevocable upon the death of Terence E. Adderley on October 9, 2018, is the controlling stockholder. In accordance with the provisions of Trust K, William U. Parfet, David M. Hempstead and Andrew H. Curoe were appointed as successor trustees of the trust. Mr. Parfet is the brother of Donald R. Parfet, the Chairman of the board of directors of the Company. The trustees, acting by majority vote, have sole investment and voting power over the shares of Class B common stock held by Trust K, which represent approximately 91.6% of the outstanding Class B shares. The voting rights of our Class B common stock are perpetual, and our Class B common stock is not subject to transfer restrictions or mandatory conversion obligations under our certificate of incorporation or bylaws.

Our Class B common stock is the only class of our common stock entitled to voting rights. The trustees of Trust K are therefore able to exercise voting control with respect to all matters requiring stockholder approval, including the election or removal from office of all members of the Company's board of directors.

We are not subject to certain of the listing standards that normally apply to companies whose shares are quoted on the NASDAQ Global Market.

Our Class A and Class B common stock are quoted on the NASDAQ Global Market. Under the listing standards of the NASDAQ Global Market, we are deemed to be a "controlled company" due to Trust K having voting power with respect to more than fifty percent of our outstanding voting stock. A controlled company is not required to have a majority of its board of directors comprised of independent directors. Director nominees are not required to be selected or recommended for the board's selection by a majority of independent directors or a nominations committee comprised solely of independent directors, nor do the NASDAQ Global Market listing standards require a controlled company to certify the adoption of a formal written charter or board resolution, as applicable, addressing the nominations process. A controlled company is also exempt from NASDAQ Global Market's requirements regarding the determination of officer compensation by a majority of independent directors or a compensation committee comprised solely of independent directors. A controlled company is required to have an audit committee composed of at least three directors who are independent as defined under the rules of both the SEC and the NASDAQ Global Market. The NASDAQ Global Market further requires that all members of the audit committee have the ability to read and understand fundamental financial statements and that at least one member of the audit committee possess financial sophistication. The independent directors must also meet at least twice a year in meetings at which only they are present.

We currently comply with the listing standards of the NASDAQ Global Market that do not apply to controlled companies. Our compliance is voluntary, however, and there can be no assurance that we will continue to comply with these standards in the future.

Provisions in our certificate of incorporation and bylaws and Delaware law may delay or prevent an acquisition of our Company.

Our restated certificate of incorporation and bylaws contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. For example, if a potential acquirer were to make a hostile bid for us, the acquirer would not be able to call a special meeting of stockholders to remove our board of directors or act by written consent without a meeting. The acquirer would also be required to provide advance notice of its proposal to replace directors at any annual meeting and would not be able to cumulate votes at a meeting, which would require the acquirer to hold more shares to gain representation on the board of directors than if cumulative voting were permitted.

Our board of directors also has the ability to issue additional shares of common stock which could significantly dilute the ownership of a hostile acquirer. In addition, Section 203 of the Delaware General Corporation Law limits mergers and other business combination transactions involving 15 percent or greater stockholders of Delaware corporations unless certain board or stockholder approval requirements are satisfied. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation.

Our board of directors could choose not to negotiate with an acquirer that it did not believe was in our strategic interests. If an acquirer is discouraged from offering to acquire us or prevented from successfully completing a hostile acquisition by these or other measures, our shareholders could lose the opportunity to sell their shares at a favorable price.

The holders of shares of our Class A common stock are not entitled to voting rights.

Under our certificate of incorporation, the holders of shares of our Class A common stock are not entitled to voting rights, except as otherwise required by Delaware law. As a result, Class A common stockholders do not have the right to vote for the election of directors or in connection with most other matters submitted for the vote of our stockholders, including mergers and certain other business combination transactions involving the Company.

We may not be able to realize value from, or otherwise preserve and utilize, our tax credit and net operating loss carryforwards.

Provisions in U.S. and foreign tax law could limit the use of tax credit and net operating loss carryforwards in the event of an ownership change. In general, an ownership change occurs under U.S. tax law if there is a change in the corporation's equity ownership that exceeds 50% over a rolling three-year period. If we experience an ownership change, inclusive of our Class A and Class B common stock, our tax credit and net operating loss carryforwards generated prior to the ownership change may be subject to annual limitations that could reduce, eliminate or defer their utilization. Such limitation could materially impact our financial condition and results of operations.

Failure to maintain specified financial covenants in our bank credit facilities, or credit market events beyond our control, could adversely restrict our financial and operating flexibility and subject us to other risks, including risk of loss of access to capital markets.

Our bank credit facilities contain covenants that require us to maintain specified financial ratios and satisfy other financial conditions. During 2020 we met all of the covenant requirements. Our ability to continue to meet these financial covenants, particularly with respect to interest coverage (see Debt footnote in the notes to our consolidated financial statements), cannot be assured. If we default under this or any other of these requirements, the lenders could declare all outstanding borrowings, accrued interest and fees to be due and payable or significantly increase the cost of the facility. Additionally, our credit facilities contain cross-default provisions. In these circumstances, there can be no assurance that we would have sufficient liquidity to repay or refinance this indebtedness at favorable rates or at all. Events beyond our control could result in the failure of one or more of our banks, reducing our access to liquidity and potentially resulting in reduced financial and operating flexibility. If broader credit markets were to experience dislocation, our potential access to other funding sources would be limited.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our headquarters is located in Troy, Michigan where corporate, subsidiary and divisional offices operate from both leased and owned facilities. Our remaining business operations in the U.S., as well as our international locations, are conducted in leased facilities. During 2020, as the result of COVID-19, the majority of our internal employees have also conducted business remotely as the result of governmental orders or our internal policies designed to protect the health and safety of our employees.

ITEM 3. 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 currently pending 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 Authority announced its decision on December 18, 2020, levying a fine against the trade association with joint and several secondary liabilities placed on the 20 member companies. Our apportioned secondary liability is approximately $300,000. Member companies may exercise their right to challenge the decision, which could impact the apportionment. However, we anticipate resolution within this year. 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 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information and Dividends

Our Class A and Class B common stock is traded on the NASDAQ Global Market under the symbols "KELYA" and "KELYB," respectively. The high and low selling prices for our Class A common stock and Class B common stock as quoted by the NASDAQ Global Market and the dividends paid on the common stock for each quarterly period in the last two fiscal years are reported in the table below. Our ability to pay dividends is subject to compliance with certain financial covenants contained in our debt facilities, as described in the Debt footnote in the notes to our consolidated financial statements.

	Per share amounts (in dollars)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2020					
Class A common					
High	$ 22.77	$ 18.18	$ 19.89	$ 23.00	$ 23.00
Low	10.13	11.01	13.55	15.56	10.13
Class B common					
High	21.78	18.14	90.36	22.70	90.36
Low	10.52	10.35	14.04	15.50	10.35
Dividends	0.075	—	—	—	0.075
2019					
Class A common					
High	$ 25.63	$ 26.39	$ 28.91	$ 25.09	$ 28.91
Low	20.00	22.03	23.50	20.74	20.00
Class B common					
High	24.68	25.49	29.43	23.46	29.43
Low	20.91	25.49	23.59	20.66	20.66
Dividends	0.075	0.075	0.075	0.075	0.30

Holders

The number of holders of record of our Class A and Class B common stock were approximately 8,700 and 200, respectively, as of January 29, 2021.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

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

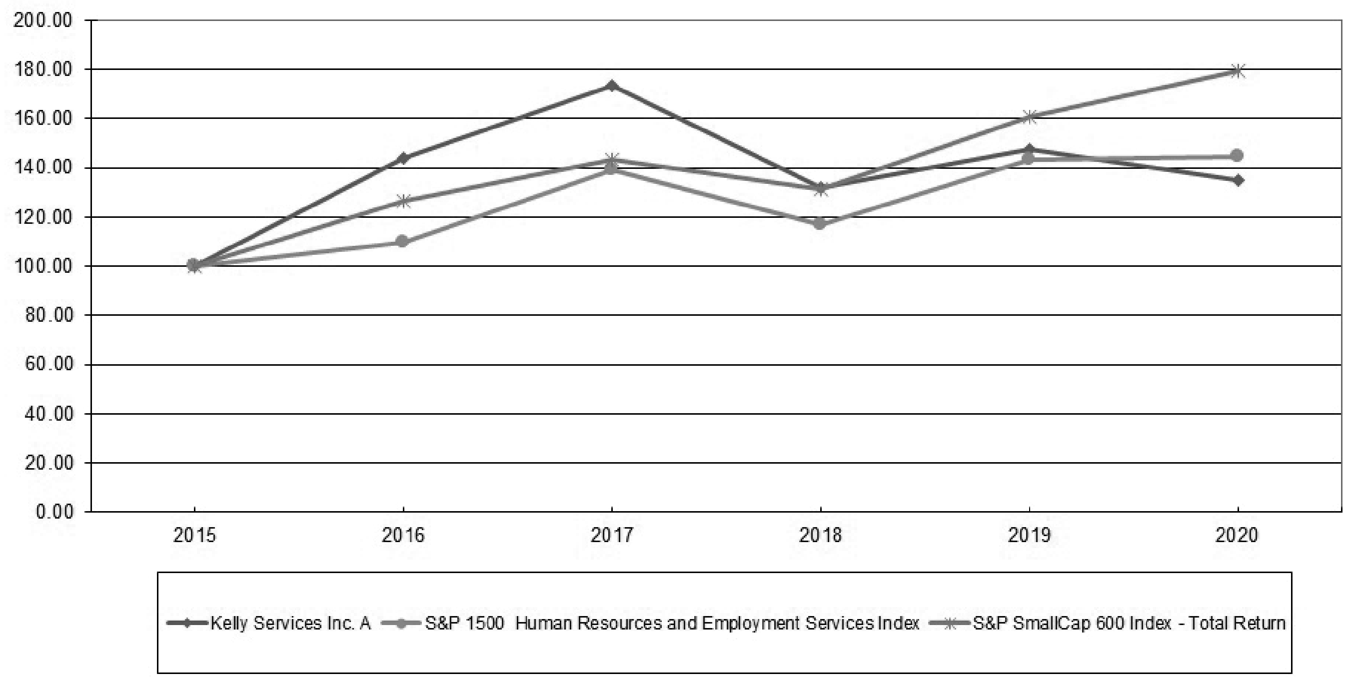
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
				(in millions of dollars)
September 28, 2020 through November 1, 2020	527	$ 17.89	—	$ —
November 2, 2020 through November 29, 2020	210	20.66	—	—
November 30, 2020 through January 3, 2021	573	20.67	—	—
Total	1,310	$ 19.55	—	

We may reacquire shares sold to cover employee tax withholdings due upon the vesting of restricted stock held by employees. Accordingly, 1,310 shares were reacquired during the Company's fourth quarter.

Performance Graph

The following graph compares the cumulative total return of our Class A common stock with that of the S&P SmallCap 600 Index and the S&P 1500 Human Resources and Employment Services Index for the five years ended December 31, 2020. The graph assumes an investment of $100 on December 31, 2015 and that all dividends were reinvested.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
Assumes Initial Investment of $100
December 31, 2015 – December 31, 2020



	2015	2016	2017	2018	2019	2020
Kelly Services, Inc.	$ 100.00	$ 144.09	$ 173.74	$ 132.06	$ 147.41	$ 134.81
S&P SmallCap 600 Index	$ 100.00	$ 126.56	$ 143.30	$ 131.15	$ 161.03	$ 179.20
S&P 1500 Human Resources and Employment Services Index	$ 100.00	$ 109.44	$ 139.30	$ 116.64	$ 143.22	$ 144.43

ITEM 7. 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 continued uncertainty, 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 adopted our new Kelly Operating Model and 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, direct-hire and executive search services to the K-12, early childhood and higher education markets in the U.S., and includes several acquisitions: Teachers On Call, Insight Workforce Solutions and Greenwood/Asher & Associates

- 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 the Asia-Pacific region through PersolKelly Pte. Ltd., our joint venture with Persol Asia Pacific Pte. Ltd, a wholly owned subsidiary of 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 64 days on a global basis as of the end of 2020 and 58 days as of the end of 2019. 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 gradual 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 included:

- a 10% pay cut for full-time salaried employees in the U.S., Puerto Rico and Canada, in addition to certain actions in Europe and Asia-Pacific;

- 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 ended 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 addition, we benefited from CARES Act provisions allowing deferral of employer social security tax payments. In the fourth quarter of 2020, management reduced staffing levels to align with expected revenue levels and incurred restructuring charges of $4.4 million for severance and related benefits to be paid to impacted employees, and are included 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 effective May, 2020 until conditions improve and continues to assess future actions with respect to our 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 continued through the end of 2020 as the effect of the pandemic response 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 gradually recovers from the economic slowdown and the effects of customer 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 subsequent disruption caused by a resurgence in infection leading to additional containment measures. In the first quarter of 2021, while our cost reduction efforts are expected to reduce year-over-year expenses, they will not be enough to completely offset declines in revenue and gross profit. As a result, we expect our first quarter 2021 earnings to decline year-over-year. For the full year of 2021, we expect that our revenue will reflect a continued gradual improvement in demand and result in improvements in year-over-year gross profit and earnings from operations.

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 acquisition of Greenwood/Asher & Associates in the fourth quarter of 2020 and the sale of our operations in Brazil during the third quarter of 2020.

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 are 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 striving 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 improvement

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 transactional 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) in the following tables are ratios used to measure the Company's operating efficiency.

Not meaningful ("NM") 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)

	2020 vs. 2019			2019 vs. 2018		
	2020 (53 Weeks)	2019 (52 Weeks)	Change	2019	2018	Change
Revenue from services	$4,516.0	$5,355.6	(15.7) %	$5,355.6	$5,513.9	(2.9) %
Gross profit	827.6	968.4	(14.5)	968.4	972.2	(0.4)
SG&A expenses excluding restructuring charges	792.8	877.6	(9.7)	877.6	884.8	(0.8)
Restructuring charges	12.8	5.5	131.5	5.5	—	NM
Total SG&A expenses	805.6	883.1	(8.8)	883.1	884.8	(0.2)
Goodwill impairment charge	147.7	—	NM	—	—	NM
Gain on sale of assets	32.1	12.3	161.6	12.3	—	NM
Asset impairment charge	—	15.8	NM	15.8	—	NM
Earnings (loss) from operations	(93.6)	81.8	NM	81.8	87.4	(6.5)
Gain (loss) on investment in Persol Holdings	(16.6)	35.8	NM	35.8	(96.2)	NM
Other income (expense), net	3.4	(1.2)	369.5	(1.2)	(0.6)	(86.9)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	(106.8)	116.4	NM	116.4	(9.4)	NM
Income tax expense (benefit)	(34.0)	0.4	NM	0.4	(27.1)	101.3
Equity in net earnings (loss) of affiliate	0.8	(3.6)	NM	(3.6)	5.2	NM
Net earnings (loss)	$ (72.0)	$ 112.4	NM	$ 112.4	$ 22.9	390.2
Gross profit rate	$ 18.3 %	$ 18.1 %	0.2 pts.	$ 18.1 %	$ 17.6 %	0.5 pts.
Conversion rate	(11.3)	8.4	(19.7)	8.4	9.0	(0.6)

2020 vs. 2019

Revenue from services for 2020 declined in all segments, reflecting the impact of COVID-19, and resulting in a decline in demand for both our staffing and permanent placement services across a broad range of industries and geographies. Revenue from staffing services declined 20% compared to 2019. Permanent placement revenue, which is included in revenue from services, decreased 34% year-over-year as the impact of economic uncertainty depressed full-time hiring in all operating segments. These declines were partially offset by a 9% increase in outcome-based services as demand from customers utilizing these services increased during the year. The 2020 fiscal year included a 53rd week. This fiscal leap year occurs every five or six years and is necessary to align the fiscal and calendar periods. The 53rd week added approximately 1% to 2020 reported and CC revenue.

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 20 basis points in comparison to 2019. 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. The gross profit rate for Education declined primarily as a result of increased pricing pressures. International's gross profit rate was negatively impacted by the decrease in permanent placement revenue. The total Company 2020 gross profit rate includes approximately 20 basis points related to COVID-19 government subsidies.

Total SG&A expenses decreased 8.8% in comparison to 2019. This decrease was due primarily to lower administrative salaries and performance-based compensation, including short-term cost reductions implemented to further align costs with revenue volume trends. Included in total SG&A expenses are restructuring charges of $12.8 million in 2020. Actions were taken in the first quarter of 2020 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. Actions were taken in the fourth quarter of 2020 to align costs with expected revenue levels. Restructuring charges of $5.5 million in 2019 represent severance costs primarily related to position eliminations within Professional & Industrial staffing operations.

During 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 in 2019 of $12.3 million primarily represents the excess of the proceeds over the cost upon the sale of an unused parcel of land located near the Company headquarters. Asset impairment charge of $15.8 million in 2019 represents the write-off of previously capitalized costs associated with a new U.S. front and middle office technology development project which management determined would not be completed but replaced by an enhanced and expanded use of an existing technology platform.

The loss from operations for 2020 of $93.6 million reflects a decline from the $81.8 million of earnings from operations in the prior year. Earnings from operations declined as a result of the goodwill impairment charge and lower gross profit as a result of the impact of COVID-19 on demand, partially offset by lower expenses due to cost reduction efforts and higher gain on sale of assets.

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 $34.0 million and expense was $0.4 million for 2020 and 2019, respectively. The 2020 income tax benefited from lower pretax earnings and includes the impairment of goodwill, a decline in the fair value of the Company's investment in Persol Holdings, and a tax loss on the sale of our Brazil operations. These benefits were offset by lower work opportunity credits. The 2019 tax expense benefited from releasing a valuation allowance in the United Kingdom. The work opportunity credit has been extended through 2025 as part of the Consolidated Appropriations Act, 2021.

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 the Brazil outside basis differences in the second quarter of 2020 were treated as discrete items.

The net loss for 2020 of $72.0 million, a decrease from net earnings of $112.4 million in 2019, 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 in 2019.

2019 vs. 2018

Total Company revenue from services for 2019 declined 2.9% in comparison to 2018. As noted in the following discussions, revenue decreases in Professional & Industrial and International were partially offset by increases in Science, Engineering & Technology, Education and Outsourcing & Consulting revenue. On a total Company basis, revenue from staffing services declined 6% compared to 2019, primarily due to the disruption resulting from the restructure of the U.S. branch-based staffing operations in the first quarter of 2019 and slower achievement of the related benefits. Additionally, permanent placement revenue, which is included in revenue from services, decreased 13% year-over-year. These declines were partially offset by a 30% increase in revenue from outcome-based services as demand increased from both new and existing customers. Revenue from services for 2019 includes the results of NextGen and GTA acquisitions, which added approximately 250 basis points to the total revenue growth rate.

The gross profit rate increased by 50 basis points from the prior year. As noted in the following discussions, increases in the gross profit rate for Professional & Industrial and Science, Engineering & Technology were partially offset by decreases in the gross profit rate for Education and Outsourcing & Consulting. The improved gross profit rate resulted from improved specialty mix in Professional & Industrial and Science, Engineering & Technology, partially offset by pricing pressure in Education. The

NextGen and GTA acquisitions drove a portion of the improved product mix and accounted for approximately 30 basis points of the gross profit rate growth.

Total SG&A expenses decreased 0.2% on a reported basis, due primarily to the effect of currency exchange rates. On a CC basis, SG&A expenses increased 0.7% due primarily to the addition of SG&A expenses from the NextGen and GTA acquisitions, partially offset by cost reduction efforts in Professional & Industrial and Outsourcing & Consulting. Also included in SG&A expenses for 2019 are restructuring charges of $5.5 million, related primarily to the U.S. branch-based staffing operations.

Gain on sale of assets 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. Asset impairment charge represents the write-off of previously capitalized costs associated with a new U.S. front and middle office technology development project which management determined would not be completed but replaced by an enhanced and expanded use of an existing technology platform.

Earnings from operations for 2019 of $81.8 million reflects a decline from the $87.4 million of earnings from operations in 2018. Our earnings from operations declined as a result of the asset 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 expense was $0.4 million for 2019 and benefit was $27.1 million for 2018. The increase in tax expense for 2019 was driven by gains on the Company's investment in Persol Holdings, compared to losses in 2018 and by a decline in work opportunity credits. This was partially offset by improved returns on tax exempt income on life insurance policies, and by higher net valuation allowance releases.

Net earnings for 2019 was $112.4 million, compared to net earnings of $22.9 million for 2018. The increase was primarily due to the impact of the gain on investment in Persol Holding of $35.8 million in 2019, compared to a loss on investment in Persol Holdings of $96.2 million in 2018.

Operating Results By Segment
(Dollars in millions)

	2020 vs. 2019			2019 vs. 2018		
	2020 (53 Weeks)	**2019 (52 Weeks)**	**% Change**	**2019**	**2018**	**% Change**
			Dollars in millions			
Revenue From Services:						
Professional & Industrial	$ 1,858.4	$ 2,213.4	(16.0) %	$ 2,213.4	$ 2,430.9	(8.9) %
Science, Engineering & Technology	1,019.1	1,131.8	(9.9)	1,131.8	1,002.6	12.9
Education	286.9	450.7	(36.3)	450.7	428.5	5.2
Outsourcing & Consulting	363.5	377.7	(3.8)	377.7	377.1	0.1
International	988.6	1,182.5	(16.4)	1,182.5	1,275.2	(7.3)
Less: Intersegment revenue	(0.5)	(0.5)	(16.6)	(0.5)	(0.4)	42.8
Consolidated Total	$ 4,516.0	$ 5,355.6	(15.7) %	$ 5,355.6	$ 5,513.9	(2.9) %

2020 vs. 2019

Professional & Industrial revenue from services decreased due primarily to decreases in our hours volume in our staffing product which was impacted by COVID-19. These decreases were partially offset by increased revenue in our outcome-based products due to program expansions. The 53rd week added approximately 1% to 2020 reported revenue from services in Professional & Industrial.

Science, Engineering & Technology revenue from services decreased due to lower hours volume in our staffing product across most specialties due to the continued impact of COVID-19, with the exception of our government staffing business, which has seen increased demand for life sciences support. The 53rd week added approximately 1% to 2020 reported revenue from services in Science, Engineering & Technology.

Education revenue from services decreased due to the impact of COVID-19. Temporary school closures, delayed starts and use of virtual or hybrid instructional delivery reduced the demand. These decreases were partially offset by the revenues from the first quarter 2020 acquisition of Insight. The 53rd week added less than 1% to 2020 reported revenue from services in Education.

Outsourcing & Consulting revenue from services decreased due primarily to decreases in our PPO, MSP and RPO products due in part to COVID-19 demand declines, as well as lower demand from customers in the oil and gas industry. The 53rd week added approximately 2% to 2020 reported revenue from services in Outsourcing & Consulting.

International revenue from services decreased 16.4% on a reported basis and 15.6% 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 average bill rates. The 53rd week added approximately 1% to 2020 reported and CC revenue from services in International.

2019 vs. 2018

Professional & Industrial revenue from services decreased as a result of lower staffing revenues. This decrease was due to the disruption resulting from the restructure of the U.S. branch-based staffing in the first quarter of 2019 and slower achievement of the related benefits. The reduction in staffing revenue was partially offset by increases in our KellyConnect and outcome-based services revenues as a result of program expansions and new customer contracts.

Science, Engineering & Technology revenue from services increased due to higher staffing services revenue as a result of the acquisitions of Global Technology Associates and NextGen in the first quarter of 2019. Revenues also increased in our outcome-based services due to both adding new customers and existing customer program expansions.

Education revenue from services increased as a result of continued sales growth from new contracts with additional school districts coupled with year-over-year revenue increases in existing school districts.

Outsourcing & Consulting revenue from services was flat year over year. Revenue increases in our MSP product were offset by decreases in our PPO and RPO products.

International revenue decreased 7.3% on a reported basis and 3.4% on a CC basis. The decline was primarily due to a decrease in hours volume reflecting softening market conditions in Europe, particularly France and Germany. These decreases were partially offset by increased revenue in Russia, due to higher hours volume.

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

	2020 vs. 2019			2019 vs. 2018		
	2020 (53 Weeks)	**2019 (52 Weeks)**	**Change**	**2019**	**2018**	**Change**
			Dollars in millions			
Gross Profit:						
Professional & Industrial	$ 330.2	$ 388.4	(15.0) %	$ 388.4	$ 419.3	(7.4) %
Science, Engineering & Technology	209.4	226.2	(7.5)	226.2	185.6	21.9
Education	42.2	72.0	(41.3)	72.0	70.7	1.9
Outsourcing & Consulting	119.8	122.3	(2.0)	122.3	124.2	(1.6)
International	126.0	159.5	(21.0)	159.5	172.4	(7.5)
Consolidated Total	$ 827.6	$ 968.4	(14.5) %	$ 968.4	$ 972.2	(0.4) %
Gross Profit Rate:						
Professional & Industrial	17.8 %	17.5 %	0.3 pts.	17.5 %	17.3 %	0.2 pts.
Science, Engineering & Technology	20.5	20.0	0.5	20.0	18.5	1.5
Education	14.7	16.0	(1.3)	16.0	16.5	(0.5)
Outsourcing & Consulting	33.0	32.4	0.6	32.4	32.9	(0.5)
International	12.7	13.5	(0.8)	13.5	13.5	—
Consolidated Total	18.3 %	18.1 %	0.2 pts.	18.1 %	17.6 %	0.5 pts.

2020 vs. 2019

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 30 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 and customer 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 130 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 60 basis points due to improved customer mix in the RPO product, 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.

2019 vs. 2018

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 customer and specialty mix.

The Science, Engineering & Technology gross profit increased as the result of higher revenue volume from the GTA and NextGen acquisitions mentioned previously, combined with a higher gross profit rate. The gross profit rate increased 150 basis points due primarily to the impact of these acquisitions coupled with improved specialty mix.

Gross profit for the Education segment increased as a result of higher revenue volume, partially offset by a lower gross profit rate. The Education gross profit rate decreased 50 basis points due to pricing pressures.

The Outsourcing & Consulting gross profit decreased as a result of a decline in the gross profit rate. The Outsourcing & Consulting gross profit rate decreased 50 basis points due primarily to the reduction in our gross profit rate in our RPO product as a result of customer mix within that product.

International gross profit declined as a result of lower revenue volume and negative currency effects. The International gross profit rate for 2019 was flat against 2018.

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

	2020 vs. 2019			2019 vs. 2018		
	2020 (53 Weeks)	**2019 (52 Weeks)**	**% Change**	**2019**	**2018**	**% Change**
			Dollars in millions			
SG&A Expenses:						
Professional & Industrial	$ 288.6	$ 326.0	(11.5) %	$ 326.0	$ 338.4	(3.7) %
Science, Engineering & Technology	134.4	146.7	(8.4)	146.7	124.7	17.6
Education	51.2	56.2	(8.8)	56.2	47.8	17.6
Outsourcing & Consulting	108.3	119.3	(9.2)	119.3	131.2	(9.0)
International	134.9	140.8	(4.2)	140.8	148.6	(5.2)
Corporate expenses	88.2	94.1	(6.3)	94.1	94.1	0.1
Consolidated Total	$ 805.6	$ 883.1	(8.8) %	$ 883.1	$ 338.4	(0.2) %

	2020 vs. 2019			2019 vs. 2018		
	2020 (53 Weeks)	**2019 (52 Weeks)**	**% Change**	**2019**	**2018**	**% Change**
			Dollars in millions			
Restructuring Charges Included in SG&A Expenses:						
Professional & Industrial	$ 6.0	$ 5.1	16.8 %	$ 5.1	$ —	NM %
Science, Engineering & Technology	0.6	0.4	74.1	0.4	—	NM
Education	1.0	—	NM	—	—	NM
Outsourcing & Consulting	0.3	—	NM	—	—	NM
International	1.4	—	NM	—	—	NM
Corporate expenses	3.5	—	NM	—	—	NM
Consolidated Total	$ 12.8	$ 5.5	131.5 %	$ 5.5	$ —	NM %

2020 vs. 2019

Total SG&A expenses in Professional & Industrial decreased 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. The decreased revenue volume also resulted in lower performance-based compensation. In addition, Professional & Industrial took restructuring actions in both 2020 and 2019, which reduced salaries and related costs and facilities expenses. Included in total SG&A expenses for 2020 and 2019 are the costs of those restructuring efforts of $6.0 million and $5.1 million, respectively, representing primarily employee severance costs.

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

Total SG&A expenses in Education decreased 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. The decreased revenue volume also resulted in lower performance-based compensation. These decreases were partially offset by the impact of the acquisition of Insight that took place in the first quarter of 2020.

Total SG&A expenses in Outsourcing & Consulting decreased 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 4.2% on a reported basis and 3.6% on a CC basis. Included in International SG&A expenses for 2020 is a $9.5 million non-cash charge related to a customer dispute in Mexico that resulted in an additional uncollectible accounts receivable charge. Excluding this charge, total SG&A expenses decreased 11.0% 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 professional fees, partially offset by restructuring charges incurred during 2020.

2019 vs. 2018

Total SG&A expenses in Professional & Industrial decreased due primarily to lower performance-based compensation as well as the lower cost base from the restructuring efforts in the first quarter of 2019 in the U.S. branch-based staffing operations. Included in the total SG&A expenses for 2019 are the costs of that restructuring effort of $5.1 million, which were primarily severance costs.

Total SG&A expenses in Science, Engineering & Technology increased due primarily to the impact of the acquisition of GTA and NextGen in the first quarter of 2019.

Total SG&A expenses in Education increased due primarily to increased salaries from additional headcount related to an updated infrastructure put in place to deliver services to customers in this business unit in anticipation of the then-expected revenue growth.

Total SG&A expenses in Outsourcing & Consulting decreased due primarily to lower salaries from reduced headcounts as we continued to streamline the service delivery and support infrastructure in the business unit.

Total SG&A expenses in International decreased 5.2% on a reported basis and 1.3% on a CC basis, due primarily to effective cost management to align to revenue trends.

Corporate expenses were flat year over year. Lower performance-based compensation expense was offset by higher depreciation expense related to recently completed information technology projects.

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

	2020 vs. 2019			2019 vs. 2018		
	2020 (53 Weeks)	2019 (52 Weeks)	% Change	2019	2018	% Change
	Dollars in millions					
Earnings (Loss) from Operations:						
Professional & Industrial	$ 41.6	$ 62.4	(33.4) %	$ 62.4	$ 80.9	(22.8) %
Science, Engineering & Technology	75.0	79.5	(5.8)	79.5	60.9	30.6
Education	(9.0)	15.8	NM	15.8	22.9	(31.0)
Outsourcing & Consulting	11.5	3.0	291.3	3.0	(7.0)	NM
International	(8.9)	18.7	NM	18.7	23.8	(21.6)
Corporate	(203.8)	(97.6)	(108.6)	(97.6)	(94.1)	(3.8)
Consolidated Total	$ (93.6)	$ 81.8	NM %	$ 81.8	$ 87.4	(6.5) %

2020 vs. 2019

Professional & Industrial reported earnings of $41.6 million, a 33.4% decrease from 2019. The decrease in earnings was primarily due to the impact of COVID-19 on our staffing product, 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 $75.0 million, a 5.8% decrease from 2019. The decrease in earnings was primarily due to the impact of COVID-19 on demand for our services, partially offset by the cost management initiatives taken to mitigate its impact.

Education reported a loss of $9.0 million, compared to earnings of $15.8 million in 2019. The decrease 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 $11.5 million, an $8.5 million increase over 2019. The increase in earnings was primarily due to the impact of the cost management initiatives taken to mitigate the impact of COVID-19, partially offset by lower revenue volume due to the impact of COVID-19 and lower customer demand in the oil and gas industry.

International reported a loss of $8.9 million, compared to earnings of $18.7 million in 2019, largely driven by the impact of COVID-19 on revenue and a charge related to a customer dispute in Mexico, partially offset by cost management initiatives.

Corporate loss from operations of $203.8 million for 2020 includes the goodwill impairment charge of $147.7 million and gain on sale of assets of $32.1 million.

2019 vs. 2018

Professional & Industrial reported earnings of $62.4 million, a 22.8% decrease from 2018. The decrease in earnings was primarily due to decreased revenue in 2019 in our staffing product, partially offset by the reduced expenses as a result of the restructuring efforts and lower performance-based compensation.

Science, Engineering & Technology reported earnings of $79.5 million, a 30.6% increase from 2018. The increase in earnings was primarily due to the impact on earnings from the acquisitions of GTA and NextGen, coupled with continued strong performance and growth in our outcome-based services business.

Education reported earnings of $15.8 million, a 31.0% decrease from 2018. The decrease is due primarily to the increased costs associated with building out the Education service delivery infrastructure in order to prepare for the then-expected future sustained revenue growth. The impact of these additional costs on earnings was partially offset by the additional revenue resulting from new customer contracts and year-over-year increases related to existing customers.

Outsourcing & Consulting reported earnings of $3.0 million, compared to a loss of $7.0 million in 2018. The increase in earnings was primarily due to lower expenses as a result of actions to streamline operations.

International reported earnings of $18.7 million, a decrease of 21.6% from 2018. The decrease was due to lower revenue volume, reflecting softening market conditions primarily in Europe, partially offset by lower SG&A expenses due to effective cost management.

Results of 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, which is generally paid weekly or monthly, and customer accounts receivable, which is generally outstanding for longer periods. Since receipts from customers lag payroll paid 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 through the fourth 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 $228.1 million at year-end 2020, compared to $31.0 million at year-end 2019. As further described below, during 2020, we generated $186.0 million of cash from operating activities, generated $9.8 million of cash from investing activities and used $8.1 million of cash for financing activities.

Operating Activities

In 2020, we generated $186.0 million of net cash from operating activities, as compared to generating $102.2 million in 2019 and generating $61.4 million in 2018. The change from 2019 to 2020 was primarily due to the deferral of $117.0 million of payroll tax payments, partially offset by the impact of higher global DSO, as discussed below. The change from 2018 to 2019 was primarily driven by working capital changes.

Trade accounts receivable totaled $1.3 billion at year-end 2020 and 2019. Global DSO for the fourth quarter was 64 days for 2020, compared to 58 days for 2019. The increase of six 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. The accounts receivable balances for a limited number of large customers increased during the fourth quarter of 2020 due to short-term, customer-driven administrative issues, which also contributed to the year-over-year increase in DSO.

Our working capital position (total current assets less total current liabilities) was $624.0 million at year-end 2020, an increase of $102.4 million from year-end 2019. Excluding additional cash, working capital declined $94.8 million from year-end 2019. The current ratio (total current assets divided by total current liabilities) was 1.7 at year-end 2020 and 1.6 at year-end 2019.

Investing Activities

In 2020, we generated $9.8 million of net cash from investing activities, compared to using $94.3 million in 2019 and using $29.8 million in 2018. Included in cash generated from investing activities in 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 and $5.6 million received from a payment on the loans to PersolKelly Pte. Ltd. This was partially offset by cash used for the acquisitions of Insight in January 2020 and Greenwood/Asher in November 2020. Cash used for the acquisition of Insight totaled $36.4 million, net of the cash received and including working capital adjustments. Cash used for the acquisition of Greenwood/Asher totaled $2.8 million, net of the cash received and including working capital adjustments.

Included in cash used for investing activities in 2019 is $50.8 million for the acquisition of NextGen in January 2019, net of cash received, $35.6 million for the acquisition of GTA in January 2019, net of cash received, and $4.4 million for loans to PersolKelly Pte. Ltd. to fund working capital requirements. These uses of cash were partially offset by proceeds of $13.8 million primarily from the sale of unused land during the second quarter of 2019.

Capital expenditures totaled $15.5 million in 2020, $20.0 million in 2019 and $25.6 million in 2018. Capital expenditures in 2020 were primarily related to the Company's headquarters building improvements, IT infrastructure and technology programs. Capital expenditures in 2019 primarily related to the Company’s technology programs. Capital expenditures in 2018 primarily related to the Company's technology programs, IT infrastructure and headquarters building improvements.

Financing Activities

In 2020, we used $8.1 million of cash for financing activities, as compared to using $16.1 million in 2019 and using $26.5 million in 2018. Changes in net cash from financing activities were primarily related to dividend payments in 2020, 2019 and 2018. Dividends paid per common share were $0.075 in 2020 and $0.30 in 2019 and 2018. Payments of dividends are restricted by the financial covenants contained in our debt facilities. Details of this restriction are contained in the Debt footnote in the notes to our consolidated financial statements.

Changes in net cash from financing activities are also impacted by short-term borrowing activities. Debt totaled $0.3 million at year-end 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 year-end 2020 and 0.1% at year-end 2019.

In 2020 and 2019, the net change in short-term borrowings was primarily due to payments on local lines of credit. In 2018, the net change in short-term borrowings was primarily due to payments on our revolving credit facility.

Contractual Obligations and Commercial Commitments

Summarized below are our obligations and commitments to make future payments as of year-end 2020:

		Payment due by period			
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
	(In millions of dollars)				
Leases	$ 111.1	$ 25.5	$ 33.0	$ 16.4	$ 36.2
Short-term borrowings	0.3	0.3	—	—	—
Accrued workers' compensation	65.0	22.7	19.5	8.5	14.3
Accrued retirement benefits	223.1	17.4	35.1	35.0	135.6
Accrued payroll taxes	117.0	58.5	58.5	—	—
Other liabilities	10.6	1.9	3.4	2.9	2.4
Uncertain income tax positions	0.6	0.1	0.2	0.1	0.2
Purchase obligations	36.7	16.1	13.9	6.7	—
Total	$ 564.4	$ 142.5	$ 163.6	$ 69.6	$ 188.7

Purchase obligations above represent unconditional commitments relating primarily to technology services and online tools which we expect to utilize generally within the next two fiscal years, in the ordinary course of business. 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. To meet expected future cash requirements related to our nonqualified retirement plan, we may utilize proceeds from Company-owned life insurance policies. 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 year 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.

At year-end 2020, we had $200.0 million of available capacity on our $200.0 million revolving credit facility and $97.0 million of available capacity on our $150.0 million securitization facility. The securitization facility carried no short-term borrowings and $53.0 million of standby letters of credit related to workers' compensation. Together, the revolving credit and securitization facilities provide the Company with committed funding capacity that may be used for general corporate purposes 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. Throughout 2020 and as of the 2020 year end, we met the debt covenants related to our revolving credit facility and securitization facility.

At year-end 2020, we also had additional unsecured, uncommitted short-term credit facilities totaling $9.6 million, under which we had $0.3 million of borrowings. Details of our debt facilities as of the 2020 year end are contained in the Debt footnote in the notes to our consolidated financial statements.

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. We believe that we may 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 and to pay 50% of deferred payroll tax balances which are due in the fourth quarter of 2021.

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.

Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States. In this process, it is necessary for us to make certain assumptions and related estimates affecting the amounts reported in the consolidated financial statements and the attached notes. Actual results can differ from assumed and estimated amounts.

Critical accounting estimates are those that we believe require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgments and uncertainties affecting the application of those estimates may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following estimates to be most critical in understanding the judgments involved in preparing our consolidated financial statements.

Workers' Compensation

In the U.S., we have a combination of insurance and self-insurance contracts under which we effectively bear the first $1.0 million of risk per single accident. There is no aggregate limitation on our per-accident exposure under these insurance and self-insurance programs. We establish accruals for workers' compensation utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. We retain an independent consulting actuary to establish ultimate loss forecasts for the current and prior accident years of our insurance and self-insurance programs. The consulting actuary establishes loss development factors, based on our historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of our ultimate claims liability. In preparing the estimates, the consulting actuary may consider factors such as the nature, frequency and severity of the claims; reserving practices of our third party claims administrators; performance of our medical cost management and return to work programs; changes in our territory and business line mix; and current legal, economic and regulatory factors such as industry estimates of medical cost trends. Where appropriate, multiple generally accepted actuarial techniques are applied and tested in the course of preparing the loss forecast. We use the ultimate loss forecasts, as developed by the consulting actuary, to establish total expected program costs for each accident year by adding our estimates of non-loss costs such as claims handling fees and excess insurance premiums. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, we record a receivable from the insurance company for the excess amount.

We evaluate the accrual quarterly and make adjustments as needed. The ultimate cost of these claims may be greater than or less than the established accrual. While we believe that the recorded amounts are reasonable, there can be no assurance that changes to our estimates will not occur due to limitations inherent in the estimation process. In the event we determine that a smaller or larger accrual is appropriate, we would record a credit or a charge to cost of services in the period in which we made such a determination. The accrual for workers' compensation, net of related receivables which are included in prepaid expenses and other current assets and other assets in the consolidated balance sheet, was $54.6 million and $59.5 million at year-end 2020 and 2019, respectively.

Business Combinations

We account for business combinations using the acquisition method of accounting, in which the purchase price is allocated for assets acquired and liabilities assumed and recorded at the estimated fair values at the date of acquisition. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Management is required to make significant assumptions and estimates in determining the fair value of the assets acquired, particularly intangible assets. Purchased intangible assets are primarily comprised of acquired trade names and customer relationships that are recorded at fair value at the date of acquisition. We utilize third-party valuation specialists to assist us in the determination of the fair value of the intangibles. The fair value of trade name intangibles is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth and discount rates. The fair value of customer relationship intangibles is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth, customer attrition, and discount rates. Determining the useful lives of intangible assets also requires judgment and are inherently uncertain. There is a measurement period of up to one year in which to finalize the fair value determinations and preliminary fair value estimates may be revised if new information is obtained during this period.

Income Taxes

Income tax expense is based on expected income and statutory tax rates in the various jurisdictions in which we operate. Judgment is required in determining our income tax expense. We establish accruals for uncertain tax positions under generally accepted accounting principles, which require that a position taken or expected to be taken in a tax return be recognized in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) the position would be sustained upon examination by tax authorities who have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Our effective tax rate includes the impact of accruals and changes to accruals that we consider appropriate, as well as related interest and penalties. A number of years may lapse before a particular matter, for which we have or have not established an accrual, is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our accruals are appropriate under generally accepted accounting principles. Favorable or unfavorable adjustments of the accrual for any particular issue would be recognized as an increase or decrease to our income tax expense in the period of a change in facts and circumstances. Our current tax accruals are presented in income and other taxes in the consolidated balance sheet and long-term tax accruals are presented in other long-term liabilities in the consolidated balance sheet.

Tax laws require items to be included in the tax return at different times than the items are reflected in the consolidated financial statements. As a result, the income tax expense reflected in our consolidated financial statements is different than the liability reported in our tax return. Some of these differences are permanent, which are not deductible or taxable on our tax return, and some are temporary differences, which give rise to deferred tax assets and liabilities. We establish valuation allowances for our deferred tax assets when the amount of expected future taxable income is not likely to support the use of the deduction or credit. Our net deferred tax asset is recorded using currently enacted tax laws, and may need to be adjusted in the event tax laws change.

The U.S. work opportunity credit is allowed for wages earned by employees in certain targeted groups. The actual amount of creditable wages in a particular period is estimated, since the credit is only available once an employee reaches a minimum employment period and the employee's inclusion in a targeted group is certified by the applicable state. As these events often occur after the period the wages are earned, judgment is required in determining the amount of work opportunity credits accrued for in each period. We evaluate the accrual regularly throughout the year and make adjustments as needed.

Equity Method Investment

We account for our investment in PersolKelly Pte. Ltd. under the equity method of accounting on a one-quarter lag. We review our equity method investment for indicators of impairment on a quarterly basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. An impairment assessment requires the exercise of judgment related to financial trends, forecasts, relevant events, as well as any operating, economic, legal or regulatory changes that may have an impact on the investment. There were no indicators of an other-than-temporary impairment in 2020 or 2019. As of year-end 2020 and 2019, the equity method investment was $118.5 million and $117.2 million, respectively. See the Investment in PersolKelly Pte. Ltd. footnote in the notes to our consolidated financial statements.

Goodwill

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Generally accepted accounting principles require that goodwill be tested for impairment at a reporting unit level. For segments with a goodwill balance, we have determined that our reporting units are the same as our operating and reportable segments based on our organizational structure.

We may first use a qualitative assessment for the annual impairment test if we have determined that it is more likely than not that the fair value for one or more reporting units is greater than their carrying value. In conducting the qualitative assessment, we assess the totality of relevant events and circumstances that affect the fair value or carrying value of the reporting unit. Such events and circumstances may include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, entity-specific events and events affecting a reporting unit.

If we elect to forgo the qualitative assessment for a reporting unit, goodwill is tested for impairment by comparing the estimated fair value of a reporting unit to its carrying value. If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, goodwill is deemed impaired and is written down to the extent of the difference.

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 reporting units with goodwill 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 the entire goodwill balance.

To derive the estimated fair value of reporting units, we primarily relied on an income approach, which was 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. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Our analysis used significant assumptions by reporting unit, including: expected future revenue and expense growth rates, profit margins, discount rate, forecasted capital expenditures and working capital.

In the fourth quarter of 2020, the Company elected to perform a qualitative analysis (a "step zero" test) to determine whether a further quantitative assessment was necessary for the reporting unit with goodwill. The step zero test included making judgments and assessments to determine whether any events or circumstances have occurred that makes it more likely than not that the fair value of a reporting unit is less than its carrying amount. As a result of this qualitative assessment, a step one quantitative analysis was not deemed necessary and the goodwill was not impaired.

We completed our annual impairment test for all reporting units with goodwill in the fourth quarter for the fiscal year ended 2019 and determined that goodwill was not impaired. In 2019, we performed a step one quantitative assessment for the Americas Staffing and GTS reporting units.

At year-end 2020 and 2019, total goodwill amounted to $3.5 million and $127.8 million, respectively. See the Goodwill and Intangible Assets footnote in the notes to our consolidated financial statements for more information.

Litigation

Kelly is subject to legal proceedings, investigations and claims arising out of the normal course of business. Kelly routinely assesses the likelihood of any adverse judgments or outcomes to these matters, as well as ranges of probable losses. A determination of the amount of the accruals required, if any, for these contingencies is made after analysis of each known issue. Development of the analysis includes consideration of many factors including: potential exposure, the status of proceedings, negotiations, discussions with our outside counsel and results of similar litigation. The required accruals may change in the future due to new developments in each matter. For further discussion, see the Contingencies footnote in the notes to our consolidated financial statements. At year-end 2020 and 2019, the gross accrual for litigation costs amounted to $1.4 million and $9.9 million, respectively, which are included in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet.

NEW ACCOUNTING PRONOUNCEMENTS

See New Accounting Pronouncements footnote in the notes to our consolidated financial statements presented in Part II, Item 8 of this report for a description of new accounting pronouncements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained herein and in our investor conference call related to these results are "forward-looking" statements within the meaning of the applicable securities laws and regulations. These forward-looking statements are based on current expectations and assumptions and are subject to a number of significant risks and uncertainties. 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, changing market and economic conditions, the recent novel coronavirus (COVID-19) outbreak, competitive market pressures including pricing and technology introductions and disruptions, disruption in the labor market and weakened demand for human capital resulting from technological advances, competition law risks, the impact of changes in laws and regulations (including federal, state and international tax laws), unexpected changes in claim trends on workers' compensation, unemployment, disability and medical benefit plans, or the risk of additional tax liabilities in excess of our estimates, our ability to achieve our business strategy, our ability to successfully develop new service offerings, 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 government or government contractors, the risk of damage to our brand, our exposure to risks associated with services outside traditional staffing, including business process outsourcing, services of licensed professionals and services connecting talent to independent work, our increasing dependency on third parties for the execution of critical functions, our ability to effectively implement and manage our information technology strategy, the risks associated with past and future acquisitions, including risk of related impairment of goodwill and intangible assets, exposure to risks associated with investments in equity affiliates including PersolKelly Pte. Ltd., 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, our ability to sustain critical business applications through our key data centers, 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 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 undertake no duty to update any forward-looking statement to conform the statement to actual results or changes in the Company's expectations. Certain risk factors are discussed more fully under "Risk Factors" in Part I, Item 1A of this report.

ITEM 7A. 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, euro or Swiss franc generally do not impact local cash flows. Intercompany transactions which create transactional 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 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. See Fair Value Measurements footnote in the notes to our consolidated financial statements of this Annual Report on Form 10-K 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required by this Item are set forth in the accompanying index on page 50 of this filing and are presented in pages 51-100.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that our 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.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting is presented preceding the consolidated financial statements on page 51 of this report.

Attestation Report of Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP, independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of January 3, 2021, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

Information required by Part III with respect to Directors, Executive Officers and Corporate Governance (Item 10), Executive Compensation (Item 11), Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters (Item 12), Certain Relationships and Related Transactions, and Director Independence (Item 13) and Principal Accounting Fees and Services (Item 14), except as set forth under the titles "Executive Officers of the Registrant," which is included on pages 45-46, and "Code of Business Conduct and Ethics," which is included on page 47, (Item 10), and except as set forth under the title "Equity Compensation Plan Information," which is included on pages 47-48, (Item 12), is to be included in a definitive proxy statement filed not later than 120 days after the close of our fiscal year and the proxy statement, when filed, is incorporated in this report by reference.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT.

The following individuals serve as executive officers of the Company as of January 3, 2021:

Name/Office	Age	Served as an Officer Since	Business Experience During Last 5 Years
Peter W. Quigley President and Chief Executive Officer	59	2004	Served as officer of the Company.
Olivier G. Thirot Executive Vice President and Chief Financial Officer	59	2008	Served as officer of the Company.
Peter M. Boland Senior Vice President Chief Marketing Officer	56	2018	January 2018 - Present Served as officer of the Company. January 2012 - June 2017 SVP Brand Marketing - Charles Schwab & Co., San Francisco, CA
James H. Bradley Senior Vice President Chief Administrative Officer	56	1996	Served as officer of the Company.
Tammy L. Browning Senior Vice President President, KellyOCG	47	2018	October 2018 - Present Served as officer of the Company. October 2010 - April 2018 SVP Global Operations - Yoh
Timothy L. Dupree Senior Vice President President, Kelly Professional & Industrial	44	2014	Served as officer of the Company.
Dinette Koolhaas Senior Vice President President, Kelly International	51	2008	Served as officer of the Company.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

Name/Office	Age	Served as an Officer Since	Business Experience During Last 5 Years
Daniel Hugo Malan Senior Vice President President, Kelly Science, Engineering & Technology	51	2020	March 2020 - Present Served as officer of the Company. December 2019 - February 2020 Managing Partner - Talent Capital Advisors August 2018 - November 2019 Chief Operating Officer - Employbridge December 2016 - July 2018 President, Commercial Business - Employbridge November 2014 - November 2016 EVP & President - North America Staffing, CDI
Nicola M. Soares Senior Vice President President, Kelly Education	52	2011	Served as officer of the Company.
Vanessa P. Williams Senior Vice President General Counsel Assistant Secretary	49	2020	October 2020 - Present Served as officer of the Company. February 2020 - September 2020 SVP, Division General Counsel- Transportation and Third Party Risk Management and Compliance - IHS Markit December 2016 - February 2020 VP, Division General Counsel - Transportation - IHS Markit February 2014 - December 2016 VP, Chief Legal Counsel & Global Privacy Officer - IHS Markit
Laura S. Lockhart Vice President, Corporate Controller and Chief Accounting Officer	51	2008	Served as officer of the Company.

CODE OF BUSINESS CONDUCT AND ETHICS.

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller or persons performing similar functions. The Code of Business Conduct and Ethics is included as Exhibit 14 in the Index to Exhibits on page 101. We have posted our Code of Business Conduct and Ethics on our website at www.kellyservices.com. We intend to post any changes in or waivers from our Code of Business Conduct and Ethics applicable to any of these officers on our website.

ITEM 12. SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

Equity Compensation Plan Information

The following table shows the number of shares of our Class A common stock that may be issued upon the exercise of outstanding options, warrants and rights, the weighted-average exercise price of outstanding options, warrants and rights, and the number of securities remaining available for future issuance under our equity compensation plans as of the fiscal year end for 2020.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders - Evergreen provision (1), (2)	—	$ —	—
Equity compensation plans approved by security holders - Fixed Share provision (1), (3)	—	—	3,313,249
Equity compensation plans not approved by security holders (4)	—	—	—
Total	—	$ —	3,313,249

(1) The equity compensation plan approved by our stockholders is our Equity Incentive Plan.

(2) The Evergreen provision applied to shares granted prior to May 10, 2017, and the Equity Incentive Plan provided that the maximum number of shares available for grants, including restricted stock, was 15 percent of the outstanding Class A common stock, adjusted for plan activity over the preceding five years. The Company has no plans to issue additional shares under the Evergreen provision that was in effect prior to May 10, 2017.

The number of shares to be issued upon exercise of outstanding options, warrants and rights under the Evergreen provision excludes: 24,550 shares of restricted stock; zero shares of financial measure performance shares that have been earned but not yet vested, zero shares of total shareholder return performance awards, and 3,632 shares of single financial measure performance awards.

(3) The Fixed Share provision applies to shares granted on and after May 10, 2017, and the amended Equity Incentive Plan provides that the maximum number of shares available for grants is 4,700,000.

The number of shares to be issued upon exercise of outstanding options, warrants and rights under the Fixed Share provision excludes: 256,310 shares of restricted stock; performance shares that have been earned but not yet vested totaling zero of financial measure performance awards, zero total shareholder return performance awards, and 136,226 single financial measure performance awards; and performance shares granted to employees and not yet earned or vested totaling 264,160 shares of financial measure performance awards, calculated using an assumed maximum award performance level of 200%, at January 3, 2021.

(4) The Non-Employee Directors Deferred Compensation Plan is an equity compensation plan that has not been approved by our stockholders. This plan provides non-employee directors with the opportunity to defer all or a portion of the fees they receive. Participants may elect to have director fees that are paid in either cash or common stock, deferred into the plan. Participants choose from a list of investment funds as determined by the Company for their deferrals of cash. Deferrals of common stock must remain in common stock. Amounts deferred under the plan are subject to applicable tax withholding. The plan is intended to be a non-qualified deferred compensation arrangement in compliance with Section 409A of the Code. Shares acquired by participants in this plan will be issued from the share reserve stated in the Equity Incentive Plan.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this report:

(i) Financial statements:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Earnings for the three fiscal years ended January 3, 2021

Consolidated Statements of Comprehensive Income for the three fiscal years ended January 3, 2021

Consolidated Balance Sheets at January 3, 2021 and December 29, 2019

Consolidated Statements of Stockholders' Equity for the three fiscal years ended January 3, 2021

Consolidated Statements of Cash Flows for the three fiscal years ended January 3, 2021

Notes to Consolidated Financial Statements

(ii) Financial Statement Schedule -

For the three fiscal years ended January 3, 2021:

Schedule II - Valuation Reserves

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(iii) The Exhibits are listed in the Index to Exhibits included beginning at page 101, which is incorporated herein by reference.

(b) The Index to Exhibits and required Exhibits are included following the Financial Statement Schedule beginning at page 101 of this filing.

(c) None.

ITEM 16. FORM 10-K SUMMARY.

None.

KELLY SERVICES, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Management's Report on Internal Control Over Financial Reporting

The management of Kelly Services, Inc. (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of January 3, 2021. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on our assessment, management determined that, as of January 3, 2021, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of January 3, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on pages 52-54.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Kelly Services, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Kelly Services, Inc. and its subsidiaries (the "Company") as of January 3, 2021 and December 29, 2019, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for the years ended January 3, 2021, December 29, 2019, and December 30, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 3, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 3, 2021 and December 29, 2019, and the results of its operations and its cash flows for the years ended January 3, 2021, December 29, 2019, and December 30, 2018, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 3, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 26 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenue from contracts with customers and investments in equity securities in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Workers' Compensation

As described in Note 1 to the consolidated financial statements, in the U.S., the Company has a combination of insurance and self-insurance contracts under which they effectively bear the first $1.0 million of risk per single accident. Management establishes the accrual for workers' compensation claims utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. As of January 3, 2021, the accrual for workers' compensation, net of related receivables, is $54.6 million. Management retains an independent consulting actuary to establish loss development factors, based on historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of the ultimate claims liability. In preparing the estimates, the consulting actuary considers a number of assumptions and multiple generally accepted actuarial methods in the course of preparing the loss forecast for claims. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, management records a receivable from the insurance company for the excess amount. Management evaluates the accrual quarterly throughout the year and makes adjustments as needed.

The principal considerations for our determination that performing procedures relating to workers' compensation is a critical audit matter are (i) the significant judgment by management when determining the actuarial methods and the significant assumptions to use in establishing the accrual for workers' compensation claims; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's actuarial methods and significant assumptions related to the loss development factors; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's accrual for workers' compensation claims, including controls over the actuarial methods and development of significant assumptions. These procedures also included, among others (i) the involvement of professionals with specialized skill and knowledge to assist in developing an independent estimate for the accrual for workers' compensation claims and (ii) comparing the independent estimate to management's estimate to evaluate the reasonableness of management's estimate. Developing the independent estimate involved (i) testing the completeness and accuracy of underlying data provided by management; (ii) evaluating management's actuarial methods and significant assumptions related to the loss development factors; and (iii) independently developing the loss development factors and actuarial methods used.

Goodwill Impairment Assessment - Americas Staffing and Global Talent Solutions ("GTS") Reporting Units

As described in Note 10 to the consolidated financial statements, the Company's consolidated goodwill balance was $3.5 million as of January 3, 2021. Management 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 the Company's common stock price, caused the market capitalization to decline significantly compared to the fourth quarter of 2019, causing a triggering event. Therefore, management performed an interim step one quantitative test for 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 the interim goodwill impairment test in the first quarter of 2020, management recorded a goodwill impairment charge of $147.7 million to write off goodwill for both reporting units. Management determined the fair value of each reporting unit using the income approach, which was validated through reconciliation to observable market capitalization data. Management’s analysis used significant assumptions including expected future revenue and expense growth rates, profit margins, discount rate, forecasted capital expenditures and working capital.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment for the Americas Staffing and GTS reporting units is a critical audit matter are (i) the significant judgment by management when developing the fair value measurement of the reporting units; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s significant assumptions related to expected future revenue growth rates, profit margins and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s goodwill impairment assessment, including controls over the valuation of the Americas Staffing and GTS reporting units. These procedures also included, among others (i) testing management’s process for developing the fair value measurement of the reporting units; (ii) evaluating the appropriateness of the income approach, including testing management’s reconciliation to observable market capitalization data; (iii) testing the completeness and accuracy of underlying data used in the model; and (iv) evaluating the significant assumptions used by management related to the expected future revenue growth rates, profit margins and the discount rate. Evaluating management’s assumptions related to the expected future revenue growth rates and profit margins involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting units; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of management’s income approach and the discount rate assumption.

/s/ PricewaterhouseCoopers LLP
Detroit, Michigan
February 18, 2021

We have served as the Company’s auditor since 1960.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	2020	2019	2018
	(In millions of dollars except per share items)		
Revenue from services	**$ 4,516.0**	$ 5,355.6	$ 5,513.9
Cost of services	**3,688.4**	4,387.2	4,541.7
Gross profit	**827.6**	968.4	972.2
Selling, general and administrative expenses	**805.6**	883.1	884.8
Goodwill impairment charge	**147.7**	—	—
Gain on sale of assets	**(32.1)**	(12.3)	—
Asset impairment charge	**—**	15.8	—
Earnings (loss) from operations	**(93.6)**	81.8	87.4
Gain (loss) on investment in Persol Holdings	**(16.6)**	35.8	(96.2)
Other income (expense), net	**3.4**	(1.2)	(0.6)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	**(106.8)**	116.4	(9.4)
Income tax expense (benefit)	**(34.0)**	0.4	(27.1)
Net earnings before equity in net earnings (loss) of affiliate	**(72.8)**	116.0	17.7
Equity in net earnings (loss) of affiliate	**0.8**	(3.6)	5.2
Net earnings (loss)	**$ (72.0)**	$ 112.4	$ 22.9
Basic earnings (loss) per share	**$ (1.83)**	$ 2.85	$ 0.59
Diluted earnings (loss) per share	**$ (1.83)**	$ 2.84	$ 0.58
Average shares outstanding (millions):			
Basic	**39.3**	39.1	38.8
Diluted	**39.3**	39.2	39.1

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2020	2019	2018
		(In millions of dollars)	
Net earnings (loss)	**$ (72.0)**	$ 112.4	$ 22.9
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments, net of tax expense of $0.2 million, tax benefit of $0.1 million and tax benefit of $0.4 million, respectively	**13.9**	2.5	(8.4)
Less: Reclassification adjustments included in net earnings	**(1.5)**	—	(0.4)
Foreign currency translation adjustments	**12.4**	2.5	(8.8)
Pension liability adjustments, net of tax benefit of $0.1 million, tax benefit of $0.3 million and tax expense of $0.2 million, respectively	**(0.9)**	(1.3)	0.8
Less: Reclassification adjustments included in net earnings	**0.1**	0.1	0.1
Pension liability adjustments	**(0.8)**	(1.2)	0.9
Other comprehensive income (loss), net of tax	**11.6**	1.3	(7.9)
Comprehensive income (loss)	**$ (60.4)**	$ 113.7	$ 15.0

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2020	2019
	(In millions of dollars)	
Assets		
Current Assets		
Cash and equivalents	**$ 223.0**	$ 25.8
Trade accounts receivable, less allowances of $13.3 million and $12.9 million, respectively	**1,265.2**	1,282.2
Prepaid expenses and other current assets	**61.4**	76.5
Properties held for sale	**—**	21.2
Total current assets	**1,549.6**	1,405.7
Noncurrent Assets		
Property and equipment:		
Property and equipment	**222.3**	225.8
Accumulated depreciation	**(181.3)**	(182.7)
Net property and equipment	**41.0**	43.1
Operating lease right-of-use assets	**83.2**	60.4
Deferred taxes	**282.0**	229.1
Goodwill, net	**3.5**	127.8
Investment in Persol Holdings	**164.2**	173.2
Investment in equity affiliate	**118.5**	117.2
Other assets	**319.9**	324.1
Total noncurrent assets	**1,012.3**	1,074.9
Total Assets	**$ 2,561.9**	$ 2,480.6

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

		2020		2019
	(In millions of dollars)			
Liabilities and Stockholders' Equity				
Current Liabilities				
Short-term borrowings	**$**	**0.3**	$	1.9
Accounts payable and accrued liabilities		**536.8**		503.6
Operating lease liabilities		**19.6**		20.1
Accrued payroll and related taxes		**293.0**		267.6
Accrued workers' compensation and other claims		**22.7**		25.7
Income and other taxes		**53.2**		65.2
Total current liabilities		**925.6**		884.1
Noncurrent Liabilities				
Operating lease liabilities		**67.5**		43.3
Accrued payroll and related taxes		**58.5**		—
Accrued workers' compensation and other claims		**42.2**		45.8
Accrued retirement benefits		**205.8**		187.4
Other long-term liabilities		**59.3**		55.5
Total noncurrent liabilities		**433.3**		332.0
Commitments and contingencies (See Commitments and Contingencies footnotes)				
Stockholders' Equity				
Capital stock, $1.00 par value				
Class A common stock, 100.0 million shares authorized; 36.7 million shares issued at 2020 and 36.6 million at 2019		**36.7**		36.6
Class B common stock, 10.0 million shares authorized; 3.4 million shares issued at 2020 and 3.5 million at 2019		**3.4**		3.5
Treasury stock, at cost				
Class A common stock, 0.8 million shares at 2020 and 1.0 million at 2019		**(16.5)**		(20.3)
Class B common stock		**(0.6)**		(0.6)
Paid-in capital		**21.3**		22.5
Earnings invested in the business		**1,162.9**		1,238.6
Accumulated other comprehensive income (loss)		**(4.2)**		(15.8)
Total stockholders' equity		**1,203.0**		1,264.5
Total Liabilities and Stockholders' Equity	**$**	**2,561.9**	$	2,480.6

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	2020	2019	2018
	(In millions of dollars)		
Capital Stock			
Class A common stock			
Balance at beginning of year	**$ 36.6**	$ 36.6	$ 36.6
Conversions from Class B	**0.1**	—	—
Balance at end of year	**36.7**	36.6	36.6
Class B common stock			
Balance at beginning of year	**3.5**	3.5	3.5
Conversions to Class A	**(0.1)**	—	—
Balance at end of year	**3.4**	3.5	3.5
Treasury Stock			
Class A common stock			
Balance at beginning of year	**(20.3)**	(25.4)	(34.6)
Net issuance of stock awards	**3.8**	5.1	9.2
Balance at end of year	**(16.5)**	(20.3)	(25.4)
Class B common stock			
Balance at beginning of year	**(0.6)**	(0.6)	(0.6)
Net issuance of stock awards	**—**	—	—
Balance at end of year	**(0.6)**	(0.6)	(0.6)
Paid-in Capital			
Balance at beginning of year	**22.5**	24.4	32.2
Net issuance of stock awards	**(1.2)**	(1.9)	(7.8)
Balance at end of year	**21.3**	22.5	24.4
Earnings Invested in the Business			
Balance at beginning of year	**1,238.6**	1,138.1	983.6
Cumulative-effect adjustment from adoption of ASU 2016-13, Credit Losses	**(0.7)**	—	—
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	**—**	—	140.0
Cumulative-effect adjustment from adoption of ASU 2014-09, Revenue	**—**	—	3.4
Net earnings (loss)	**(72.0)**	112.4	22.9
Dividends	**(3.0)**	(11.9)	(11.8)
Balance at end of year	**1,162.9**	1,238.6	1,138.1
Accumulated Other Comprehensive Income (Loss)			
Balance at beginning of year	**(15.8)**	(17.1)	130.8
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	**—**	—	(140.0)
Other comprehensive income (loss), net of tax	**11.6**	1.3	(7.9)
Balance at end of year	**(4.2)**	(15.8)	(17.1)
Stockholders' Equity at end of year	**$ 1,203.0**	$ 1,264.5	$ 1,159.5

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2020	2019	2018
	(In millions of dollars)		
Cash flows from operating activities:			
Net earnings (loss)	$ **(72.0)**	$ 112.4	$ 22.9
Adjustments to reconcile net earnings to net cash from operating activities:			
Goodwill impairment charge	**147.7**	—	—
Deferred income taxes	**(57.1)**	(18.3)	(47.5)
Depreciation and amortization	**24.2**	31.6	26.2
Operating lease asset amortization	**21.1**	22.3	—
Provision for credit losses and sales allowances	**12.8**	4.1	3.0
Stock-based compensation	**3.9**	5.6	8.1
(Gain) loss on investment in Persol Holdings	**16.6**	(35.8)	96.2
(Gain) loss on sale of assets	**(32.1)**	(12.3)	—
Asset impairment charge	**—**	15.8	—
Equity in net (earnings) loss of PersolKelly Pte. Ltd.	**(0.8)**	3.6	(5.2)
Other, net	**1.4**	(0.4)	(0.8)
Changes in operating assets and liabilities, net of acquisitions	**120.3**	(26.4)	(41.5)
Net cash from operating activities	**186.0**	102.2	61.4
Cash flows from investing activities:			
Capital expenditures	**(15.5)**	(20.0)	(25.6)
Proceeds from sale of assets	**55.5**	13.8	—
Acquisition of companies, net of cash received	**(39.2)**	(86.4)	—
Proceeds from company-owned life insurance	**2.3**	3.0	7.9
Proceeds from sale of Brazil, net of cash disposed	**1.2**	—	—
Proceeds (payments) related to loans to equity affiliate	**5.6**	(4.4)	(7.0)
Investment in equity securities	**(0.2)**	(1.0)	(5.0)
Other investing activities	**0.1**	0.7	(0.1)
Net cash from (used in) investing activities	**9.8**	(94.3)	(29.8)
Cash flows from financing activities:			
Net change in short-term borrowings	**(1.7)**	(0.3)	(7.8)
Financing lease payments	**(2.0)**	(0.7)	—
Dividend payments	**(3.0)**	(11.9)	(11.8)
Payments of tax withholding for stock awards	**(1.2)**	(2.5)	(6.9)
Other financing activities	**(0.2)**	(0.7)	—
Net cash used in financing activities	**(8.1)**	(16.1)	(26.5)
Effect of exchange rates on cash, cash equivalents and restricted cash	**9.4**	(0.9)	(1.9)
Net change in cash, cash equivalents and restricted cash	**197.1**	(9.1)	3.2
Cash, cash equivalents and restricted cash at beginning of year	**31.0**	40.1	36.9
Cash, cash equivalents and restricted cash at end of year [(1)]	$ **228.1**	$ 31.0	$ 40.1

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(1) The following table provides a reconciliation of cash, cash equivalents and restricted cash to the amounts reported in our consolidated balance sheet:

	2020	2019	2018
	(In millions of dollars)		
Reconciliation of cash, cash equivalents and restricted cash:			
Current assets:			
Cash and equivalents	**$ 223.0**	$ 25.8	$ 35.3
Restricted cash included in prepaid expenses and other current assets	**—**	0.2	0.1
Noncurrent assets:			
Restricted cash included in other assets	**5.1**	5.0	4.7
Cash, cash equivalents and restricted cash at end of year	**$ 228.1**	$ 31.0	$ 40.1

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Nature of Operations Kelly Services, Inc. is a specialty talent and workforce solutions provider operating throughout the world.

Fiscal Year The Company's fiscal year ends on the Sunday nearest to December 31. The three most recent years ended on January 3, 2021 (2020, which contained 53 weeks), December 29, 2019 (2019, which contained 52 weeks) and December 30, 2018 (2018, which contained 52 weeks). Period costs included in selling, general and administrative ("SG&A") expenses are recorded on a calendar-year basis. The Company's operations in Brazil were accounted for on a one-month lag, until the Company sold the Brazil operations in the third quarter of 2020. The Company's equity method investment in PersolKelly Pte. Ltd. are accounted for on a one-quarter lag (see Investment in PersolKelly Pte. Ltd. footnote). Any material transactions in the intervening period are disclosed or accounted for in the current reporting period.

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

Investment in Persol Holdings The Company's investment in Persol Holdings, as further described in the Investment in Persol Holdings footnote, is carried at fair value with the changes in fair value recognized in net earnings. The fair value of the investment is based on the quoted market price.

Investment in PersolKelly Pte. Ltd. The Company has a 49% ownership interest in its equity affiliate, PersolKelly Pte. Ltd., which is accounted for under the equity method. The operating results of the equity affiliate are recorded on a one-quarter lag and included in equity in net earnings (loss) of affiliate in the consolidated statements of earnings.

Foreign Currency Translation All of the Company's international subsidiaries use their local currency as their functional currency, which is the currency in which they transact the majority of their activities. Revenue and expense accounts of foreign subsidiaries are translated to U.S. dollars at average exchange rates, while assets and liabilities are translated to U.S. dollars at year-end exchange rates. Resulting translation adjustments, net of tax, where applicable, are reported as accumulated foreign currency translation adjustments in stockholders' equity and are recorded as a component of accumulated other comprehensive income (loss).

Revenue Recognition Revenues are recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Our revenues are recorded net of any sales, value added, or similar taxes collected from our customers. We generate revenue from: the hourly sales of services by our temporary employees to customers ("staffing services" revenue), the recruiting of permanent employees for our customers ("permanent placement" revenue), and through our talent fulfillment and outcome-based activities ("talent solutions" and "outcome-based services" revenue).

We record revenues from sales of services and the related direct costs in accordance with the accounting guidance on reporting revenue gross as a principal versus net as an agent. When Kelly is the principal, we demonstrate control over the service by being the employer of record for the individuals performing the service, by being primarily responsible to our customers and by having a level of discretion in establishing pricing in which the gross amount is recorded as revenues. When Kelly arranges for other contingent labor suppliers and/or service providers to perform services for the customer, we do not control those services before they are transferred, and therefore, the amounts billed to our customers are net of the amounts paid to the secondary suppliers/service providers and the net amount is recorded as revenues.

Staffing Services Revenue
Staffing services contracts are short-term in nature. Billings are generally negotiated and invoiced on a per-hour or per-unit basis as the temporary staffing services are transferred to the customer. Revenue from the majority of our staffing services continues to be recognized over time as the customer simultaneously receives and consumes the services we provide. We have applied the practical expedient to recognize revenue for these services over the term of the agreement in proportion to the amount we have the right to invoice the customer.

Permanent Placement Revenue
Permanent placement revenue is recorded at the point in time the permanent placement candidate begins full-time employment. On the candidate start date, the customer accepts the candidate and can direct the use of the candidate as well as obtains the significant risk and rewards of the candidate. We consider this the point the control transfers to the customer.

Outcome-Based Services Revenue
Billings are generally negotiated and invoiced on a measure of time (hours, weeks, months) or per-unit basis for our services performed. We continue to recognize revenue from the majority of our outcome-based services over time as the customer simultaneously receives and consumes the services we provide. For the majority of our outcome-based services, we have applied the practical expedient to recognize revenue for these services over the term of the agreement in proportion to the amount we have the right to invoice the customer.

Talent Solutions Revenue
Talent Solution services include: overall program management of our client's contingent workforce, external vendors and/or independent contractors, end-to-end talent acquisition, and payroll outsourcing. Billings are generally negotiated and invoiced as a fee-based commission contingent on the amount of services managed through the program, a monthly management fee, measure of time (hours), or a per-unit basis for our services performed. We continue to recognize revenue for talent solution services over time as the customer simultaneously receives and consumes the services we provide. We have applied the practical expedient to recognize revenue for these services over the term of the agreement in proportion to the amount we have the right to invoice the customer.

Variable Consideration
Certain customers may receive cash-based incentives or credits, which are accounted for as a form of variable consideration. We estimate these amounts based on the expected or likely amount to be provided to customers and reduce revenues recognized to the extent that it is probable that a significant reversal of such adjustment will not occur. Provisions for sales allowances (billing adjustments related to errors, service issues and compromises on billing disputes), based on historical experience, are recognized at the time the related sale is recognized as a reduction in revenue from services.

Payment Terms
Customer payments are typically due within 60 days of invoicing, but may be shorter or longer depending on contract terms. Management does not assess whether a contract has a significant financing component if the expectation at contract inception is that the period between payment by the customer and the transfer of the services to the customer will be less than one year. We do not have any significant financing components or extended payment terms.

Deferred Revenue
Items which are billed to the customer at a point in time, rather than billed over time as the services are delivered to the customer, are assessed for potential revenue deferral. At this time, the balance of the contract liability as well as the amount of revenue recognized in the reporting period that was included in the deferred revenue balance at the beginning of the period is not material.

Deferred Costs
Sales commissions paid at initial contract inception and upon contract renewal by our sales team are considered incremental and recoverable costs of obtaining a contract with a customer. The sales commissions (and related fringe benefits such as taxes and benefits) are deferred and then amortized on a straight-line basis over an appropriate period of benefit that we have determined to be contract duration. We determined the period of benefit by taking into consideration our customer contracts and other relevant factors. Anticipated renewal periods are not included in the amortization period of the initial commission. Amortization expense is included in SG&A expenses in the consolidated statements of earnings. As a practical expedient, sales commissions with amortization periods of 12 months or less are expensed as incurred. These costs are recorded in SG&A expenses in the consolidated statements of earnings.

Occasionally, fulfillment costs are incurred after obtaining a contract in order to generate a resource that will be used to provide our services. These costs are considered incremental and recoverable costs to fulfill our contract with the customer. These costs to fulfill a contract are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be the average length of assignment of the employees. We determined the period of benefit by taking into consideration our customer contracts, attrition rates and other relevant factors. Amortization expense is included in SG&A expenses in the consolidated statements of earnings.

Unsatisfied Performance Obligations
The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Allowance for Credit Losses - Trade 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 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.

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.

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.

Cost of Services Cost of services are those costs directly associated with the earning of revenue. The primary examples of these types of costs are temporary employee wages, along with other employee related costs, including associated payroll taxes, temporary employee benefits, such as service bonus and holiday pay, and workers' compensation costs. These costs differ fundamentally from SG&A expenses in that they arise specifically from the action of providing our services to customers whereas SG&A costs are incurred regardless of whether or not we place temporary employees with our customers.

Advertising Expenses Advertising expenses, which are expensed as incurred and are included in SG&A expenses, were $8.1 million in 2020, $9.4 million in 2019 and $8.7 million in 2018.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, the accounting for the allowance for uncollectible accounts receivable and credit losses, workers' compensation, goodwill and long-lived asset impairment, valuation of acquired intangibles, impairment of equity affiliates, litigation costs and income taxes. Actual results could differ materially from those estimates.

Cash and Equivalents Cash and equivalents are stated at fair value. The Company considers securities with original maturities of three months or less to be cash and equivalents.

Property and Equipment Property and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives. Cost and estimated useful lives of property and equipment by function are as follows:

Category	2020	2019	Life
	(In millions of dollars)		
Land	$ —	$ —	—
Work in process	0.4	2.7	—
Buildings and improvements	12.9	13.0	15 to 40 years
Computer hardware and software	152.3	153.1	3 to 12 years
Equipment, furniture and fixtures	34.8	34.1	5 years
Leasehold improvements	21.9	22.9	HQ: 15 years Branches: Lesser of the lease or 5 years
Total property and equipment	$ 222.3	$ 225.8	

The Company capitalizes external costs and internal payroll costs directly incurred in the development of software for internal use as required by the Internal-Use Software Subtopic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Work in process represents capitalized costs for internal use software not yet in service. Depreciation expense was $16.8 million for 2020, $25.3 million for 2019 and $24.0 million for 2018.

Leases Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Since most of the Company’s leases do not have an implicit borrowing rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our leases may include options allowing us in our sole discretion to extend or terminate the lease, and when it is reasonably certain that we will exercise those options, we will include those periods in our lease term. Variable costs, such as payments for insurance and tax payments, are expensed when the obligation for those payments is incurred.

Goodwill and Other Intangible Assets Goodwill represents the excess of the purchase price over the acquisition date fair value of net assets acquired. Purchased intangible assets are primarily comprised of acquired trade names and customer relationships that are recorded at fair value at the date of acquisition. The fair value of trade name intangibles is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth and discount rates. The fair value of customer relationship intangibles is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth, customer attrition, and discount rates.

Purchased intangible assets with definite lives are amortized over their respective useful lives (from 4 to 15 years) on a straight-line basis.

Impairment of Long-Lived Assets, Intangible Assets, Goodwill, Equity Method Investments and Equity Securities The Company evaluates long-lived assets and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When estimated undiscounted future cash flows will not be sufficient to recover the carrying amount of the asset group, in which the long-lived asset being tested for impairment resides, the asset is written down to its estimated fair value. Assets to be disposed of by sale, if any, are reported at the lower of the carrying amount or estimated fair value less cost to sell.

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Generally accepted accounting principles require that goodwill be tested for impairment at a reporting unit level. For segments with a goodwill balance, we have determined that our reporting units are the same as our operating and reportable segments based on our organizational structure.

We may first use a qualitative assessment for the annual impairment test if we have determined that it is more likely than not that the fair value for one or more reporting units is greater than their carrying value. In conducting the qualitative assessment, we assess the totality of relevant events and circumstances that affect the fair value or carrying value of the reporting unit. Such events and circumstances may include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, entity-specific events and events affecting a reporting unit.

If we elect to forgo the qualitative assessment for a reporting unit, goodwill is tested for impairment by comparing the estimated fair value of a reporting unit to its carrying value. If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, goodwill is deemed impaired and is written down to the extent of the difference.

To derive the estimated fair value of reporting units, we primarily relied on an income approach, which was 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. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Our analysis used significant assumptions by reporting unit, including: expected future revenue and expense growth rates, profit margins, discount rate, forecasted capital expenditures and working capital.

We evaluate our equity method investment on a quarterly 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 our equity method investment, we will adjust our carrying amount of our investment to the adjusted fair value.

We evaluate our equity securities measured under the measurement alternative for indicators of impairment on a quarterly basis and whenever observable price changes occur. The measurement alternative represents cost, less impairment, plus or minus observable price changes. Quarterly, we also confirm the securities still qualify to be measured in accordance with the measurement alternative. The value of the securities will be adjusted for any increases or decreases as a result of an observable price change.

Accounts Payable Included in accounts payable are book overdrafts, which are outstanding checks in excess of funds on deposit. Such amounts totaled $9.3 million and $5.9 million at year-end 2020 and 2019, respectively.

Accrued Payroll and Related Taxes Included in current accrued payroll and related taxes are book overdrafts, which are outstanding checks in excess of funds on deposit. Such amounts totaled $11.0 million and $21.9 million at year-end 2020 and 2019, respectively. Payroll taxes for temporary employees are recognized proportionately to direct wages for interim periods based on expected full-year amounts. Included in current and noncurrent accrued payroll and related taxes are deferred U.S. payroll tax payments as allowed by COVID-19 economic relief legislation.

Income Taxes The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The U.S. work opportunity credit is allowed for wages earned by employees in certain targeted groups. The actual amount of creditable wages in a particular period is estimated, since the credit is only available once an employee reaches a minimum employment period and the employee's inclusion in a targeted group is certified by the applicable state. As these events often occur after the period the wages are earned, judgment is required in determining the amount of work opportunity credits accrued for in each period. We evaluate the accrual regularly throughout the year and make adjustments as needed.

Uncertain tax positions that are taken or expected to be taken in a tax return are recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Interest and penalties related to income taxes are classified as income tax expense. U.S. taxes on global intangible low-taxed income ("GILTI") are accounted for as incurred.

Stock-Based Compensation The Company may grant restricted stock awards and units (collectively, "restricted stock") and performance awards to key employees associated with the Company's Class A stock. The Company utilizes the market price on the date of grant as the fair value for restricted stock and the market price on the date of grant less the present value of the expected dividends not received during the vesting period for performance awards. The Company also estimates the fair value of performance awards related to relative total shareholder return or awards with a total shareholder return modifier using a Monte Carlo simulation model. The value of awards is recognized as expense, net of forfeitures as they occur, over the requisite service periods in SG&A expense in the Company's consolidated statements of earnings.

Earnings Per Share Restricted stock that entitle their holders to receive nonforfeitable dividends before vesting are considered participating securities and, therefore, are included in the calculation of earnings per share using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Under this method, earnings from continuing operations (or net earnings) is reduced by the amount of dividends declared, and the remaining undistributed earnings is allocated to common stock and participating securities based on the proportion of each class's weighted average shares outstanding to the total weighted average shares outstanding. The calculation of diluted earnings per share includes the effect of potential common shares outstanding in the average weighted shares outstanding.

Workers' Compensation In the U.S., the Company has a combination of insurance and self-insurance contracts under which we effectively bear the first $1.0 million of risk per single accident. The Company establishes accruals for workers' compensation claims utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. The Company retains an independent consulting actuary to establish loss development factors, based on historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of the ultimate claims liability.

In preparing the estimates, the consulting actuary considers a number of assumptions and multiple generally accepted actuarial methods in the course of preparing the loss forecast for claims. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records a receivable from the insurance company for the excess amount. The receivable is included in prepaid expenses and other current assets and other assets in the consolidated balance sheet at year end. The Company evaluates the accrual quarterly throughout the year and makes adjustments as needed, and the ultimate cost of these claims may be greater than or less than the established accrual.

2. Revenue

Adoption of ASC Topic 606, Revenue from Contracts with Customers

On January 1, 2018, we adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605.

We recorded a net increase to opening earnings invested in the business of $3.4 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606. The impact is primarily driven by the deferral of contract costs related to our customer contracts of $5.2 million, partially offset by deferring revenue billed at a point in time for services performed over time of $0.6 million and a deferred tax liability of $1.2 million. As of and for year to date 2018, the consolidated financial statements were not materially impacted as a result of the application of Topic 606 compared to Topic 605.

Revenue Disaggregated by Service Type

Kelly has five operating 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):

	December Year to Date		
	2020	2019	2018
Professional & Industrial			
Staffing services	$ 1,423.3	$ 1,838.6	$ 2,100.4
Permanent placement	9.9	17.9	21.6
Outcome-based services	425.2	356.9	308.9
Total Professional & Industrial	1,858.4	2,213.4	2,430.9
Science, Engineering & Technology			
Staffing services	751.8	848.2	814.3
Permanent placement	12.5	15.7	15.9
Outcome-based services	254.8	267.9	172.4
Total Science, Engineering & Technology	1,019.1	1,131.8	1,002.6
Education			
Staffing services	286.4	449.8	427.1
Permanent placement	0.5	0.9	1.4
Total Education	286.9	450.7	428.5
Outsourcing & Consulting			
Talent solutions	363.5	377.7	377.1
Total Outsourcing & Consulting	363.5	377.7	$ 377.1
International			
Staffing services	971.8	1,156.8	1,245.1
Permanent placement	16.8	25.7	30.1
Total International	988.6	1,182.5	1,275.2
Total Intersegment	(0.5)	(0.5)	(0.4)
Total Revenue from Services	$ 4,516.0	$ 5,355.6	$ 5,513.9

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):

	December Year to Date		
	2020	2019	2018
Americas			
United States	$ 3,260.2	$ 3,892.5	$ 3,930.0
Canada	122.5	136.1	142.4
Mexico	114.4	123.6	125.0
Puerto Rico	77.0	74.6	96.6
Brazil	17.0	34.1	35.2
Total Americas Region	3,591.1	4,260.9	4,329.2
Europe			
France	198.2	248.6	278.9
Switzerland	200.4	200.7	212.7
Portugal	141.7	179.8	196.9
Russia	118.5	117.6	100.4
United Kingdom	73.7	103.1	108.8
Italy	58.2	75.9	77.5
Germany	30.1	41.6	57.1
Ireland	19.9	33.1	44.6
Other	54.6	67.5	85.6
Total Europe Region	895.3	1,067.9	1,162.5
Total Asia-Pacific Region	29.6	26.8	22.2
Total Kelly Services, Inc.	$ 4,516.0	$ 5,355.6	$ 5,513.9

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

	December Year to Date		
	2020	2019	2018
Science, Engineering & Technology			
Americas	$ 1,013.7	$ 1,122.5	$ 989.9
Europe	5.4	9.3	12.7
Total Science, Engineering & Technology	$ 1,019.1	$ 1,131.8	$ 1,002.6
Outsourcing & Consulting			
Americas	$ 302.2	$ 318.1	$ 321.7
Europe	31.7	32.8	33.2
Asia-Pacific	29.6	26.8	22.2
Total Outsourcing & Consulting	$ 363.5	$ 377.7	$ 377.1
International			
Americas	$ 130.4	$ 156.7	$ 158.5
Europe	858.2	1,025.8	1,116.7
Total International	$ 988.6	$ 1,182.5	$ 1,275.2

Deferred Costs

Deferred sales commissions, which are included in other assets in the consolidated balance sheet, were $1.0 million as of year-end 2020 and $1.5 million as of 2019. Amortization expense for the deferred costs was $1.0 million for 2020, $1.6 million for 2019 and $1.7 million for 2018. As of year-end 2020, there was no impairment loss in relation to the costs capitalized.

Deferred fulfillment costs, which are included in prepaid expenses and other current assets in the consolidated balance sheet, were $4.1 million as of year-end 2020 and $3.6 million as of 2019. Amortization expense for the deferred costs was $21.5 million for 2020, $14.6 million for 2019 and $13.0 million for 2018. As of year-end 2020, there was no impairment loss in relation to the costs capitalized.

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 (see Summary of Significant Accounting Policies footnote).

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

	December Year to Date 2020
Allowance for credit losses:	
Beginning balance	$ 9.7
Impact of adopting ASC 326	0.3
Current period provision	2.0
Currency exchange effects	0.1
Write-offs	(2.3)
Ending balance	$ 9.8

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

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, which is recorded in other assets in the consolidated balance sheet, by $9.2 million to reflect the likelihood of collection.

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

	December 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

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 December year to date 2020. See Investment in PersolKelly Pte. Ltd. footnote for more information on the loan to PersolKelly Pte. Ltd.

4. Assets Held for Sale

Upon approval of the Company's board of directors, Kelly Properties, LLC, a wholly owned subsidiary of the Company, entered into an agreement on December 4, 2019 to sell three headquarters properties in Troy, Michigan. Accordingly, during the fourth quarter of 2019, the transaction met the criteria to classify the properties as held for sale. The properties held for sale included the parcels of land, together with all rights and easements, in addition to all improvements located on the land, including buildings. Assets held for sale are recorded at the lower of their carrying value or fair value less estimated costs to sell and depreciation is suspended on assets upon classification to held for sale. The combined net carrying amount of the properties held for sale as of year-end 2019 was $21.2 million, which was less than the sales price in the purchase agreement, less costs to sell. The Company presented these assets as current assets held for sale on the consolidated balance sheet as of year-end 2019, and the properties were sold in the first quarter of 2020 per terms of the purchase agreement. The main headquarters building included in the sale was leased back (see Sale of Assets footnote).

5. Acquisitions and Disposition

Acquisitions

In the first quarter of 2020, Kelly Services USA, LLC ("KSU"), 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 fourth quarter of 2020, KSU acquired Greenwood/Asher & Associates, LLC ("Greenwood/Asher"), 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 Accounting Standards Update (“ASU”) 2017-01, Business Combinations.

Greenwood/Asher

On November 18, 2020, KSU acquired 100% of the membership interests of Greenwood/Asher, a premier specialty education executive search firm in the U.S., for a purchase price of $3.5 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by Greenwood/Asher at the closing date and estimated working capital adjustments resulting in the Company paying cash of $5.2 million. The purchase price of the acquisition also includes contingent consideration with an estimated fair value of $2.1 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 Black Scholes model and the liability is recorded in other non-current liabilities in the consolidated balance sheet (see Fair Value Measurements footnote). The earnout is expected to be paid in 2022 and 2023 after each earn-out year pursuant to the terms of the purchase agreement. Due to the limited amount of time that has passed since acquiring Greenwood/Asher, the purchase price allocation for this acquisition is preliminary and could change.

This acquisition will expand our revenue opportunities in the education industry in the U.S. Greenwood/Asher's results of operations are included in the Education segment. Pro forma results of operations for this acquisition have not been presented as they are 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	$	2.4
Trade accounts receivable		0.4
Property and equipment		0.2
Deferred taxes		0.2
Goodwill		3.5
Intangibles		1.9
Other noncurrent assets		0.3
Current liabilities		(1.2)
Noncurrent liabilities		(0.4)
Assets acquired net of liabilities assumed	$	7.3

The fair value of the acquired receivables represents the contractual value. Included in the assets purchased in the Greenwood/Asher acquisition was approximately $1.9 million of intangible assets, made up of $1.3 million of customer relationships and $0.6 million associated with Greenwood/Asher's trade name. The customer relationships will be amortized over 10 years with no residual value and the trade name 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 Education reporting unit (see Goodwill footnote). The amount of goodwill expected to be deductible for tax purposes is approximately $0.9 million.

Insight

On January 14, 2020, KSU 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). Subsequently, the earnout was revalued, resulting in a net increase to the liability of $0.1 million. The earnout is expected to be paid in the next 12 months pursuant to the terms of the purchase agreement. In the second quarter of 2020, the Company paid a working capital adjustment of $0.1 million. As of year-end 2020, the purchase price allocation is final.

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 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 and Intangible Assets 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 services, 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 December year to date 2019 actual results represent the December year to date 2019 pro forma results.

This acquisition will increase our presence and market share in the telecommunications industry within the engineering staffing solutions market. NextGen’s results of operations are included in the Science, Engineering & Technology segment. 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	$	3.5
Trade accounts receivable		19.7
Other current assets		0.3
Goodwill		13.7
Intangibles		21.5
Other noncurrent assets		0.5
Current liabilities		(4.9)
Assets acquired net of liabilities assumed	$	54.3

The fair value of the acquired receivables represents the contractual value. Included in the assets purchased in the NextGen acquisition was approximately $21.5 million of intangible assets, made up of $12.9 million in customer relationships, $8.1 million associated with NextGen's trade name and $0.5 million for non-compete agreements. The customer relationships are being amortized over 10 years with no residual value, the trade name is being amortized over 15 years with no residual value and the non-compete agreements are being amortized over five years with no residual value. Goodwill generated from this acquisition is primarily attributable to the market potential as a staffing services provider to the expanding telecommunications industry, and was assigned to the Americas Staffing reporting unit (see Goodwill and Intangible Assets footnote). All of the goodwill is deductible for tax purposes.

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 December year to date 2019 actual results represent the December year to date 2019 pro forma results.

This acquisition will increase our presence and market share in the telecommunications industry within the engineering outcome-based solutions market. GTA's results of operations are included in Science, Engineering & Technology segment.

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	$	0.1
Trade accounts receivable		13.9
Other current assets		0.1
Goodwill		6.8
Intangibles		17.3
Other noncurrent assets		0.4
Current liabilities		(2.9)
Assets acquired net of liabilities assumed	$	35.7

The fair value of the acquired receivables represents the contractual value. Included in the assets purchased in the GTA acquisition was approximately $17.3 million of intangible assets, made up of $12.1 million in customer relationships, $4.0 million associated with GTA's trade name and $1.2 million for non-compete agreements. The customer relationships are being amortized over 10 years with no residual value, the trade name is being amortized over 15 years with no residual value and the non-compete agreements are being amortized over five years with no residual value. 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 and Intangible Assets footnote). All of the goodwill is deductible for tax purposes.

As noted above, goodwill related to the Insight and NextGen acquisitions was assigned to the Americas Staffing reporting unit and the goodwill related to the GTA acquisition was assigned to the GTS reporting unit. The goodwill related to these acquisitions 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 and Intangible Assets footnote).

Pro Forma Information

Our consolidated revenues and net earnings for the year ended 2019 included $78.3 million and $4.5 million, respectively, from NextGen and $62.8 million and $4.5 million, respectively, from GTA. The following unaudited pro forma information presents a summary of the operating results as if the NextGen and GTA acquisitions had been completed as of January 1, 2018 (in millions of dollars, except per share data):

	December Year to Date	
	2019	2018
Pro forma revenues	$ 5,355.6	$ 5,624.2
Pro forma net earnings	112.4	29.8
Pro forma basic earnings per share	2.85	0.76
Pro forma diluted earnings per share	2.84	0.75

Due to the date of the acquisitions, the 2019 actual results represent the 2019 pro forma results. For December year to date 2018, NextGen pro forma revenues and net earnings were $67.8 million and $3.0 million, respectively, and GTA pro forma revenues and net earnings were $42.5 million and $3.3 million, respectively.

The pro forma results for December year to date 2018 reflect amortization of the intangible assets, applicable taxes, adjustments for the accounting for revenue under ASC 606, and transaction expenses, none of which had a material impact on the pro forma results. The unaudited pro forma information presented has been prepared for comparative purposes only and is not necessarily indicative of the results of operations as they would have been had the acquisitions occurred on the assumed dates, nor is it necessarily an indication of future operating results.

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 represented the fair value of the liability (see Fair Value Measurements footnote) and completely offset the gain on the sale.

6. 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 100% owner of Persol Asia Pacific Pte. Ltd., 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). The Company adopted ASU 2016-01 and as a result, effective January 1, 2018, all changes in fair value on the investment are recognized in net earnings which previously were recorded in other comprehensive income. A cumulative catch-up adjustment of the prior net unrealized gains previously recorded in other comprehensive income, and in accumulated other comprehensive income (loss), a component of stockholders' equity, was recorded in earnings invested in the business as of January 1, 2018 for $140.0 million, net of $69.9 million of taxes.

A loss on the investment of $16.6 million, a gain on the investment of $35.8 million, and a loss on the investment of $96.2 million for the years ended 2020, 2019, and 2018, respectively, was recorded entirely in gain (loss) on investment in Persol Holdings in the consolidated statements of earnings.

7. Investment in PersolKelly Pte. Ltd.

The Company has a 49% ownership interest in the JV (see Investment in Persol Holdings footnote above), a staffing services 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 earnings of $0.8 million in 2020, a loss of $3.6 million in 2019 and earnings of $5.2 million in 2018. This investment is evaluated for indicators of impairment on a quarterly 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 method 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 $118.5 million as of year-end 2020 and $117.2 million as of year-end 2019. The net amount due from the JV, a related party, was $5.6 million as of year-end 2020 and $10.9 million 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 the third quarter of 2019 to fund working capital requirements as a result of their sustained revenue growth. In the fourth quarter of 2020, the JV repaid $5.6 million of the outstanding loan balance. The remaining balance of the loans is included in other assets in the consolidated balance sheet and included in the net amounts due from the JV. 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 year-end 2020 or 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 year-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.

8. 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 year-end 2020 and 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	Fair Value Measurements on a Recurring Basis As of Year-End 2020			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 120.3	$ 120.3	$ —	$ —
Investment in Persol Holdings	164.2	164.2	—	—
Total assets at fair value	$ 284.5	$ 284.5	$ —	$ —
Brazil indemnification	$ (2.6)	$ —	$ —	$ (2.6)
Greenwood/Asher earnout	(2.1)	—	—	(2.1)
Insight earnout	(1.7)	—	—	(1.7)
Total liabilities at fair value	$ (6.4)	$ —	$ —	$ (6.4)

Description	Fair Value Measurements on a Recurring Basis 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 year-end 2020 and 2019 represent investments in money market accounts that hold government securities, of which $5.1 million and $4.9 million, respectively, are restricted as to use and are 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 were 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 year 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 $20.1 million at year-end 2020 and $18.9 million at year-end 2019.

As of year-end 2020, the Company had an indemnification liability of $2.6 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 and fluctuates based on foreign exchange rates. During year to date 2020, the Company recognized $2.6 million, including foreign currency fluctuations, 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 of $1.7 million as of year-end 2020 in accounts payable and accrued liabilities in the consolidated balance sheet (see Acquisitions and Dispositions 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. During 2020, the Company recognized $0.1 million of expense related to the earnout liability within SG&A expenses in the consolidated statements of earnings.

In connection with the fourth quarter 2020 acquisition of Greenwood/Asher, the Company has recorded an earnout liability of $2.1 million as of year-end 2020 in other non-current liabilities in the consolidated balance sheet (see Acquisitions and

Dispositions footnote). The valuation of the earnout liability was established using a Black Scholes model and represents the fair value and is considered a level 3 liability.

Equity Investments 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 year-end 2020 and 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 year-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 prices, 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. In the fourth quarter of 2020, we performed a qualitative analysis to determine whether a further quantitative analysis was necessary. As a result of the qualitative assessment, we determined it was more likely than not that the fair value of the reporting unit with goodwill was more than its carrying value and a further quantitative assessment was not necessary (see Goodwill and Intangible Assets footnote). In 2019, we performed a step one quantitative test for all of our reporting units with goodwill. The estimated fair value of each reporting unit tested exceeded its related carrying value. As a result of the quantitative assessment, we determined it was more likely than not that the fair value of each of the reporting units was more than its carrying value.

9. 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. field office facilities footprint with a more technology-enabled service delivery methodology.

In the fourth quarter of 2020, the Company took several restructuring actions with a goal to provide sustainable cost reductions as a result of the continuing COVID-19 demand disruption. The restructuring actions included involuntary terminations, a Voluntary Separation Plan ("VSP") and a Voluntary Retirement Plan ("VRP"). Employees were included in the VSP based on the functions that were being reorganized, and not by age or years of service. For the VRP, eligible employees were selected based on their age and years of service.

Restructuring costs incurred in 2020 totaled $12.8 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	$ 2.5	$ 6.0
Science, Engineering & Technology	0.5	0.1	0.6
Education	0.1	0.9	1.0
Outsourcing & Consulting	—	0.3	0.3
International	0.7	0.7	1.4
Corporate	—	3.5	3.5
Total	$ 4.8	$ 8.0	$ 12.8

Restructuring costs incurred in 2019 totaled $5.5 million. Professional & Industrial incurred $5.1 million and Science, Engineering & Technology incurred $0.4 million. The restructuring costs, which were all severance related, were recorded in SG&A expenses in the consolidated statements of earnings. No restructuring costs were incurred in 2018.

A summary of our 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		6.0
Additions charged to Science, Engineering & Technology		0.6
Additions charged to Education		1.0
Additions charged to Outsourcing & Consulting		0.3
Additions charged to International		1.4
Additions charged to Corporate		3.5
Reductions for lease termination costs related to fixed assets		(0.6)
Reductions for cash payments related to all restructuring activities		(9.0)
Balance as of year-end 2020	$	3.5

The remaining balance of $3.5 million as of year-end 2020 primarily represents severance costs and the majority is expected to be paid during the first two quarters of 2021. No material adjustments are expected to be recorded.

10. Goodwill and Intangible Assets

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 was validated through reconciliation to observable market capitalization data. Under the income approach, estimated fair value was 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 were 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 reporting unit, including: expected future revenue and expense growth rates, profit margins, discount rate, forecasted capital expenditures and working capital.

As discussed in the Segment Disclosures footnote, during the third quarter of 2020, the Company adopted a new operating model reflecting the Company's focus on delivering specialty talent solutions, which resulted in a change in our operating segments and reporting units. 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 was not necessary. Subsequently, the goodwill resulting from the acquisition of Greenwood/Asher during the fourth quarter of 2020 (see Acquisitions and Disposition footnote) was allocated to the Education operating segment, which was deemed to be a reporting unit, under the new operating model.

During the fourth quarter of 2020, the Company performed a qualitative analysis (a "step zero" test) to determine whether a further quantitative analysis was necessary. The step zero test includes making judgments and assessments to determine whether any events or circumstances have occurred that makes it more likely than not that the fair value of a reporting unit is less than its carrying amount. As a result of this qualitative assessment, a step one quantitative analysis was not deemed necessary and the Company determined goodwill was not impaired as of year-end 2020.

The changes in the carrying amount of goodwill for the fiscal year 2020 are included in the table below. See Acquisitions and Disposition footnote for a description of the additions to goodwill.

	As of Year-End 2019	Additions to Goodwill	Impairment Adjustments	As of Year-End 2020
	(In millions of dollars)			
Americas Staffing	$ 58.5	$ 19.9	$ (78.4)	$ —
Global Talent Solutions	69.3	—	(69.3)	—
Education	—	3.5	—	3.5
Total	$ 127.8	$ 23.4	$ (147.7)	$ 3.5

Intangible assets, excluding fully-amortized intangibles, are included within other assets on our consolidated balance sheet and consist of the following (in millions of dollars):

		2020			2019		
	Useful lives	Gross Carrying amount	Less: Accumulated Amortization	Net	Gross Carrying amount	Less: Accumulated Amortization	Net
Customer relationships	10 years	$ 52.0	$ 13.1	$ 38.9	$ 40.1	$ 8.3	$ 31.8
Candidate database	4 years	1.5	1.3	0.2	1.5	0.9	0.6
Trade names	10-15 years	12.7	1.6	11.1	12.1	0.8	11.3
Non-compete agreements	5 years	1.7	0.6	1.1	1.7	0.3	1.4
Trademarks	10 years	4.8	0.5	4.3	4.8	—	4.8
Total		$ 72.7	$ 17.1	$ 55.6	$ 60.2	$ 10.3	$ 49.9

The year-over-year change in total intangible assets was due to the intangibles purchased in connection with the Insight and Greenwood/Asher acquisitions (see Acquisitions and Disposition footnote). Intangible amortization expense, which is included in SG&A expense in the consolidated statements of earnings, was $6.8 million, $5.4 million and $1.8 million in 2020, 2019 and 2018, respectively. The amortization expense will be $6.7 million in 2021, $6.5 million in 2022 and 2023 and $6.2 million in 2024 and 2025.

11. Other Assets

Included in other assets are the following:

	2020	2019
	(In millions of dollars)	
Life insurance cash surrender value (see Retirement Benefits footnote)	$ 220.3	$ 200.6
French CICE [1]	—	18.2
Intangibles, net of accumulated amortization of $26.7 million in 2020 and $24.7 million in 2019 [2]	55.6	49.9
Long-term customer receivable [3]	2.4	12.4
Workers' compensation and other claims receivable [4]	6.1	7.7
Other	35.5	35.3
Other assets	$ 319.9	$ 324.1

[1] French CICE, a wage subsidy receivable related to a law to enhance the competitiveness of businesses in France, was monetized in the second quarter of 2020.

[2] See Goodwill and Intangible Assets footnote for a detailed listing of intangible assets and related accumulated amortization.

[3] The reserve against the long-term customer receivable was increased during the third quarter of 2020.

[4] Workers’ compensation and other claims receivable represents receivables from the insurance company for U.S. workers’ compensation and automobile liability claims in excess of the applicable loss limits.

12. Leases

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 elected the package of practical expedients permitted under the transition guidance, which allowed us to carry forward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that existed prior to adoption of the new standard. We also elected to combine lease and non-lease components, to keep leases with an initial term of 12 months or less off the consolidated balance sheet and recognize the associated lease payments in the consolidated statements of earnings on a straight-line basis over the lease term.

The Company has operating and financing leases for field offices and various equipment. Our leases have remaining lease terms of one year to 10 years. We determine if an arrangement is a lease at inception.

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.

The components of lease expense were as follows (in millions of dollars):

Description	Statements of Earnings Location	December Year to Date 2020	December Year to Date 2019
Operating:			
Operating lease cost	Selling, general and administrative expenses	$ 27.0	$ 26.7
Short-term lease cost	Selling, general and administrative expenses	3.6	3.5
Variable lease cost	Selling, general and administrative expenses	6.8	6.7
Financing:			
Amortization of ROU assets	Selling, general and administrative expenses	1.3	0.4
Interest on lease liabilities	Other income (expense), net	0.4	0.2
Total lease cost		$ 39.1	$ 37.5

Supplemental consolidated balance sheet information related to leases was as follows (in millions of dollars):

Description	Balance Sheet Location	As of Year-End 2020	As of Year-End 2019
ROU Assets:			
Operating	Operating lease right-of-use assets	$ 83.2	$ 60.4
Financing	Property and equipment	7.0	4.1
Total lease assets		$ 90.2	$ 64.5
ROU Liabilities:			
Operating - current	Operating lease liabilities, current	$ 19.6	$ 20.1
Financing - current	Accounts payable and accrued liabilities	1.8	1.3
Operating - noncurrent	Operating lease liabilities, noncurrent	67.5	43.3
Financing - noncurrent	Other long-term liabilities	2.8	2.1
Total lease liabilities		$ 91.7	$ 66.8

Weighted average remaining lease terms and discount rates were as follows:

	December Year to Date 2020	December Year to Date 2019
Weighted average remaining lease term (years):		
Operating leases	8.1	3.9
Financing leases	3.3	3.6
Weighted average discount rate:		
Operating leases	5.1 %	5.7 %
Financing leases	5.4 %	4.9 %

Other information related to leases was as follows (in millions of dollars):

	December Year to Date 2020	December Year to Date 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 25.4	$ 26.0
Financing cash flows from financing leases	2.0	0.7
ROU assets obtained in exchange for new lease obligations:		
Operating leases	$ 43.3	$ 9.2
Financing leases	3.1	4.1

Maturities of lease liabilities as of year-end 2020 were as follows (in millions of dollars):

	Operating Leases	Financing Leases
2021	$ 23.4	$ 2.1
2022	17.5	2.0
2023	12.6	0.9
2024	9.5	—
2025	6.9	—
Thereafter	36.2	
Total future lease payments	106.1	5.0
Less: Imputed interest	19.0	0.4
Total	$ 87.1	$ 4.6

Lease expense for fiscal year 2018 amounted to $31.4 million.

During the first quarter of 2020, the Company sold its main headquarters building and entered into a leaseback agreement, which is accounted for as an operating lease (see Sale of Assets footnote). 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.

13. Debt

Short-Term Debt

The Company has a $200.0 million, five-year revolving credit facility (the "Facility") with a termination date of December 5, 2024. The Facility allows for borrowings in various currencies and is available to be used to fund working capital, acquisitions and general corporate needs. The Facility is secured by certain assets of the Company, excluding U.S. trade accounts receivable.

At year-end 2020, there were no borrowings under the Facility and a remaining borrowing capacity of $200.0 million. At year-end 2019, there were no borrowings under the Facility and the remaining borrowing capacity was $200.0 million. To maintain availability of the funds, we pay a facility fee on the full amount of the Facility, regardless of usage. The facility fee varies based on the Company’s leverage ratio as defined in the agreement. The Facility, which contains a cross-default clause that could result in termination if defaults occur under our other loan agreements, had a facility fee of 15.0 basis points at year-end 2020 and 2019. The Facility’s financial covenants and restrictions are described below, all of which were met at year-end 2020:

- We must maintain a certain minimum ratio of earnings before interest, taxes, depreciation, amortization and certain cash and non-cash charges that are non-recurring in nature ("EBITDA") to interest expense ("Interest Coverage Ratio") as of the end of any fiscal quarter.

- We must maintain a certain maximum ratio of total indebtedness to the sum of net worth and total indebtedness at all times.

- Dividends, stock buybacks and similar transactions are limited to certain maximum amounts.

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

The Company has a Receivables Purchase Agreement with Kelly Receivables Funding, LLC, a wholly owned bankruptcy remote special purpose subsidiary of the Company (the "Receivables Entity"), related to its $150.0 million, three-year, securitization facility (the "Securitization Facility"). The Receivables Purchase Agreement will terminate December 5, 2022, unless terminated earlier pursuant to its terms.

Under the Securitization Facility, the Company will sell certain trade receivables and related rights ("Receivables"), on a revolving basis, to the Receivables Entity. The Receivables Entity may from time to time sell an undivided variable percentage ownership interest in the Receivables. The Securitization Facility, which contains a cross-default clause that could result in termination if defaults occur under our other loan agreements, also allows for the issuance of standby letters of credit ("SBLC") and contains certain restrictions based on the performance of the Receivables.

As of year-end 2020, the Securitization Facility had no short-term borrowings, SBLCs of $53.0 million related to workers' compensation at a rate of 0.90% and a remaining capacity of $97.0 million. As of year-end 2019, the Securitization Facility had no short-term borrowings, SBLCs of $52.3 million related to workers' compensation at a rate of 0.90% and a remaining capacity of $97.7 million. The rate for short-term borrowings includes the LIBOR interest rate and a utilization rate on the amount of our borrowings. The rates for the SBLCs represent a utilization rate on the outstanding amount of the SBLCs. In addition, we pay a commitment fee of 40 basis points on the unused capacity.

The Receivables Entity's sole business consists of the purchase or acceptance through capital contributions of trade accounts receivable and related rights from the Company. As described above, the Receivables Entity may retransfer these receivables or grant a security interest in those receivables under the terms and conditions of the Receivables Purchase Agreement. The Receivables Entity is a separate legal entity with its own creditors who would be entitled, if it were ever liquidated, to be satisfied out of its assets prior to any assets or value in the Receivables Entity becoming available to its equity holders, the Company. The assets of the Receivables Entity are not available to pay creditors of the Company or any of its other subsidiaries, until the creditors of the Receivables Entity have been satisfied. The assets and liabilities of the Receivables Entity are included in the consolidated financial statements of the Company.

The Company had total unsecured, uncommitted short-term local credit facilities of $9.6 million as of year-end 2020. There were borrowings of $0.3 million under these lines at year-end 2020, compared to $1.1 million at year-end 2019. The weighted average interest rate for these borrowings, which was related to Malaysia at year-end 2020 and Malaysia, Brazil and India at year-end 2019, was 4.13% at year-end 2020 and 6.76% at year-end 2019. Included in short-term borrowings at year-end 2019 was $0.8 million of bank overdrafts.

14. Retirement Benefits

U.S. Defined Contribution Plans

The Company provides a qualified defined contribution plan covering substantially all U.S.-based full-time employees, except officers and certain other employees. The plan offers a savings feature with Company matching contributions. Assets of this plan are held by an independent trustee for the sole benefit of participating employees.

A nonqualified plan is provided for officers and certain other employees. This plan includes provisions for salary deferrals and Company matching contributions.

In addition to the plans above, the Company also provides a qualified plan and a nonqualified plan to certain U.S.-based temporary employees.

To mitigate the impact of the COVID-19 pandemic on the results of our operations, the Company temporarily suspended the Company matching contributions to the qualified and nonqualified defined contribution plans from April to December, 2020.

The liability for the nonqualified plans was $216.8 million and $202.7 million as of year-end 2020 and 2019, respectively, and is included in current accrued payroll and related taxes and noncurrent accrued retirement benefits in the consolidated balance sheet. The cost of participants' earnings or loss on this liability, which were included in SG&A expenses in the consolidated statements of earnings, were earnings of $23.0 million in 2020, earnings of $32.5 million in 2019 and a loss of $8.6 million in 2018.

In connection with the administration of these plans, the Company has purchased company-owned variable universal life insurance policies insuring the lives of certain current and former officers and key employees. The cash surrender value of these policies, which is based primarily on investments in mutual funds and can only be used for payment of the Company's obligations related to the nonqualified deferred compensation plan noted above, was $220.3 million and $200.6 million at year-end 2020 and 2019, respectively. The cash surrender value of these insurance policies is included in other assets in the consolidated balance sheet. During 2020, 2019 and 2018, proceeds of $2.3 million, $3.0 million and $7.9 million, respectively, were received in connection with these policies. Tax-free earnings or loss on these assets, which were included in SG&A expenses in the consolidated statements of earnings and which offset the related earnings or loss on the liability, were earnings of $23.1 million in 2020, earnings of $32.2 million in 2019 and a loss of $8.8 million in 2018.

The net expense for retirement benefits for the qualified and nonqualified plans, including Company-matching contributions for full-time employees, totaled $3.2 million in 2020, $9.1 million in 2019 and $9.5 million in 2018. This expense is included in total SG&A expenses in the consolidated statements of earnings. The expense related to retirement plan contributions for temporary employees, which is included in cost of services, is reimbursed by our customers.

International Defined Benefit Plans

The Company has several defined benefit pension plans in locations outside of the United States. The total projected benefit obligation, assets and unfunded liability for these plans as of year-end 2020 were $17.6 million, $11.3 million and $6.3 million, respectively. The total projected benefit obligation, assets and unfunded liability for these plans as of year-end 2019 were $14.8 million, $9.8 million and $5.0 million, respectively. Total pension expense for these plans was $0.6 million in 2020, $0.3 million in 2019 and $0.5 million in 2018. Pension contributions and the amount of accumulated other comprehensive income expected to be recognized in 2021 are not significant.

15. Stockholders' Equity

Common Stock

The authorized capital stock of the Company is 100,000,000 shares of Class A common stock and 10,000,000 shares of Class B common stock. Class A shares have no voting rights and are not convertible. Class B shares have voting rights and are convertible by the holder into Class A shares on a share-for-share basis at any time. Both classes of stock have identical rights in the event of liquidation. The voting rights of Class B shares are perpetual and Class B shares are not subject to transfer restrictions or mandatory conversion obligations under the Company's certificate of incorporation or bylaws.

Class A shares and Class B shares are both entitled to receive dividends, subject to the limitation that no cash dividend on the Class B shares may be declared unless the board of directors declares an equal or larger cash dividend on the Class A shares. As a result, a cash dividend may be declared on the Class A shares without declaring a cash dividend on the Class B shares.

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component, net of tax, during 2020, 2019 and 2018 are included in the table below. Amounts in parentheses indicate debits. See Investment in Persol Holdings footnote for a description of the cumulative-effect adjustment from the adoption of ASU 2016-01.

	2020	2019	2018
	(In millions of dollars)		
Foreign currency translation adjustments:			
Beginning balance	$ (13.2)	$ (15.7)	$ (6.9)
Other comprehensive income (loss) before classifications	13.9	2.5	(8.4)
Amounts reclassified from accumulated other comprehensive income	(1.5) (1)	— (1)	(0.4) (1)
Net current-period other comprehensive income (loss)	12.4	2.5	(8.8)
Ending balance	(0.8)	(13.2)	(15.7)
Unrealized gains and losses on investment:			
Beginning balance	—	—	140.0
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	—	—	(140.0)
Other comprehensive income (loss) before classifications	—	—	—
Amounts reclassified from accumulated other comprehensive income	—	—	—
Net current-period other comprehensive income (loss)	—	—	(140.0)
Ending balance	—	—	—
Pension liability adjustments:			
Beginning balance	(2.6)	(1.4)	(2.3)
Other comprehensive income (loss) before classifications	(0.9)	(1.3)	0.8
Amounts reclassified from accumulated other comprehensive income	0.1 (2)	0.1 (2)	0.1 (2)
Net current-period other comprehensive income (loss)	(0.8)	(1.2)	0.9
Ending balance	(3.4)	(2.6)	(1.4)
Total accumulated other comprehensive income (loss)	$ (4.2)	$ (15.8)	$ (17.1)

(1) Amount was recorded in the other expense, net line item in the consolidated statements of earnings.

(2) Amount was recorded in the SG&A expenses line item in the consolidated statements of earnings.

16. Earnings Per Share

The reconciliation of basic earnings per share on common stock for the year-end 2020, 2019 and 2018 follows (in millions of dollars except per share data).

	2020	2019	2018
Net earnings (loss)	$ (72.0)	$ 112.4	$ 22.9
Less: Earnings allocated to participating securities	—	(1.1)	(0.2)
Net earnings (loss) available to common shareholders	$ (72.0)	$ 111.3	$ 22.7
Average common shares outstanding (millions):			
Basic	39.3	39.1	38.8
Dilutive share awards	—	0.1	0.3
Diluted	39.3	39.2	39.1
Basic earnings (loss) per share	$ (1.83)	$ 2.85	$ 0.59
Diluted earnings (loss) per share	$ (1.83)	$ 2.84	$ 0.58

Potentially dilutive shares outstanding are primarily related to performance shares for 2020, 2019, and 2018.

We have presented earnings per share for our two classes of common stock on a combined basis. This presentation is consistent with the earnings per share computations that result for each class of common stock utilizing the two-class method as described in ASC Topic 260, "Earnings Per Share". The two-class method is an earnings allocation formula which determines earnings per share for each class of common stock according to the dividends declared (or accumulated) and participation rights in the undistributed earnings.

In applying the two class method, we have determined that the undistributed earnings should be allocated to each class on a pro rata basis after consideration of all of the participation rights of the Class B shares (including voting and conversion rights) and our history of paying dividends equally to each class of common stock on a per share basis.

The Company's Restated Certificate of Incorporation allows the board of directors to declare a cash dividend to Class A shares without declaring equal dividends to the Class B shares. Class B shares' voting and conversion rights, however, effectively allow the Class B shares to participate in dividends equally with Class A shares on a per share basis.

The Class B shares are the only shares with voting rights. The Class B shareholders are therefore able to exercise voting control with respect to all matters requiring stockholder approval, including the election of or removal of directors. The board of directors has historically declared and the Company historically has paid equal per share dividends on both the Class A and Class B shares. Each class has participated equally in all dividends declared since 1987.

In addition, Class B shares are convertible, at the option of the holder, into Class A shares on a one-for-one basis. As a result, Class B shares can participate equally in any dividends declared on the Class A shares by exercising their conversion rights.

Dividends paid per share for Class A and Class B common stock were $0.075 for 2020 and $0.30 for 2019 and 2018.

17. Stock-Based Compensation

Under the Equity Incentive Plan, amended and restated February 15, 2017 and approved by the stockholders of the Company on May 10, 2017 (the "EIP"), the Company may grant restricted stock and performance awards associated with the Company's Class A stock to key employees. For shares granted prior to May 10, 2017, the EIP provides that the maximum number of shares available for grants is 15% of the outstanding Class A Stock, adjusted for EIP activity over the preceding five years. For shares granted after May 10, 2017, the amended EIP provides that the maximum number of shares available for grants is 4.7 million. The Company has no plans to issue additional shares under the provision that was in effect prior to May 10, 2017. Under the provision that was in effect for shares granted after May 10, 2017, shares available for future grants at year-end 2020 were 3.3 million. The Company issues shares out of treasury stock to satisfy stock-based awards. The Company presently has no intent to repurchase additional shares for the purpose of satisfying stock-based awards.

The Company recognized stock-based compensation cost of $3.9 million in 2020, $5.6 million in 2019 and $8.1 million in 2018, as well as related tax benefits of $0.4 million in 2020, $1.3 million in 2019 and $4.4 million in 2018.

Restricted Stock

Restricted stock, which typically vests pro-rata over four years, is issued to certain key employees and is subject to forfeiture until the end of an established restriction period. The Company utilizes the market price of its Class A stock on the date of grant as the fair value of restricted stock and expenses the fair value on a straight-line basis over the vesting period.

A summary of the status of nonvested restricted stock under the EIP as of year-end 2020 and changes during this period is presented as follows below (in thousands of shares except per share data):

	Restricted Stock	Weighted Average Grant Date Fair Value
Nonvested at year-end 2019	360	$ 24.92
Granted	80	15.97
Vested	(120)	24.03
Forfeited	(39)	24.88
Nonvested at year-end 2020	281	$ 22.74

As of year-end 2020, unrecognized compensation cost related to unvested restricted stock totaled $4.1 million. The weighted average period over which this cost is expected to be recognized is approximately 1.6 years. The weighted average grant date fair value per share of restricted stock granted during 2020, 2019 and 2018 was $15.97, $24.76 and $28.79, respectively. The total fair value of restricted stock, which vested during 2020, 2019 and 2018, was $2.4 million, $3.3 million and $4.9 million, respectively.

Performance Shares

During 2020, 2019 and 2018, the Company granted performance awards associated with the Company's Class A stock to certain senior officers. The payment of performance awards, which will be satisfied with the issuance of shares out of treasury stock, is contingent upon the achievement of specific gross profit and operating earnings performance goals ("financial measure performance awards") over a stated period of time or may be earned based on the Company's total shareholder return ("TSR") relative to the S&P SmallCap 600 Index ("TSR performance awards"). The financial measure performance awards and TSR performance awards have a performance period of three years and will cliff-vest after the approval by the Compensation Committee, if not forfeited by the recipient. No dividends are paid on these performance shares. Additionally, the Company also granted single financial measure performance shares to certain senior officers, which will be satisfied with the issuance of shares out of treasury stock, and is contingent upon the achievement of one performance measure with a one-year performance period. These single financial measure performance shares vest over four years and earn dividends, which are not paid until the awards vest.

2020 Grant

The 2020 performance share grant ("2020 grant") consisted of 114,564 single financial measure performance shares, which have a one-year performance period based on a specific operating earnings performance goal. The 2020 single financial measure performance awards have a weighted average grant date fair value of $22.59 per share.

2019 Grant

For the 2019 performance share grant ("2019 grant"), the total target number of performance shares granted was 260,000 of which 207,000 shares were eligible to earn up to the maximum number of performance shares of 413,000, which assumes 200% of the target shares originally granted, and may be earned upon achievement of two financial goals. The 2019 financial measure performance awards were granted with a market condition in the form of a relative TSR modifier, which could impact the number of shares earned as determined at the end of the performance period. The number of shares earned based on financial measures' results will be reduced, increased or remain the same based on the Company's TSR relative to the S&P SmallCap 600 Index. The maximum number of performance shares that may be earned is 200% of the target shares originally granted and the TSR modifier will not increase payouts above the maximum. The 2019 grant also included 53,000 single financial measure performance shares.

The 2019 financial measure performance awards have a weighted average grant date fair value of $25.54 per share, which was determined using a Monte Carlo valuation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free interest rate. The total nonvested shares at maximum level (200%) related to 2019 financial measure performance awards at year-end 2020 is 264,160.

2018 Grant

For the 2018 performance share grant (“2018 grant”), the total target number of performance shares granted was 222,000, of which 177,000 shares (118,000 of financial measure performance awards and 59,000 of TSR performance awards) were eligible to earn up to the maximum number of performance shares of 355,000, which assumes 200% of the target shares originally granted. The 2018 grant also included 45,000 single financial measure performance shares.

The financial measure performance awards have a weighted average grant date fair value of $28.40. For each of the two financial measures, there are annual goals set in February of each year, with the total award payout based on a cumulative average 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 2020 goals are set, after which the fair value will be fixed for the remaining performance period. During the first quarter of 2020, the final year of goals was set and the grant date fair value for the 2018 financial measure performance shares was set at $16.99 and remained fixed for the remaining performance period. The TSR performance awards have an estimated fair value of $31.38, which was computed using a Monte Carlo simulation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free rate.

Based upon the level of achievement of specific financial performance goals and the Company's relative to the S&P SmallCap 600 Index for the 2018 grant, participants had the ability to receive up to 200% of the target number of shares originally granted. On February 16, 2021, the Compensation Committee approved the actual performance achievement of the financial measure performance awards, which was below the threshold level and resulted in no payout for the 2018 grant. The actual achievement of the TSR performance awards was below the threshold level and resulted in no payout for the 2018 grant.

There are no nonvested shares related to the 2018 financial measure performance awards and TSR performance awards at year-end 2020.

A summary of the status of all nonvested performance shares at target for 2020 is presented as follows below (in thousands of shares except per share data). 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	115	22.59	—	—
Vested	(155)	24.02	—	—
Forfeited	(96)	24.85	(5)	31.38
Vesting Adjustment	—	—	(62)	20.15
Nonvested at year-end 2020	366	$ 22.40	47	$ 31.38

As of year-end 2020, unrecognized compensation cost related to all unvested financial measure performance shares and TSR performance shares totaled $2.6 million and $0.0 million, respectively. The weighted average period over which the costs are expected to be recognized is approximately 2.5 years for financial measure performance shares and 0 years for TSR performance shares. The total fair value of financial measure performance shares and TSR performance shares, which vested during 2020, was $1.8 million and $0.0 million, respectively.

18. 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 year-end 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 main headquarters building 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 2019 primarily represents the sale of unused land located near the Company headquarters in the second quarter of 2019, 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.

19. Asset Impairment Charge

During the fourth quarter of 2019, a triggering event for the evaluation of a certain long-lived asset for impairment occurred related to our corporate U.S. front and middle office technology development project. We determined that we would not complete a technology project for which we had previously capitalized certain development costs in order to enhance and expand a technology platform already in existence.

To determine the amount of the impairment charge, we aggregated all capitalized costs related to the project that could not be transferred to the expansion and enhancement of the existing platform. As a result, we recorded a $15.8 million asset impairment charge on the 2019 consolidated statements of earnings.

20. Other Income (Expense), Net

Included in other income (expense), net are the following:

	2020	2019	2018
	(In millions of dollars)		
Interest income	$ 0.6	$ 1.1	$ 0.8
Interest expense	(3.0)	(4.2)	(3.1)
Dividend income	2.4	2.5	1.6
Foreign exchange gains (losses)	3.3	(0.8)	0.3
Other	0.1	0.2	(0.2)
Other income (expense), net	$ 3.4	$ (1.2)	$ (0.6)

Dividend income includes dividends earned on the Company's investment in Persol Holdings (see Investment in Persol Holdings footnote).

21. Income Taxes

Earnings (loss) before taxes and equity in net earnings (loss) of affiliate for the years 2020, 2019 and 2018 were taxed under the following jurisdictions:

	2020	2019	2018
	(In millions of dollars)		
Domestic	$ (84.7)	$ 46.6	$ 53.1
Foreign	(22.1)	69.8	(62.5)
Total	$ (106.8)	$ 116.4	$ (9.4)

The provision for income taxes was as follows:

	2020	2019	2018
	(In millions of dollars)		
Current tax expense:			
U.S. federal	$ 8.2	$ 4.7	$ 6.1
U.S. state and local	5.9	3.0	3.1
Foreign	9.0	11.0	11.2
Total current	23.1	18.7	20.4
Deferred tax (benefit) expense:			
U.S. federal	(36.0)	(19.4)	(15.6)
U.S. state and local	(12.3)	(1.6)	1.0
Foreign	(8.8)	2.7	(32.9)
Total deferred	(57.1)	(18.3)	(47.5)
Total provision	$ (34.0)	$ 0.4	$ (27.1)

Deferred income taxes reflect the temporary differences between the asset and liability basis for financial reporting purposes and the amounts used for income tax purposes, at the relevant tax rate. The deferred tax assets and liabilities are comprised of the following:

	2020	2019
	(In millions of dollars)	
Depreciation and amortization	$ (10.5)	$ (28.6)
Employee compensation and benefit plans	61.4	58.4
Accrued payroll and related taxes	29.6	—
Accrued workers’ compensation	13.4	14.8
Investment in Persol Holdings	(39.1)	(42.5)
Investment in equity affiliate	(13.1)	(13.8)
Operating lease liabilities	21.7	15.7
Loss carryforwards	33.6	30.4
Credit carryforwards	161.2	167.1
Other, net	4.3	3.5
Valuation allowance	(20.2)	(19.0)
Net deferred tax assets	$ 242.3	$ 186.0

The deferred tax balance is classified in the consolidated balance sheet as:

	2020	2019
	(In millions of dollars)	
Deferred tax asset	$ 282.0	$ 229.1
Other long-term liabilities	(39.7)	(43.1)
	$ 242.3	$ 186.0

The Company has U.S. general business credit carryforwards of $153.3 million which will expire from 2034 to 2040, foreign tax credit carryforwards of $7.8 million which will expire from 2022 to 2030 and $0.1 million of state credit carryforwards which will expire from 2026 to 2040. The net tax effect of state and foreign loss carryforwards at year-end 2020 totaled $33.6 million, $1.9 million of which expire between 2021 to 2037, and $31.7 million of which have no expiration.

The Company has established a valuation allowance for loss carryforwards and future deductible items in certain foreign jurisdictions, and for U.S. foreign tax credit carryforwards. The valuation allowance is determined in accordance with the provisions of ASC Topic 740 (“ASC 740”), Income Taxes, which requires an assessment of both negative and positive evidence when measuring the need for a valuation allowance. The Company’s recent losses in these foreign jurisdictions, and its recent lack of adequate U.S. foreign source income to fully utilize foreign tax credit carryforwards, represented sufficient negative evidence to require a valuation allowance under ASC 740. The Company intends to maintain a valuation allowance until sufficient positive evidence exists to support realization of the foreign deferred tax assets.

The differences between income taxes from continuing operations for financial reporting purposes and the U.S. statutory rate of 21% in 2020, 2019, and 2018 as follows:

	2020	2019	2018
		(In millions of dollars)	
Income tax based on statutory rate	$ (22.4)	$ 24.4	$ (2.0)
State income taxes, net of federal benefit	(5.1)	1.1	3.2
Foreign tax rate differential	2.8	4.6	(8.3)
General business credits	(9.9)	(16.7)	(22.6)
Life insurance cash surrender value	(4.6)	(6.5)	2.1
Foreign items	(1.8)	0.8	1.9
Sale of Brazil operations	(6.6)	—	—
GILTI, net of foreign tax credit	(0.1)	0.5	0.5
Foreign-derived intangible income	(0.7)	(0.9)	(0.9)
Foreign business taxes	3.0	3.8	4.2
Non-deductible expenses	0.2	0.7	2.6
Tax law change	(1.7)	(0.2)	(0.5)
Change in deferred tax realizability	0.4	(10.6)	(4.3)
Stock compensation	0.6	(0.6)	(3.0)
Non-deductible goodwill impairment	11.9	—	—
Total	$ (34.0)	$ 0.4	$ (27.1)

Our tax benefit or expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits and the change in cash surrender value of non-taxable investments in life insurance policies. It is also affected by discrete items that may occur in any given period but are not consistent from period to period, such as tax law changes, changes in judgment regarding the realizability of deferred tax assets, or the tax effects of stock compensation. With the Company’s adoption of ASU 2016-01 in the first quarter of 2018, changes in the fair value of the Company’s investment in Persol Holdings are now recognized in the consolidated statements of earnings. These investment gains or losses are treated as discrete since they cannot be estimated.

Several items have contributed to the variance in our income tax benefit or expense over the last three years. The 2020 income tax benefited from lower pretax earnings and included $5.1 million from the loss on our investment in Persol Holdings, $6.6

million from the sale of Brazil operations, and $23.0 million from the impairment of tax deductible goodwill. Income tax expense for 2019 included an $11.0 million expense from the gain on our investment in Persol Holdings, in addition to a $3.9 million charge to establish valuation allowances in Germany, offset by a $14.3 million benefit on the release of valuation allowances in the United Kingdom. Income tax benefit for 2018 included a $29.4 million benefit from the loss on our investment in Persol Holdings and a benefit on the release of valuation allowances in Australia.

General business credits primarily represent U.S. work opportunity credits. Foreign items include foreign tax credits, foreign non-deductible expenses and non-taxable income. Foreign business taxes include the French business tax and other taxes based on revenue less certain expenses and are classified as income taxes under ASC 740. Non-deductible expenses include executive compensation and business meals and entertainment.

The work opportunity credit program generates a significant tax benefit. It is a temporary provision in the U.S. tax law which was extended under the Consolidated Appropriations Act, 2021, and expires for employees hired after 2025.

Provision has not been made for additional income taxes on an estimated $135.2 million of undistributed earnings which are indefinitely reinvested. If these earnings were to be repatriated, the Company could be subject to foreign withholding tax, federal and state income tax, net of federal benefit, and income taxes on foreign exchange gains or losses, of $7.6 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2020	2019	2018
		(In millions of dollars)	
Balance at beginning of the year	$ 0.9	$ 1.1	$ 1.2
Additions for prior years' tax positions	—	—	—
Reductions for prior years' tax positions	—	—	—
Additions for settlements	—	—	—
Reductions for settlements	—	—	—
Reductions for expiration of statutes	(0.4)	(0.2)	(0.1)
Balance at end of the year	$ 0.5	$ 0.9	$ 1.1

If the $0.5 million in 2020, $0.9 million in 2019 and $1.1 million in 2018 of unrecognized tax benefits were recognized, they would have a favorable effect of $0.4 million in 2020, $0.8 million in 2019 and $0.9 million in 2018 on income tax expense.

The Company recognizes both interest and penalties as part of the income tax provision. The Company recognized a benefit of $0.1 million in 2020 for interest and penalties. Interest and penalties expense in 2019 and 2018 were not significant. Accrued interest and penalties were $0.1 million at year-end 2020 and $0.2 million at year-end 2019.

The Company files income tax returns in the U.S. and in various states and foreign countries. The tax periods open to examination by the major taxing jurisdictions to which the Company is subject include the U.S. for fiscal years 2017 and forward, Canada for fiscal years 2013 and forward, France for fiscal years 2013 and forward, Mexico for fiscal years 2015 and forward, Portugal for fiscal years 2017 and forward, Russia for fiscal years 2018 and forward, and Switzerland for fiscal years 2011 and forward.

The Company and its subsidiaries have various income tax returns in the process of examination. The unrecognized tax benefit and related interest and penalty balances include approximately $0.1 million for 2020, related to tax positions which are reasonably possible to change within the next twelve months due to income tax audits, settlements and statute expirations.

22. Supplemental Cash Flow Information

Changes in operating assets and liabilities, net of acquisitions, as disclosed in the statements of cash flows, for the fiscal years 2020, 2019 and 2018, respectively, were as follows:

	2020	2019	2018
	(In millions of dollars)		
(Increase) decrease in trade accounts receivable	$ 55.9	$ 46.0	$ (32.0)
(Increase) decrease in prepaid expenses and other assets	21.8	6.0	(9.5)
(Increase) decrease in ROU assets	0.2	0.7	—
Increase (decrease) increase in accounts payable and accrued liabilities	10.5	(43.0)	17.0
Increase (decrease) in operating lease liabilities	(21.1)	(21.6)	—
Increase (decrease) in accrued payroll and related taxes	71.9	(13.2)	(21.0)
Increase (decrease) in accrued workers' compensation and other claims	(4.9)	(1.9)	1.9
Increase (decrease) in income and other taxes	(14.0)	0.6	2.1
Total changes in operating assets and liabilities, net of acquisitions	$ 120.3	$ (26.4)	$ (41.5)

The Company paid interest of $1.6 million in 2020, $3.2 million in 2019 and $1.6 million in 2018. The Company paid income taxes of $26.4 million in 2020, $17.7 million in 2019 and $18.3 million in 2018.

Non-cash capital accruals totaled $1.4 million, $1.6 million and $1.8 million at year-end 2020, 2019 and 2018, respectively.

23. Commitments

In addition to lease agreements (see Leases footnote) and the indemnification agreement related to the sale of our Brazil operations (see Acquisitions and Disposition footnote), the Company has entered into noncancelable purchase obligations totaling $36.7 million. These obligations relate primarily to technology services and online tools which the Company expects to utilize generally within the next two fiscal years, in the ordinary course of business. The Company has no material unrecorded commitments, losses, contingencies or guarantees associated with any related parties or unconsolidated entities. See the Debt and Retirement Benefits footnotes for commitments related to debt and pension obligations.

24. 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 year-end 2020 and 2019, the gross accrual for litigation costs amounted to $1.4 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 year-end 2020 and 2019, the related insurance recoveries amounted to zero and $4.1 million, respectively.

The Company estimates the aggregate range of reasonably possible losses, in excess of amounts accrued, is zero to $1.3 million as of year-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.

25. 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 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 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 early childhood and higher education support, in the U.S. 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 2020, 2019 and 2018 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.

	2020	2019	2018
		(In millions of dollars)	
Revenue from Services:			
Professional & Industrial	$ 1,858.4	$ 2,213.4	$ 2,430.9
Science, Engineering & Technology	1,019.1	1,131.8	1,002.6
Education	286.9	450.7	428.5
Outsourcing & Consulting	363.5	377.7	377.1
International	988.6	1,182.5	1,275.2
Less: Intersegment revenue	(0.5)	(0.5)	(0.4)
Consolidated Total	$ 4,516.0	$ 5,355.6	$ 5,513.9

	2020	2019	2018
	(In millions of dollars)		
Earnings (Loss) from Operations:			
Professional & Industrial gross profit	$ 330.2	$ 388.4	$ 419.3
Professional & Industrial SG&A expenses	(288.6)	(326.0)	(338.4)
Professional & Industrial earnings (loss) from operations	41.6	62.4	80.9
Science, Engineering & Technology gross profit	209.4	226.2	185.6
Science, Engineering & Technology SG&A expenses	(134.4)	(146.7)	(124.7)
Science, Engineering & Technology earnings (loss) from operations	75.0	79.5	60.9
Education gross profit	42.2	72.0	70.7
Education SG&A expenses	(51.2)	(56.2)	(47.8)
Education earnings (loss) from operations	(9.0)	15.8	22.9
Outsourcing & Consulting gross profit	119.8	122.3	124.2
Outsourcing & Consulting SG&A expenses	(108.3)	(119.3)	(131.2)
Outsourcing & Consulting earnings (loss) from operations	11.5	3.0	(7.0)
International gross profit	126.0	159.5	172.4
International SG&A expenses	(134.9)	(140.8)	(148.6)
International earnings (loss) from operations	(8.9)	18.7	23.8
Corporate	(203.8)	(97.6)	(94.1)
Consolidated Total	(93.6)	81.8	87.4
Gain (loss) on investment in Persol Holdings	(16.6)	35.8	(96.2)
Other income (expense), net	3.4	(1.2)	(0.6)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	$ (106.8)	$ 116.4	$ (9.4)

A summary of revenue from services by geographic area for 2020, 2019 and 2018 follows:

	2020	2019	2018
	(In millions of dollars)		
Revenue from Services:			
United States	$ 3,260.2	$ 3,892.5	$ 3,930.0
Foreign	1,255.8	1,463.1	1,583.9
Total	$ 4,516.0	$ 5,355.6	$ 5,513.9

Foreign revenue is based on the country in which the legal subsidiary is domiciled. No single foreign country's revenue represented more than 10% of the consolidated revenues of the Company. No single customer represented more than 10% of the consolidated revenues of the Company.

A summary of long-lived assets information by geographic area as of year-end 2020 and 2019 follows:

	2020	2019
	(In millions of dollars)	
Long-Lived Assets:		
United States	$ 94.7	$ 73.1
Foreign	29.5	30.4
Total	$ 124.2	$ 103.5

Long-lived assets represent property and equipment. No single foreign country's long-lived assets represented more than 10% of the consolidated long-lived assets of the Company.

26. New Accounting Pronouncements

Recently Adopted

In August 2018, the FASB issued 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 $1.0 million of amortization expense for capitalized implementation costs incurred in hosting arrangements for the year ended 2020 as a component of SG&A expenses in our consolidated statements of earnings. We recognized $5.1 million of payments for capitalized implementation costs for the year ended 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.

In February 2016, the FASB issued ASU 2016-02 amending the existing accounting standards for lease accounting and requiring lessees to recognize lease assets and lease liabilities for all leases with lease terms of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current U.S. GAAP, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. An additional optional transition method 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 retained earnings in the period of adoption is allowed. We adopted this guidance with the optional transition method effective December 31, 2018. See Leases footnote for the impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01 amending the current guidance for how entities measure certain equity investments, the accounting for financial liabilities under the fair value option, and the presentation and disclosure requirements relating to financial instruments. The new guidance requires entities to use fair value measurement for equity investments in unconsolidated entities, excluding equity method investments, and to recognize the changes in fair value in net income at the end of each reporting period. Under the new standard, for any financial liabilities in which the fair value option has been elected, the changes in fair value due to instrument-specific credit risk must be recognized separately in other comprehensive income. Presentation and disclosure requirements under the new guidance require public businesses entities to use the exit price when measuring the fair value of financial instruments measured at amortized cost. In addition, financial assets and liabilities must now be presented separately in the notes to the financial statements and grouped by measurement category and form of financial asset. This ASU was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption was only permitted for the financial liability provision. We adopted this guidance effective January 1, 2018. See Investment in Persol Holdings footnote for the impact on the financial statements.

In May 2014, the FASB issued new revenue recognition guidance under ASU 2014-09 that superseded the existing revenue recognition guidance under U.S. GAAP. The new standard focused on creating a single source of revenue guidance for revenue arising from contracts with customers for all industries. The objective of the new standard was for companies to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the company expects to be entitled to in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year (ASU 2015-14). This ASU was effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. Since the issuance of the original standard, the FASB issued several other subsequent updates including the following: 1) clarification of the implementation guidance on principal versus agent considerations (ASU 2016-08); 2) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU 2016-10): 3) rescission of several SEC Staff Announcements that are codified in Topic 605 (ASU 2016-11); 4) additional guidance and practical expedients in response to identified implementation issues (ASU 2016-12); and 5) technical corrections and improvements (ASU 2016-20). We adopted this guidance with the modified retrospective approach effective January 1, 2018. See Revenue footnote for the impact on the 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.

27. Related Party Transactions

The Terence E. Adderley Revocable Trust K (“Trust K”), which became irrevocable upon the death of Terence E. Adderley (the former Chairman of the Company's board of directors) on October 9, 2018, controls approximately 91.6% of the outstanding shares of Kelly Class B common stock. There were no material transactions between the Company and Trust K or its trustees in 2020, 2019 or 2018.

See Investment in PersolKelly Pte. Ltd. footnote for a description of related party activity with PersolKelly Pte. Ltd.

KELLY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION RESERVES
(In millions of dollars)

Description		Balance at beginning of year	Additions: Charged to costs and expenses	Additions: Charged to other accounts	Currency exchange effects	Deductions from reserves		Balance at end of year
Fiscal year ended January 3, 2021								
Reserve deducted in the balance sheet from the assets to which it applies -								
Deferred tax assets valuation allowance	$	19.0	3.7	—	0.5	(3.0)	$	20.2
Fiscal year ended December 29, 2019								
Reserve deducted in the balance sheet from the assets to which it applies -								
Allowance for doubtful accounts - trade accounts receivable	$	13.2	3.4	0.7 [1]	—	(4.4)	$	12.9
Deferred tax assets valuation allowance	$	27.8	6.1	—	(0.3)	(14.6)	$	19.0
Fiscal year ended December 30, 2018								
Reserve deducted in the balance sheet from the assets to which it applies -								
Allowance for doubtful accounts - trade accounts receivable	$	12.9	3.5	(0.5) [1]	(0.4)	(2.3)	$	13.2
Deferred tax assets valuation allowance	$	34.6	2.6	—	(1.8)	(7.6)	$	27.8

[1] Adjustment to provision for sales allowances charged to revenue from services.

INDEX TO EXHIBITS
REQUIRED BY ITEM 601
REGULATIONS S-K

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation, effective May 9, 2018 (Reference is made to Exhibit 3.1 to the Form 8-K filed with the Commission on May 11, 2018, which is incorporated herein by reference).
3.2	By-laws, effective November 6, 2018 (Reference is made to Exhibit 3.1 to the Form 8-K filed with the Commission on November 7, 2018, which is incorporated herein by reference).
4	Description of Securities (Reference is made to Exhibit 4 to the Form 10-K filed with the Commission on February 13, 2020, which is incorporated herein by reference).
10.1*	Kelly Services, Inc. Short-Term Incentive Plan, as amended and restated January 1, 2020.
10.2*	Kelly Services, Inc. Equity Incentive Plan (Reference is made to Exhibit 10.1 to the Form 8-K filed with the Commission on May 12, 2017, which is incorporated herein by reference).
10.3*	Kelly Services, Inc. Senior Executive Severance Plan (Reference is made to Exhibit 10.3 to the Form 10-Q filed with the Commission on May 11, 2017, which is incorporated herein by reference).
10.4*	Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan (Reference is made to Exhibit 10.4 to the Form 10-K filed with the Commission on February 20, 2018, which is incorporated herein by reference).
10.5*	First Amendment to the Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan (Reference is made to Exhibit 10.5 to the Form 10-K filed with the Commission on February 13, 2020, which is incorporated herein by reference).
10.6	Third Amended and Restated Credit Agreement, dated December 5, 2019 (Reference is made to Exhibit 10.6 to the Form 8-K filed with the Commission on December 9, 2019, which is incorporated herein by reference).
10.7	Agreement of Purchase and Sale, A.F.J. Development Company and Kelly Properties, LLC (Reference is made to Exhibit 10.7 to the Form 10-K filed with the Commission on February 13, 2020, which is incorporated herein by reference).
10.12*	Kelly Services, Inc. Management Retirement Plan as amended and restated January 1, 2020.
10.14	Amended and Restated Pledge and Security Agreement, dated December 5, 2019 (Reference is made to Exhibit 10.14 to the Form 8-K filed with the Commission on December 9, 2019, which is incorporated herein by reference).
10.15	First Amended and Restated Receivables Purchase Agreement Amendment No. 1, dated December 5, 2019 (Reference is made to Exhibit 10.15 to the Form 8-K filed with the Commission on December 9, 2019, which is incorporated herein by reference).

INDEX TO EXHIBITS
REQUIRED BY ITEM 601
REGULATION S-K (continued)

Exhibit No.	Description
14	Code of Business Conduct and Ethics, revised August 2020 (Reference is made to Exhibit 14 to the Form 10-Q filed with the commission on November 5, 2020, which is incorporated herein by reference).
21	Subsidiaries of Registrant.
23	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney.
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)

* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 18, 2021		KELLY SERVICES, INC. Registrant
	By	/s/ Olivier G. Thirot Olivier G. Thirot Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 18, 2021	*	/s/ P. W. Quigley P. W. Quigley President, Chief Executive Officer and Director (Principal Executive Officer)
Date: February 18, 2021	*	/s/ D. R. Parfet D. R. Parfet Chairman of the Board and Director
Date: February 18, 2021	*	/s/ C. M. Adderley C. M. Adderley Director
Date: February 18, 2021	*	/s/ G. S. Adolph G. S. Adolph Director
Date: February 18, 2021	*	/s/ G. S. Corona G. S. Corona Director
Date: February 18, 2021	*	/s/ R. S. Cubbin R. S. Cubbin Director
Date: February 18, 2021	*	/s/ J. E. Dutton J. E. Dutton Director
Date: February 18, 2021	*	/s/ T. B. Larkin T. B. Larkin Director
Date: February 18, 2021	*	/s/ L. A. Murphy L. A. Murphy Director

SIGNATURES (continued)

Date: February 18, 2021		/s/ O. G. Thirot O. G. Thirot Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: February 18, 2021		/s/ L. S. Lockhart L. S. Lockhart Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)
Date: February 18, 2021	*By	/s/ O.G. Thirot O.G. Thirot Attorney-in-Fact

KELLY SERVICES, INC.
SHORT-TERM INCENTIVE PLAN

(Amended and Restated January 1, 2020)

Section 1 – Purposes.

This KELLY SERVICES, INC. SHORT-TERM INCENTIVE PLAN (the "Plan") provides for annual incentive compensation payable in cash to those key officers and employees of the Company or any affiliated entity, who, from time to time, may be selected for participation. The Plan is intended to provide incentives and rewards for the contributions of such employees toward the successful achievement of the Company's financial and business goals established for the current year.

The Plan is effective for awards made beginning in 2020 and consolidates and replaces the terms of the Company's Management Incentive Plan.

Section 2 – Administration.

The Plan shall be administered by the Compensation Committee of the Board of Directors ("Committee") with certain administrative responsibilities delegated to the Global Compensation Department ("Compensation"), as determined by the Committee. The Committee has the authority to make rules and adopt administrative procedures in connection with the Plan and to provide for situations or conditions not specifically provided for herein consistent with the overall purposes of the Plan.

Section 3 – Selection of Participants.

The Committee may delegate to the President and Chief Executive Officer ("CEO") of the Company or to the Senior Vice President and Chief Human Resources Officer ("CHRO"), its authority to select those key officers below the Senior Vice President Level who are not Section 16 Officers and employees entitled to participate under the Plan each year. Approval of eligible participants may be made at any time during each award year.

Section 4 – Establishing Performance Objectives.

The Committee annually, no later than the first 90 days of the year (except in limited circumstances), shall establish one or more performance objectives on a Company-wide and/or any subset below Company-wide, including but not limited to: group, business unit, division, region, department, or team basis, which may consist of quantitatively measurable performance measures, or qualitative performance measures, the achievement of which requires subjective assessment, or both. When a performance measure is established with respect to a Plan target award opportunity, the Committee or its delegate (for employees below the Senior Vice President level who are not Section 16 Officers) shall specify the percentage or portion of the award that will be based on that objective. For any award opportunities granted after the first 90 days of a year, the Committee can use the performance period that starts on the first day of the fiscal year or calendar year, the Committee may choose to prorate such performance period, or the Committee may select such other period and designate as the performance period. The Committee shall take into account which (if any), types or categories of extraordinary, unusual, non-recurring or other items or events shall be excluded or otherwise not fully taken into account when actual Company or divisional/departmental performance results are calculated.

Section 5 – Establishing Target Awards.

No later than the first 90 days of each year (except in limited circumstances), target award levels will be established and expressed as a percentage of eligible earnings, for employees selected to participate under the Plan, and the Committee will establish target award levels for each officer at or above the Senior Vice President level, and any Section 16 Officers. The Committee or its delegate may establish target award levels by category/level of employee (e.g., officer vice presidents; Grade 48, etc.), or individual employee (e.g., Assistant General Counsel;

Director, Benefits; Manager, Accounting, etc.). Eligible earnings are defined as base salary earnings and interim/ secondment/assignment pay, excluding pay for disability, bonuses, dividends and other reimbursements and allowances. Except as otherwise designated, individual participants may earn an award payout ranging from threshold to the maximum as a percentage of their target award opportunity that the Committee or its delegate may set in place from time to time (if actual Company results for the period do not at least equal threshold performance amount or level specified by the Committee, then payout will be zero). The Committee or its delegate shall also approve guidelines established annually that determine what portion of the target award opportunity, if any, is based on the achievement of the Company performance objective(s) and what portion or portions are based on the achievement of other objectives. The Committee or its delegate will establish an award payout schedule or schedules to be used to determine award payouts that are based upon the extent to which the Company and/or division/ department performance objective (or objectives) is or is not achieved or exceeded.

Section 6 – Determining Final Awards.

The Committee shall adjust final awards up or down from the target award opportunity based on (a) the extent to which the Company performance objective(s) is either exceeded or not met, and (b) the extent to which other objectives, e.g. subsidiary, division, department, unit or other performance objectives are attained. The Committee or its delegate shall have full discretion to make other adjustments in final awards based on individual performance as it considers appropriate under the circumstances.

Further adjustments can be made in the event of a change in the business operations, corporate structure or capital structure of the Company or its affiliates (including a change in control of the Company or any affiliated entity), the manner in which it conducts its business or other events or circumstances, all as determined by the Committee. The Committee, in its sole discretion, may modify the performance objectives, the related threshold, target and maximum performance levels, or the payout of the STIP award, in whole or in part, as the Committee deems appropriate and equitable to reflect such events or circumstances.

Any adjustments shall not accelerate or change the payment of any award that has been deferred pursuant to the Company's Management Retirement Plan.

Section 7 – Windfalls and Catastrophic Losses.

A Windfall is an excessively large potential payment for results not driven by participant actions (e.g., acquisitions, market reconfigurations, significant changes in the Company's business) or due to inequities or errors in the Plan.

Catastrophic Loss is a situation where incentive payments are unexpectedly reduced or eliminated due to business situations that were not foreseeable or preventable by participants (e.g. tornadoes, floods, other natural disasters, etc.).

If any situation is identified as a Windfall or Catastrophic Loss, participants will be notified if there is to be any adjustment in the calculation or payment.

Section 8 – Performance Measures.

The Committee may select one or a combination of the following as objective performance measures:

(a) Earnings (which includes net profits, operating profits, operating earnings, and net income, and which may be calculated before or after taxes, interest, depreciation, or amortization, as specified at the time the performance objectives are established) or earnings per share of Company Stock;

(b) Revenues;

(c) Gross Profits;

(d) Cash flow;

(e) Return on revenues, gross profits, sales, assets or equity;

(f) Customer or employee retention;

(g) Customer satisfaction;

(h) Expenses or expense levels;

(i) One or more operating ratios;

(j) Stock price;

(k) Market share;

(l) Capital expenditures;

(m) Net borrowing, debt leverage levels, credit quality or debt ratings;

(n) The accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions;

(o) The Company's Global Business Performance Optimization Framework;

(p) Shareholder return;

(q) Organizational health/productivity;

(r) Sales volume; and/or

(s) Brand or product recognition/acceptance

The Committee may also specify, preferably within the first 90 days of the performance period which (if any), types or categories of extraordinary, unusual, non-recurring or other items or events shall be considered for exclusion or otherwise not fully taken into account when actual Company or divisional/departmental results are calculated.

With respect to an employee who is newly hired or is promoted by the Company during a performance period, the Committee can grant an award opportunity, or adjust an award opportunity previously granted, to such employee for such performance period.

Prior to the distribution of an award, the Committee shall certify an award payout schedule based upon the extent to which the Company objective performance standard(s) is or is not achieved or exceeded.

In no event shall the total annual Plan award to a NEO or Prospective NEO, including the non-performance-based portion, exceed $3,000,000 a year.

Section 9 – Time of Distribution.

Distribution of awards shall be made as soon as practicable following the close of the year for which earned, but in no event later than 2-1/2 months following the award year, unless otherwise determined by the Committee.

Section 10 – Forfeiture.

Until such time as the full amount of an award has been paid, a participant's right to receive any unpaid amount shall be wholly contingent and shall be forfeited if, prior to payment, the participant is no longer in the employ of the Company, provided, however, that the Committee may in its discretion waive such condition of continued employment. A participant on an approved leave of absence as of the payment date is not eligible to receive payment of an award until the participant returns to active status.

It shall be an overriding precondition to the payment of any award (a) that the participant not engage in any activity that, in the opinion of the Committee, is in competition with any activity of the Company or any Affiliated Entity or otherwise inimical to the best interests of the Company, and (b) that the participant furnish the Committee with all such information confirming satisfaction of the foregoing condition as the Committee shall reasonably request. If the Committee makes a determination that a participant has engaged in any such competitive or otherwise inimical activity, such determination shall operate to immediately cancel all then unpaid award amounts.

The payment of each award is also subject to the prohibitions on Solicitation and Protected Information, and other actions that could harm the business reputation or goodwill of the Company, as discussed in Appendix A, with such determination operating to immediately cancel all then unpaid award amounts and require the return of any amounts paid with respect to a performance period during which such actions occurred and any amounts paid with respect to the two performance periods immediately preceding termination of employment. In the event of a violation of this Section 10, in addition to the amounts stated herein, the Company retains all rights to seek monetary damages against the participant or to seek other equitable remedies against the participant.

Any award payable to a Section 16 Reporting Person or any Senior Vice President level and above as appointed by the Committee is subject in full to the Company's Incentive Compensation Recovery ("Clawback") Policy ("ICRP"). The employee acknowledges that he or she has read the ICRP and is familiar with its terms.

Section 11 – Death or Disability.

If a participant ceases employment during a performance period or prior to payment due to death or Disability, then shortly after termination of employment for these reasons (but not earlier than after the applicable performance period is completed and the date the Committee or its delegate determines that the performance goals are attained) the participant (or legal representative or beneficiary) shall be entitled to receive a pro-rata portion of the portion of the award that would have otherwise been payable if his or her employment had continued until the payout date, based on the portion of the performance period that the participant was employed by the Company, and the remainder of such award shall be forfeited, unless the Committee determines to waive such forfeiture in whole or in part. All such payments will be made no later than 2-1/2 months following completion of the performance period.

Section 12 – Compliance with Section 409A of the U.S. Internal Revenue Code.

It is intended that awards made under the STIP shall not constitute the deferral of compensation under Section 409A of the U.S. Internal Revenue Code ("Code"). STIP shall be construed, administered, and governed in a manner that effects such intent, and the Committee or its delegate shall not take any action that would be inconsistent with such intent. Without limiting the foregoing, the STIP payment shall not be deferred, accelerated, extended, paid out, settled, adjusted, substituted, exchanged or modified in a manner that would cause the payment to fail to satisfy the conditions of an applicable exception from the requirements of Section 409A of the Code or otherwise would subject the participant to the additional tax imposed under Section 409A of the Code.

Section 13 – No Right to Employment or Award.

No employee shall have any claim or right to receive an award, and participation in the Plan shall not confer upon any employee a right to continued employment by the Company. Further, the Company and each affiliated entity reaffirms its at-will relationship with its employees and expressly reserves the right at any time to terminate an employee for any reason or no reason at any time except as modified by an authorized written agreement or if prohibited by applicable law.

Section 14 – Amendment or Termination.

The Board of Directors of the Company reserves the right at any time to make any changes in the Plan as it may consider desirable or may discontinue or terminate the Plan at any time.

Section 15 – Sources.

The Company's operating statements, human resources and payroll records will be used to determine eligible participants, eligible earnings and applicable business results used in all incentive calculations.

Section 16 – Compensation Changes/Transfers.

If a participant's eligible earnings or STIP target percentage changes during the year, or if an employee transfers into or out of STIP during the year, the Committee or its delegate shall prorate the participant's STIP award accordingly, based on the ratio of (a) the number of days in the performance period the participant was participating in the Plan, or was participating in the Plan at a particular base salary or incentive target percentage, to (b) the total number of days in the performance period.

Section 17 – Assignment.

No funds, assets or other property of Kelly, and no obligation or liability of Kelly under any incentive plan, will be subject to any claim of any participant, nor will any participant have any right or power to pledge, encumber or assign an incentive payment.

Section 18 – Unauthorized Representations.

No director, officer, employee or other person has the authority to enter into any agreement, either written or oral, with any person or participant concerning the Plan or payment of an incentive, or to make any representation or warranty with respect to any incentive award. Only the CEO or the CHRO will have such authority.

Section 19 – Tax-Related Liabilities.

The federal supplemental income tax withholding rate will be applied to all STIP payments for U.S. participants and appropriate tax withholdings will be applied in the other countries outside of U.S. Participants are responsible for determining the tax consequences of incentive payments and arranging for appropriate withholding. The Company will not be responsible for and will be held harmless and indemnified by participants from liability for payments, interest, penalties, costs, or expenses incurred as a result of not arranging for sufficient withholding or deductions from incentive payments.

APPENDIX A

Overriding Precondition; Potential Forfeiture. It shall be an overriding precondition to the vesting and payout of the amount pursuant to the Plan: (1) that the participant of such award not engage in any activity that, in the opinion of the Committee, is in competition with any activity of the Company or any Affiliated Entity or is otherwise inimical to the best interests of the Company and that has not been approved by the Committee and (2) that the participant furnish the Committee with all the information confirming satisfaction of the foregoing condition that the Committee reasonably requests. If the Committee determines that a participant has engaged in any activity prohibited by the foregoing conditions, the participant's then outstanding or unvested award shall immediately be forfeited.

During participant's employment with the Company, and any subsidiary thereof, and during the twelve (12) month period following any termination of participant's employment for any reason, participant shall not, except in the course of carrying out his or her duties hereunder, directly or indirectly induce any employee of the Company or any of its subsidiaries to terminate employment with such entity, and shall not directly or indirectly, either individually or as owner, agent, employee, consultant or otherwise, knowingly employ or offer employment to any person who is or was employed by the Company or a subsidiary thereof unless such person shall have ceased to be employed by such entity for a period of at least six (6) months.

Participant shall not, directly or indirectly, during employment with the Company and during the twelve (12) month period following any termination of participant's employment for any reason engage in any Solicitation.

Participant shall not disparage, slander or injure the business reputation or goodwill of the Company in any material way, including, by way of illustration, through any contact with vendors, suppliers, employees or agents of the Company which could harm the business reputation or goodwill of the Company.

The Company has advised the participant and the participant acknowledges that it is the policy of the Company to maintain as secret and confidential all Protected Information, and that Protected Information has been and will be developed at substantial cost and effort to the Company. All Protected Information shall remain confidential permanently, and the participant shall not, at any time, directly or indirectly, divulge, furnish, or make accessible to any person, firm, corporation, association, or other entity (otherwise than as may be required in the regular course of the participant's employment with the Company), nor use in any manner, either during the term of employment or after termination, at any time, for any reason, any Protected Information, or cause any such information of the Company to enter public domain.

In the event of a violation of this provision, the Company retains all rights to seek monetary damages against a participant or to seek other equitable remedies against the participant.

"Affiliated Entity" means a corporation, partnership or other business enterprise in which the Company has control as defined in Rule 405 of the Securities Act of 1933.

"Disability" means the total and permanent inability of a participant by reason of sickness or injury to perform the material duties of such participant's regular occupation with the Company where such inability has existed for at least six continuous months.

"Protected Information" means trade secrets, confidential and proprietary business information of the Company and Affiliated Entities, and any other information of the Company, including, but not limited to, customer lists (including potential customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, internal policies, and products and services which may be developed from time to time by the Company and its agents or employees, including the participant; provided, however, that information that is in the public domain (other than as a result of a breach of this Plan) is not Protected Information.

"Solicitation" means to solicit, divert or attempt to solicit or divert from the Company and its Affiliated Entities, any work or business related to the employee staffing and consulting services business, which includes, but is not limited to, direct placement, outplacement, outsourcing, recruitment, recruitment process outsourcing, temporary staffing services, management services, vendor on-site, vendor management, and consulting services (the "Company's Business"), or otherwise related to any activity that is in competition with the Company and its Affiliated Entities, from any client or customer, or potential client or customer, of the Company and its Affiliated Entities for either participant or any other entity that may employ, engage, or associate with participant in any fashion, or have any contact, through business-oriented social networking sites or otherwise, with any client or customer, or potential client or customer, of the Company and its Affiliated Entities for either participant or any other entity that may employ, engage or associate with participant in any fashion, for purposes of influencing any such client or customer, or potential client or customer, to not use or not continue to use the Company or its Affiliated Entities for work or business related to the Company's Business (provided, however, that notwithstanding anything to the contrary contained in the Plan, a participant may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934). For purposes of this section, "client(s)" or "customer(s)" of the Company and its Affiliated Entities, shall mean any individual, corporation, limited liability company, partnership, proprietorship, firm, association, or any other entity that the Company or its Affiliated Entities has invoiced during the preceding twelve (12) months, and "potential client(s) or customer(s)" shall be any individual, corporation, limited liability company, partnership, proprietorship, firm, association, or any other entity that the participant knew or should have known was a potential customer through personal knowledge or had any personal exposure through Company meetings or marketing efforts, during the preceding twelve (12) months.

KELLY SERVICES, INC.

MANAGEMENT RETIREMENT PLAN

Effective January 1, 2020

KELLY SERVICES, INC.

MANAGEMENT RETIREMENT PLAN

(January 1, 2020 Restatement)

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KELLY SERVICES, INC.
MANAGEMENT RETIREMENT PLAN
(January 1, 2020 Restatement)

ARTICLE I
THE PLAN

Kelly Services, Inc. (the "Company") hereby amends and restates, effective as of January 1, 2020, the Kelly Services, Inc. 2008 Management Retirement Plan (Post-2004), effective January 1, 2009, as amended, and as effective through December 31, 2019 (the "2008 Plan"), on the terms and conditions set forth herein, to be known as the Kelly Services, Inc. Management Retirement Plan (the "Plan").

The Plan provides certain eligible employees the opportunity to defer portions of their compensation and receive attributable matching contribution amounts under the Plan, all in accordance with the provisions of the Plan. The Plan also permits company discretionary contributions. The Plan shall supersede the 2008 Plan and govern the payment of all post-2004 account balances subject to the 2008 Plan, without modifying the time and form of payment thereof. Effective January 1, 2020, the 2008 Plan shall have no further force or effect.

The post-2004 account balances of a participant subject to the 2008 Plan therefore are now subject to the Plan hereunder. A participant's pre-2005 account balances under the Pre-2005 Plan will continue to be governed by the terms of the Pre-2005 Plan and consist of a participant's compensation deferrals made before January 1, 2005 and company contributions that were made to the Pre-2005 Plan and became vested before January 1, 2005.

The Plan is intended to be a non-qualified deferred compensation arrangement for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

ARTICLE II
DEFINITIONS

The following terms shall have the following meanings described in this Article, unless the context clearly indicates another meaning. All references in the Plan to specific Articles or Sections shall refer to Articles or Sections of the Plan, unless otherwise stated.

2.1 Account means the bookkeeping account established for each Participant under the Plan in accordance with Section 8.1 and the Plan, consisting of the individual Sub-Accounts of the Participant for his contribution amounts held under the Plan.

2.2 Affiliated Group means the Company, all Participating Employers and all other entities which would be considered a single employer with the Company or any Participating Employer under Code Sections 414(b) and 414(c), provided that, in applying Code Section 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Code Section 1563(a)(1), (2) and (3) and, further, in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c), "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. The Affiliated Group shall be interpreted in a manner consistent with the definition of "service recipient" within the meaning of Code Section 409A and as provided under Treasury Regulation Section 1.409A-1(g) for purposes of a "separation from service" within the meaning of Code Section 409A and as provided under Treasury Regulation Section 1.409A-1(h)(3).

2.3 Beneficiary means the individual, trust, estate or other person designated by a Participant to receive his undistributed Account on account of his death. However, if the Participant is married at the time of his death, his surviving Spouse shall be his Beneficiary, unless the Spouse had previously consented in writing to the designation of another beneficiary or beneficiaries. A Participant therefore may designate a trust as his Beneficiary, subject to the foregoing spousal consent requirement (if applicable). A Participant shall not change his beneficiary designation without the written consent of his Spouse. In the absence of a beneficiary designation or an effective designation by the Participant, his

Beneficiary shall be his surviving Spouse or, if none, his children in equal shares, per stirpes, or, if none, his parents in equal shares or, if none, his estate.

2.4 Benefit Plans Committee means the Kelly Services, Inc. Benefit Plans Committee.

2.5 Code means the Internal Revenue Code of 1986, as amended.

2.6 Company means Kelly Services, Inc. or its successor.

2.7 Company Discretionary Contributions means for a Participant his Company Discretionary Contribution amounts made under Section 5.3.

2.8 Company Matching Contributions means for a Participant his Company Matching Contribution amounts made under Section 5.1.

2.9 Compensation of a Participant means the compensation amounts payable to him from all members of the Affiliated Group for his services as an Eligible Employee which constitute wages as defined in Code Section 3401(a) (determined without regard to any rules that limit compensation included in wages based on the nature or location of the employment or services performed) or payments made to him for which his Employer is required to furnish him a written statement under Code Sections 6041(d), 6051(a) (3) and 6052 (commonly referred to as Form W-2 earnings) and which consist of the following amounts:

(a) Base Salary. His "base salary" Compensation which shall mean his non-variable pay, paid time off, required non-productive work time, sick pay and disability pay paid by an employer's payroll and certain post-employment pay and payments (as consisting of regular pay and payments of accrued but unused vacation, leave or other paid time off paid after severance from employment).

(b) Commissions. His "commission" Compensation which shall mean his commissions, provided they (i) constitute "sales commission compensation" as defined in Treasury Regulations issued under Code Section 409A under which a substantial portion of the services provided by him to a Participating Employer consist of the direct sale of a product or service to an unrelated customer, the compensation paid by the Participating Employer to him consists of either a portion of the purchase price for the product or service or an amount substantially all of which is calculated by reference to his volume of sales and the payment of the compensation is contingent upon the Participating Employer receiving payment from an unrelated customer for the product or services and (ii) are limited to those commissions paid to him during the same Plan Year the customer remits payment to the Participating Employer.

(c) Eligible Bonus, Incentive Payment. His "eligible bonus" and/or "incentive payment" Compensation which shall mean his amounts payable from an Eligible Bonus Plan.

However, in any event, Compensation shall exclude relocation and international assignment payments, severance pay and similar post-termination payments, stock and equity awards, business expenses, fringe benefits, tuition reimbursement, gift cards, gift certificates, third-party payments, imputed income, benefit plan payments (including from the Plan) and legal settlements. The Benefit Plans Committee (or its delegate) shall have the discretion to include or exclude specific items of Compensation from time to time.

Compensation shall include a Participant's elective deferrals as defined in Code Section 402(g)(3) (if any) and any amount contributed or deferred by a Participating Employer at his election which is not includable in his gross income by reason of Code Section 125 or 132(f)(4), but which are otherwise included as Compensation under the preceding provisions. Compensation is not reduced by his Compensation Deferral under the Plan.

If a Participant incurs a Termination of Employment, Compensation shall not include amounts received by him thereafter, except those amounts paid within 2½ months thereafter which are otherwise included as Compensation under the preceding provisions and (i) would otherwise have been paid to him in the course of his employment and are regular compensation for services during his regular working hours, compensation for services outside his regular working hours (such as overtime or shift differential pay), commissions, bonuses or other similar compensation or (ii) are payments for accrued bona fide sick, vacation or other leave, but only if he would have been able to use such leave if his employment had continued.

2.10 Compensation Deferrals means for a Participant the deferral amounts of his Compensation pursuant to a Deferral Election made under Article IV.

2.11 Controlled Group means the Company, all Participating Employers and all other entities which would be considered a single employer with the Company or any Participating Employer under Code Sections 414(b) and 414(c). The Controlled Group shall be interpreted in a manner consistent with the definition of "service recipient" within the meaning of Code Section 409A and as provided under Treasury Regulation Section 1.409A-1(g). For purposes of the determination of a Highly Compensated Employee or Key Employee, Controlled Group also includes any entity which would be considered a single employer with the Company or any Participating Employer as members of an affiliated service group under Code Section 414(m) or as required to be aggregated under Code Section 414(o).

2.12 DIP Plan means the Kelly Services, Inc. Deferred Income Plan, effective January 1, 2020, and any amendments thereto.

2.13 Deferral Election means an election of an Eligible Employee under Article IV pursuant to an Election Agreement to defer a portion of his Compensation under the Plan.

2.14 ERISA means the Employee Retirement Income Security Act of 1974, as amended.

2.15 Election Agreement means the agreement entered into by an Eligible Employee with his Participating Employer under Article VI and under which he may make a Deferral Election and/or a Payment Election, in the form and manner determined by the Plan Administrator, which may include the use of a written agreement, voice response system, other electronic medium or any combination thereof.

2.16 Eligible Bonus Plan means a bonus or other incentive compensation plan of an Affiliated Group member that the Company (or its delegate) designates as being eligible for Deferral Elections under the Plan for a Plan Year. If a bonus or other incentive compensation plan ceases to be an Eligible Bonus Plan for a Plan Year, an evergreen Deferral Election under Section 4.3(c) or Section 4.4 will not apply to such plan for the Plan Year.

2.17 Eligible Employee means an Employee of a Participating Employer who is (i) classified as a salaried staff employee by the Company (or its delegate), (ii) a Highly Compensated Employee and (iii) paid on a bi-weekly payroll. In addition, an Eligible Employee shall include any other Employee of a Participating Employer who is otherwise designated as an Eligible Employee of the Plan by the Company (or its delegate). However, an Eligible Employee in any event shall not include any person who is (i) covered by a collective bargaining agreement, (ii) a non-resident alien who does not receive United States source income, (iii) classified as an hourly employee by the Company or (iv) paid on a weekly basis. In addition, an Eligible Employee in any event shall not include any person who (i) is a non-United States citizen (regardless of whether he performs services in the United States or abroad) and (ii) if he is performing services in the United States, he (I) is on a formal international assignment in the United States pursuant to an international assignment agreement (unless such agreement specifically provides for his participation in the Plan) or (II) continues to be covered under his home country government retirement system or his home country employer-provided retirement benefit program (unless an international assignment agreement exists for him which specifically provides for his participation in the Plan).

2.18 Employee means a common law employee whose compensation for services rendered is paid to him on a U.S. Form W-2. However, an Employee in any event shall not include any individual with respect to whom his employer does not withhold income or employment taxes and file a U.S. Form W-2 (or any replacement Form) with the Internal Revenue Service because such individual has executed a contract, letter agreement or other document acknowledging his status as an independent contractor who is not entitled to benefits under the Plan or is otherwise not classified by his employer as a common law employee, even if such individual is later adjudicated to be a common law employee of the employer, and therefore such an individual will not be eligible for benefits under the Plan unless and until the individual is determined to be an Eligible Employee and designated as eligible for the Plan by the Company (or its delegate).

2.19 Highly Compensated Employee means an Employee of a Participating Employer who is (i) a highly compensated employee (as defined in Code Section 414(q)(1)(A) or 414(q)(1)(B)(i)) of the Controlled Group which includes his Participating Employer, (ii) an individual who would be considered a highly compensated employee (as defined in Code Section 414(q)(1)(B)(i)) of the Controlled Group which includes his Participating Employer, if the individual received compensation from such Controlled Group during the "look back year" equal to or greater than the dollar amount in effect for the look back year under Code Section 414(q)(1)(B)(i) or (iii) an individual who has an annual base salary rate with his Participating Employer equal to or greater than the amount as specified in Code Section 414(q)(1)(B)(i) as in effect during the first year of his employment with the Participating Employer. Regarding Code Section 414(q)(1)(B)(i) above, the compensation limit thereunder shall be adjusted annually pursuant to Code Section 415(d) and the compensation of an Employee for purposes thereof shall be determined by the Plan Administrator under applicable Treasury Regulations under Code Section 415 (including all available elections and alternatives thereunder by the Plan Administrator on behalf of the Company).

2.20 Key Employee means a Participant who is a "specified employee" within the meaning of Code Section 409A and as provided under Treasury Regulation Section 1.409A-1(i) as therefore a "key employee" under Code Section 416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding Code Section 416(i)(5)) at any time during the 12-month period ending on a December 31st. If a Participant is a key employee as of a December 31st, he shall be treated as a key employee for the entire 12-month period beginning on the April 1st following such December 31st. Regarding Code Section 416(i)(1)(A)(i), (ii) and (iii) above, the compensation of a Participant for purposes thereof shall be determined under Treasury Regulation Section 1.409A-1(i)(2) (including all available elections and alternatives thereunder by the Plan Administrator on behalf of the Company) and as applied by aggregating all such compensation of the Participant from the Controlled Group which includes his Participating Employer. Further, no more than 50 officers employees under Code Section 416(i)(1)(A)(i) shall apply for any Controlled Group under the Plan.

2.21 Newly Hired Employee means an Eligible Employee who is first employed by a Participating Employer during the Plan Year and was never previously employed with a member of the Affiliated Group.

2.22 Open Enrollment Period means annual open enrollment period prescribed by the Plan Administrator before a Plan Year for an Eligible Employee to make a Deferral Election and/or a Payment Election under the Plan (generally a specified period during November and December each year).

2.23 Participant means any Eligible Employee or other individual who becomes a Participant of the Plan under Article III and continues to be a Participant of the Plan thereunder.

2.24 Participating Employer means the Company and each other member of the Affiliated Group which includes the Company and which, with the written authorization of the Company (or its delegate), adopts the Plan for the benefit of its Eligible Employees pursuant to a resolution of its governing board (or its delegate).

2.25 Payment Election means an election of a Participant under Article VII of the time and form of payment of any of his Sub-Accounts under the Plan.

2.26 Plan means the Kelly Services, Inc. Management Retirement Plan, as provided hereunder effective January 1, 2020, and any amendments hereto.

2.27 Plan Administrator means the Benefit Plans Committee (or, for certain administrative purposes of the Plan, its delegate, which may include the Benefits Department of the Company).

2.28 Plan Year means the calendar year.

2.29 Pre-2005 Plan means the Kelly Services, Inc. Management Retirement Plan, as amended through October 3, 2004 and as in effect before January 1, 2005.

2.30 2008 Plan means the Kelly Services, Inc. 2008 Management Retirement Plan (Post-2004), effective January 1, 2009, as amended, and as effective through December 31, 2019.

2.31 Restatement Effective Date means January 1, 2020.

2.32 Scheduled In-Service Distribution means for a Participant a distribution based on (i) a Payment Election made under Section 7.3 and (ii) if applicable, a payment election for a scheduled in-service distribution under Section 7.5 of sub-accounts under the 2008 Plan which are undistributed as of December 31, 2019.

2.33 Separation from Service (or any derivation thereof) means the Participant's "separation from service" with the Affiliated Group within the meaning of Code Section 409A and as provided under Treasury Regulation Section 1.409A-1(h)(1). For purposes hereof, a termination of employment has occurred for purposes of a separation of service if the Company and Participant reasonably anticipate that (i) no further services will be performed after a certain date by the Participant as an employee for the Affiliated Group or (ii) if services are to be performed after a certain date by the Participant as an independent contractor for the Affiliated Group, the level of bona fide services he would perform after such date as an independent contractor would permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Affiliated Group if he has been providing services to the Affiliated Group less than 36 months); in either foregoing case as within the meaning of Treasury Regulation Section 1.409A-1(h)(1)(ii).

2.34 Sub-Account means a separate sub-account maintained within the Account of a Participant, as adjusted for its earnings, losses and expenses thereunder, for each of the following Plan contributions and amounts thereof, as organized by Plan Year of the Plan contribution (and, for any Plan contribution prior to the Restatement Effective Date, as also organized by the calendar plan year of the 2008 Plan):

(a) Compensation Deferrals Sub-Account, which shall consist of his (i) Compensation Deferral amounts under the Plan and (ii) compensation deferral amounts under the 2008 Plan which are undistributed as of December 31, 2019.

(b) Company Matching Contributions Sub-Account, which shall consist of his (i) Company Matching Contribution amounts under the Plan and (ii) company matching contribution amounts under the 2008 Plan which are undistributed as of December 31, 2019.

(c) Company Discretionary Contributions Sub-Account, which shall consist of his (i) any Company Discretionary Contribution amounts under the Plan, (ii) any company contribution amounts credited to his account under the 2008 Plan (other than matching contributions) which are undistributed as of December 31, 2019 and (iii) any company contribution amounts (including matching contribution amounts) credited to his account under the Pre-2005 Plan before January 1, 2005 which became vested on or after January 1, 2005 under the 2008 Plan and are undistributed as of December 31, 2019.

2.35 Subsequent Payment Election has the meaning as provided in Section 10.4, which is intended to meet the requirements of a "subsequent deferral election" under Treasury Regulation Section 1.409A-2(b).

2.36 Spouse means the person to whom the Participant is legally married under the laws of the state or country in which the marriage originated, even if such marriage is not recognized under the laws of the state or country in which the Participant resides, and which may include an individual of the same sex.

2.37 Termination Distribution means for a Participant a distribution from the Plan based on (i) a Payment Election made under Section 7.2 and (ii) if applicable, a payment election based on his Termination of Employment from under Section 7.5 of sub-accounts under the 2008 Plan which are undistributed as of December 31, 2019.

2.38 Termination of Employment (or any derivation thereof) means that a Participant has terminated employment as an Employee with his Participating Employer and the Affiliated Group, provided that he has also Separated From Service with the Affiliated Group.

2.39 USERRA means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended.

2.40 Valuation Date means the last business day of each calendar month or such other dates as determined by the Plan Administrator.

2.41 Years of Service means the Years of Service of a Participant as defined under Section 9.3.

ARTICLE III
PARTICIPATION

3.1 Participation. Each Eligible Employee or other individual shall become a Participant in the Plan under the provisions of this Article.

3.2 Existing 2008 Plan Participant. Each Eligible Employee or other individual who is a participant in the 2008 Plan and has undistributed benefits thereunder as of December 31, 2019 shall become a Participant in the Plan as of the Restatement Effective Date.

3.3 Compensation Deferrals, Company Matching Contributions. For purposes of Compensation Deferrals and Company Matching Contributions, each Eligible Employee who is designated by the Company (or its delegate) as eligible for the Plan shall become a Participant in the Plan on the following date (as applicable):

(a) Newly Hired Employee/Initial Deferral Election. In the case of a Newly Hired Employee, the date on which he makes a timely Deferral Election under Section 4.2 and delivers a completed Election Agreement (which shall include his Payment Election) to the Plan Administrator within the thirty (30) day period following the date he was designated by the Company as eligible for the Plan under this Section 3.3 and otherwise completes all applicable enrollment and administrative forms required by the Plan Administrator.

(b) Each Employee/Open Enrollment Period. In the case of each Eligible Employee, the date on which he makes a timely Deferral Election under Section 4.3 and delivers a completed Election Agreement (which shall include his Payment Election) to the Plan Administrator within an Open Enrollment Period and completes all applicable enrollment and administrative forms required by the Plan Administrator.

3.4 Company Discretionary Contributions. For purposes of Company Discretionary Contributions, each Eligible Employee who is designated by the Company (or its delegate) as eligible for the Plan and is specifically designated as eligible for a Company Discretionary Contribution shall become a Participant in the Plan on the following date (as applicable):

(a) Newly Hired Employee/Initial Election Agreement. In the case of a Newly Hired Employee, the date on which he delivers a completed Election Agreement (which shall include his Payment Election) to the Plan Administrator within the thirty (30) day period following the date he was designated by the Company as eligible for the Plan under this Section 3.4 and otherwise completes all applicable enrollment and administrative forms required by the Plan Administrator.

(b) Each Employee/Open Enrollment Period. In the case of each Eligible Employee, the date on which he delivers a completed Election Agreement (which shall include his Payment Election) to the Plan Administrator within an Open Enrollment Period and completes all applicable enrollment and administrative forms required by the Plan Administrator.

3.5 Duration of Participation. A Participant shall continue to be a Participant of the Plan until his benefits under the Plan are fully distributed from the Plan. Each Eligible Employee under this Article III shall continue to be eligible for the Plan (and therefore eligible to make a Deferral Election under Article IV) and make Compensation Deferrals thereunder and receive attributable Company Matching Contributions under Section 5.1 and, if so eligible, to receive a Company Discretionary Contribution under Section 5.3, unless and until he incurs an eligibility change under the Plan as provided in Sections 3.6 or 3.7, subject to the provisions thereof.

3.6 Participant Eligibility Change. If a Participant undergoes an employment status or other change which makes him ineligible under the Plan, including but not limited to his ceasing to be an Eligible Employee (which shall also be considered to occur if he ceases to be a Highly Compensated Employee under Section 2.19(i) or (ii)), his transfer of employment to a non-Participating Employer of the Plan but a member of the Affiliated Group, his ceasing to be an Employee but continued employment as an independent contractor with the Affiliated Group (without incurring a Separation from Service) or the Company (or its delegate) hereafter designates him as no longer eligible for the Plan, then the following shall occur:

(a) Current Year Deferral Elections. His current Deferral Elections under Article IV will remain in effect for the Plan Year of such eligibility change (and performance periods which begin in such

Plan Year) and therefore his Compensation Deferrals shall continue thereunder for such Plan Year (and performance periods which begin in such Plan Year).

(b) Cease Matching Contributions. He shall no longer receive attributable Company Matching Contributions under Section 5.1 for such Plan Year (and performance periods which begin in such Plan Year).

(c) Non-Participating Employer. In the case of an employment status change to a non-Participating Employer but member of the Affiliated Group, his current Deferral Elections under Article IV will continue in effect without change as provided in subsection (a) above, but will also apply to his base salary and commissions Compensation paid from his new non-Participating Employer and any eligible bonus or incentive payment Compensation (if at all) under an Eligible Bonus Plan as payable from his new non-Participating Employer. Therefore, in this case, his new Participating Employer shall make any such applicable Compensation Deferrals under Article IV to the Plan.

(d) Deferral Election Suspension Effective Next Year. His eligibility to make a Deferral Election under Section 4.3, and therefore make Compensation Deferrals under Article IV, shall cease with respect to the next following Plan Year (or performance periods which begin in such Plan Year).

(e) Cease Discretionary Contributions. His eligibility to receive any Company Discretionary Contributions under Section 5.3 will cease immediately as of his such eligibility change under the Plan.

(f) Existing Plan Provisions. His Sub-Accounts under the Plan shall continue to be subject to all of the terms and conditions of the Plan for as long as he remains a Participant, including his Payment Elections under his Election Agreements.

3.7 Transfer To DIP Plan. Notwithstanding Section 3.6 or any other provision of the Plan, if a Participant undergoes an employment status or other change which makes him ineligible under the Plan, but he immediately becomes an eligible employee under the DIP Plan and is designated by the Company (or its delegate) as eligible for the DIP Plan, then the following shall occur:

(a) Current Year Deferral Elections. His current Deferral Elections under Article IV shall remain in effect for the Plan Year of such eligibility change (and performance periods which begin in such Plan Year) and therefore his Compensation Deferrals shall continue thereunder for such Plan Year (and performance periods which begin in such Plan Year), but such Compensation Deferrals shall instead be made to and under the DIP Plan. For purposes hereof, his foregoing Compensation Deferrals to be made under the DIP Plan shall continue to be based on the definition of Compensation under the Plan (with appropriate conforming changes regarding his employment status change thereunder).

(b) Cease Matching Contributions. He shall no longer receive any further Company Matching Contributions under Section 5.1 for such Plan Year.

(c) Deferral Election Suspension Effective Next Year. His eligibility to make a Deferral Election under Section 4.3, and therefore make Compensation Deferrals under Article IV, shall cease with respect to the next following Plan Year (or performance periods which begin in such Plan Year).

(d) Cease Discretionary Contributions. His eligibility to receive any Company Discretionary Contributions under Section 5.3 shall cease immediately as of his such eligibility change under the Plan.

(e) Existing Plan Provisions. His Sub-Accounts under the Plan shall continue to be subject to all of the terms and conditions of the Plan for as long as he remains a Participant, including his applicable Payment Elections under his Election Agreements.

(f) Plan Payment Elections. His Compensation Deferrals made to the DIP Plan for the current Plan Year as provided under subsection (a) above shall continue to be subject to his applicable Payment Elections under his Election Agreements as in effect under the Plan with respect to such Compensation Deferrals.

3.8 Transfer From DIP Plan. Notwithstanding Section 3.3(b) or any other provision of the Plan, if an Eligible Employee was previously an eligible employee under the DIP Plan and is designated by the Company (or its delegate) as eligible for the Plan, then the following shall occur:

(a) Current Year Deferral Elections Under DIP Plan. His current deferral elections under the DIP Plan will remain in effect for the Plan Year he became an Eligible Employee (and performance periods under the DIP Plan which begin in such Plan Year) and therefore his compensation deferrals under the DIP Plan will continue thereunder for such Plan Year (and performance periods under the DIP Plan which begin in such Plan Year), but such compensation deferrals shall instead be made to and under the Plan as Compensation Deferrals under the Plan. For purposes hereof, his foregoing Compensation Deferrals to be made under the Plan shall continue to be based on the definition of compensation under the DIP Plan (with appropriate conforming changes regarding his employment status change hereunder).

(b) No Matching Contribution. He shall not receive Company Matching Contributions under Section 5.1 for the Plan Year he became an Eligible Employee.

(c) Deferral Election Next Year. His eligibility to make a Deferral Election under Section 4.3, and therefore make Compensation Deferrals under Article IV, shall commence the next following Plan Year (or performance periods which begin in such Plan Year).

(d) No Discretionary Contributions. He shall not eligible to receive any Company Discretionary Contributions under Section 5.3 for the Plan Year he became an Eligible Employee.

(e) Existing DIP Plan Provisions. His sub-accounts under the DIP Plan will continue to be subject to all of the terms and conditions of the DIP Plan for as long as he remains a participant under the DIP Plan, including his applicable payment elections under his election agreements under the DIP Plan.

(f) DIP Plan Payment Elections. His Compensation Deferrals made to the Plan for the current Plan Year as provided under subsection (a) above shall continue to be subject to his applicable payment elections under his election agreements as in effect under the DIP Plan with respect to such Compensation Deferrals.

ARTICLE IV
DEFERRAL ELECTIONS

4.1 Deferral Elections. An Eligible Employee who is eligible to participate in the Plan under Section 3.3 may make a Deferral Election to defer a portion of his Compensation under the Plan, to be held as Compensation Deferrals under the Plan, under the provisions of this Article. An existing deferral election made by a Participant under the 2008 Plan also shall apply to the Plan, as so provided under this Article.

4.2 Newly Hired Employees/Initial Deferral Election. A Newly Hired Employee may make a Deferral Election of his Compensation as provided in subsection (a) below during the thirty (30) day period following the date he was designated by the Company as eligible for the Plan under Section 3.3, by delivering a completed Election Agreement under Section 6.2 to the Plan Administrator by the last day of such 30 day election period, and which shall continue in effect thereafter as provided in subsection (b) below.

(a) Base Salary Compensation. The Deferral Election may be any whole percentage of at least 2% and not more than 25% (or such other percentages specified by the Plan Administrator) of his base salary Compensation payable by his Participating Employer for each payroll period in the Plan Year which begins after the date his Election Agreement is delivered to the Plan Administrator (but excluding the payroll period which includes the December 31st of such Plan Year and for which the pay date occurs in the next Plan Year).

(b) Duration (Evergreen). The foregoing Deferral Election of a Participant shall remain in effect with respect to his base salary Compensation for future Plan Years (on an evergreen basis), until he makes a Deferral Election under Section 4.3 or his Deferral Election is cancelled under Section 4.6 or suspended upon his eligibility change under Section 3.6(d) or Section 3.7(c).

4.3 All Employees/Open Enrollment Period. Each Eligible Employee may make a Deferral Election of his Compensation as provided in subsections (a) and (b) below during the Open Enrollment Period before a Plan Year, by delivering a completed Election Agreement under Section 6.3 to the Plan Administrator by the last day of such Open Enrollment Period, and which shall continue in effect thereafter as provided in subsection (c) below.

(a) Base Salary Compensation. The Deferral Election may be any whole percentage of at least 2% and not more than 25% (or such other percentages specified by the Plan Administrator) of his base salary Compensation payable by his Participating Employer for (i) each payroll period which begins in the Plan Year after the Open Enrollment Period (but excluding the payroll period which includes the December 31st of such Plan Year and for which the pay date occurs in the next Plan Year) and (ii) the payroll period which begins in the preceding Plan Year and contains the December 31st of such preceding Plan Year but for which the pay date occurs within the Plan Year after the Open Enrollment Period.

(b) Other Compensation. The Deferral Election may be any whole percentage (as a single election) of at least 2% and not more than 50% (or such other percentages specified by the Plan Administrator) of the following amounts:

(1) Commission Compensation. His commissions which would be paid to him during the Plan Year after the Open Enrollment Period (or Plan Years thereafter) from sales (whenever made) for which the customer remits payments to the Company in the Plan Year after the Open Enrollment Period (on the basis that the commissions shall be treated as earned in the Plan Year in which the customer remits payment to the Company or a Participating Employer).

(2) Eligible Bonus and Incentive Payment Compensation. His eligible bonus and/or incentive payment Compensation under an Eligible Bonus Plan attributable to a performance period which begins in the Plan Year after the Open Enrollment Period, regardless of when the eligible bonus and/or incentive payments would be paid to him.

(c) Duration (Evergreen). The foregoing Deferral Election of a Participant shall remain in effect with respect to his base salary Compensation and/or commission, eligible bonus and incentive payment Compensation for future Plan Years and performance periods beginning in any such Plan Year (on an evergreen basis), until he makes a new Deferral Election under this Section 4.3 (and has become irrevocable under his Election Agreement under Section 6.3 therefor) or his Deferral Election is cancelled under Section 4.6 or suspended upon his eligibility change under Section 3.6(d) or Section 3.7(c).

4.4 Deferral Elections Under 2008 Plan (Evergreen). A deferral election made by a Participant under the 2008 Plan of his base salary Compensation and commission, eligible bonus and/or incentive payment Compensation which is still in effect under the 2008 Plan as of December 31, 2019 shall be treated as a Deferral Election under the Plan and shall continue to apply under the Plan to his base salary Compensation and commission, eligible bonus and/or incentive payment Compensation under Section 4.3 for the Plan Year beginning on the Restatement Effective Date and future Plan Years and any performance period beginning in any such Plan Year (on an evergreen basis), unless and until he makes a new Deferral Election under Section 4.3.

4.5 Compensation Deferrals Sub-Account. The Compensation Deferrals from a Deferral Election of a Participant under this Article shall be credited to his Compensation Deferrals Sub-Account as of the dates determined by the Plan Administrator.

4.6 Cancellation Upon Disability or Hardship. The Plan Administrator may, in its sole discretion, cancel the Deferral Election(s) of a Participant with respect to all or a portion of his base salary Compensation and/or or commission, eligible bonus and/or incentive payment Compensation for a Plan Year or performance period, if and as the result of his disability or other hardship, to the extent such cancellation does not result in an acceleration of his Sub-Accounts in violation of Code Section 409A.

4.7 Previous Plan Participation. Notwithstanding any provision of this Article IV or the Plan, in the event an Eligible Employee has previously participated in the Plan or another deferred compensation plan of the Affiliated Group, then he may make a Deferral Election only under Section 4.3 during an Open Enrollment Period. For this purpose, an

Eligible Employee is treated as not having previously participated in the Plan, if (i) as of the date he is designated as eligible to participate in the Plan, he is not eligible to participate in an aggregated plan (as defined herein) and (ii) if he previously participated in the Plan or an aggregated plan, he either (I) received payments of all amounts previously deferred under the Plan and any aggregated plan as of the date he is designated as eligible to participate in the Plan under Article III, and on or before the last payment was not eligible to continue participation in the Plan or plans for periods after the last payment or (II) regardless of whether he has received full payment of all amounts deferred under the Plan or an aggregated plan, he ceased to be eligible to participate in the Plan or an aggregated plan (other than the accrual of earnings) for a period of at least 24 consecutive months prior to the date he is again designated as eligible to participate in the Plan under Article III. For purposes of this Section 4.7, an "aggregated plan" is a plan that is required to be aggregated with the Plan under Code Section 409A, and the portion of the Plan consisting of deferrals of Compensation, shall not be aggregated with the portion of the Plan relating to credits of company contributions.

ARTICLE V
EMPLOYER CONTRIBUTIONS

5.1 Company Matching Contributions. For each Plan Year beginning on and after the Restatement Effective Date and during which a Participant makes a Deferral Election under Article IV for Compensation Deferrals under the Plan, the Company may credit his Company Matching Contribution Sub-Account with the sum of the following amounts:

(a) Base Salary Compensation: 50% of the first 10% of his base salary Compensation for a payroll period of the Plan Year made as Compensation Deferrals to the Plan (for a net 5% match); and

(b) Commission, Eligible Bonus and Incentive Payment Compensation: 50% of the first 10% of his commission Compensation for a Plan Year and his eligible bonus and/or incentive payment Compensation for a performance period beginning in the Plan Year made as Compensation Deferrals to the Plan (for a net 5% match).

5.2 Company Matching Contributions Sub-Account. The Company Matching Contribution amounts of a Participant under Section 5.1 shall be credited to his Company Matching Contributions Sub-Account as of the dates determined by the Plan Administrator.

5.3 Company Discretionary Contributions. For any Plan Year beginning on and after the Restatement Effective Date, the Company may in its discretion, with respect to any particular Participant or group of Participants who are specifically designated as eligible for Company Discretionary Contributions under Section 3.4, credit his Company Discretionary Contributions Sub-Account with any amount as determined by the Company (or its delegate), based on contribution allocation and participant eligibility criteria established by the Company. However, if any such amount is determined by reference to the Compensation of the Participant (as such amounts of Compensation are specified by the Company or its delegate), then the following shall apply:

(a) Base Salary Compensation. If the amount is based on his base salary Compensation, as applicable to a Participant who is a Newly Hired Employee or any other Eligible Employee, the amount shall be based on that portion of his base salary Compensation paid to him for his services performed after the date he delivers his Election Agreement to the Plan Administrator under Section 6.2 or 6.3 (and which contains his Payment Election with respect to the Company Discretionary Contribution).

(b) Commission Compensation. If the amount is based on his commission Compensation, which shall be applicable to a Participant who is an Eligible Employee but not a Newly Hired Employee, the amount shall be based on that portion of his commission Compensation which would be paid to him during the Plan Year after the Open Enrollment Period during which he delivers his Election Agreement to the Plan Administrator under Section 6.3 (and which contains his Payment Election with respect to the Company Discretionary Contribution) (or Plan Years thereafter) from sales (whenever made) for which the customer remits payments to the Company in the Plan Year after the Open Enrollment Period (on the basis that the commissions shall be treated as earned in the Plan Year in which the customer remits payment to the Company or a Participating Employer).

(c) Eligible Bonus and/or Incentive Payment Compensation. If the amount is based on his eligible bonus and/or incentive payment Compensation, which shall be applicable to a Participant who is an

Eligible Employee but not a Newly Hired Employee, the amount shall be based on his eligible bonus and/or incentive payment Compensation under an Eligible Bonus Plan attributable to a performance period which begins in the Plan Year after the Open Enrollment Period during which he delivers his Election Agreement to the Plan Administrator under Section 6.3 (and which contains his Payment Election with respect to the Company Discretionary Contribution), regardless of when the eligible bonus and/or incentive payments would be paid to him.

5.4 Company Discretionary Contributions Sub-Account. The Company Discretionary Contribution amounts of a Participant under Section 5.3 shall be credited to his Company Discretionary Contributions Sub-Account as of the dates determined by the Plan Administrator.

ARTICLE VI
ELECTION AGREEMENTS

6.1 Election Agreements. A Participant who makes a Deferral Election under Article IV must make an Election Agreement under the Plan under the provisions of this Article. An existing election agreement made by a Participant under the 2008 Plan also shall apply to the Plan, as so provided under this Article.

6.2 Newly Hired Employees/Initial Deferral Election. The Election Agreement of a Newly Hired Employee shall (i) contain his Deferral Election under Section 4.2 and set forth the elected percentage of his base salary Compensation, to be held as Compensation Deferrals under the Plan, (ii) include a Payment Election under Section 7.2 or 7.3 for the time and form of payment of his Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions, (iii) become irrevocable when made by him, (iv) apply his Deferral Election under Section 4.2 to his future base salary Compensation (on an evergreen basis), as so provided in Section 4.2(b) and (v) apply his Payment Election under Section 7.2 to his future Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions (on an evergreen basis), as so provided in Section 7.2(c).

6.3 All Employees/Open Enrollment Period. The Election Agreement of each other Eligible Employee shall (i) contain his Deferral Election under Section 4.3 and set forth the elected percentages of his base salary Compensation and/or commission, eligible bonus and incentive payment Compensation, to held as Compensation Deferrals under the Plan, (ii) include a Payment Election under Section 7.2 or 7.3 for the time and form of payment of his Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions, (iii) become irrevocable at the end of the Open Enrollment Period during which his Deferral Election is made (or, if permitted by the Plan Administrator, on the December 31 immediately preceding the Plan Year), (iv) apply his Deferral Election under Section 4.3 to his future base salary Compensation and/or commission, eligible bonus and incentive payment Compensation (on an evergreen basis), as so provided in Section 4.3(c) and (v) apply his Payment Election under Section 7.2 to his future Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions (on an evergreen basis), as so provided in Section 7.2(c).

6.4 Election Agreements Under 2008 Plan (Evergreen). An election agreement made by a Participant under the 2008 Plan which is still in effect under the 2008 Plan as of December 31, 2019 shall continue to apply under the Plan for the Plan Year beginning on the Restatement Effective Date and future Plan Years (on an evergreen basis) as provided under Section 4.4 regarding his Deferral Elections and under Section 7.5 regarding his Payment Elections of his Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions, unless and until he makes a new Election Agreement under Section 6.3. Nothing in the Plan shall change the time and form of payment of any Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions or earnings thereon under the 2008 Plan. Further, nothing in the Plan shall result in a material modification of any such amounts under the 2008 Plan for purposes of Code Section 162(m) and the grandfather provision for amounts subject to a written binding contract in effect as of November 2, 2017 under Section 13601(e)(2) of the Tax Cuts and Jobs Act of 2017.

ARTICLE VII
PAYMENT ELECTIONS

7.1 Payment Elections. A Participant who makes a Deferral Election under Article IV or is eligible for a Company Discretionary Contribution under Article V must make a Payment Election under the provisions of this Article, to be included in his Election Agreement under Article VI and which shall specify the time and form of payment from the Plan of his Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions. An existing payment election made by a Participant under the 2008 Plan also shall apply to the Plan, as so provided under this Article.

7.2 Termination Distribution. A Participant may make a Payment Election under which all of his Compensation Deferrals and attributable Company Matching Contributions (and all amounts held under their respective Sub-Accounts) resulting from his Deferral Election(s) for a Plan Year (or performance periods beginning in such Plan Year) and any Company Discretionary Contributions for a Plan Year (or performance periods beginning in such Plan Year) shall be payable to him after his Termination of Employment at the time and form of payment under subsection (a) and (b) below as he may elect in his Election Agreement (and as both specified in his Payment Election) and which shall continue in effect thereafter as provided in subsection (c) below.

(a) Time of Payment. The Payment Election may include a time of payment of either of the following times:

(1) Termination: His Termination of Employment; or

(2) Termination/Specified Age: The later of (i) his Termination of Employment or (ii) attainment of age 45, 50, 55, 60 or 65 (as specified in the Payment Election).

(b) Form of Payment. The Payment Election may include a form of payment of one of the following forms:

(1) Lump Sum: A lump sum payment;

(2) Monthly Installments: Monthly installment payments over a period of 5, 10, 15 or 20 years (as specified in the Payment Election); or

(3) Combination: A combination of the foregoing payment forms.

(c) Duration (Evergreen). A Payment Election of a Participant made under this Section 7.2 shall remain in effect with respect to all of his Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions for future Plan Years (and performance periods beginning in any such Plan Year) (on an evergreen basis), until he makes a new Payment Election under this Section 7.2 or Section 7.3 during a subsequent Open Enrollment Period for the next Plan Year (and any performance periods beginning in such Plan Year) with respect to all of his Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions for a Plan Year (and performance periods beginning in such Plan Year).

7.3 Scheduled In-Service Distribution. For any particular Plan Year, a Participant may make a Payment Election under which all of his Compensation Deferrals (and all amounts held under its Sub-Account) resulting from his Deferral Election(s) for such Plan Year (or performance periods beginning in such Plan Year) shall be payable to him as a Scheduled In-Service Distribution at the time and form of payment under subsection (a), (b) and (c) below as he may elect in his Election Agreement (and as specified in his Payment Election) and which shall be in effect for the period as provided in subsection (d) below and otherwise subject to the provisions of subsections (e) and (f) below.

(a) Time of Payment. The Payment Election shall include a time of payment of the following time: The February 1st of the year designated by him, provided such designated year is at least two years after the date his Election Agreement which contains the date his Payment Election becomes irrevocable under Section 6.2 or 6.3 (as applicable).

(b) Form of Payment. The Payment Election may include a form of payment of one of the following forms:

(1) Lump Sum: A lump sum payment; or

(2) Annual Installments: Annual installment payments over a period of 2, 3, 4 or 5 years (as specified in the Payment Election).

(c) Earlier Termination of Employment. Notwithstanding subsection (a) and (b) above, if the date of his Termination of Employment precedes the February 1st date specified in his Payment Election under subsection (a) above, then the time and form of payment of his Compensation Deferrals subject to the Payment Election therefor instead shall be the time and form of payment specified by him in his Payment Election of his Matching Contributions and any Company Discretionary Contributions for the same Plan Year (and performance periods beginning in any such Plan Year) under Section 7.2 (as made pursuant to subsection (e) below).

(d) Duration (Plan Year Only). A Payment Election of a Participant made under this Section 7.3 shall apply only to the Plan Year (or performance periods beginning in such Plan Year) for which the Payment Election was made and, therefore, will not remain in effect for his Compensation Deferrals for future Plan Years (and performance periods beginning in any such Plan Year).

(e) Same Plan Year Matching, Discretionary Contributions. If a Participant makes a Payment Election under this Section 7.3 with respect to his Compensation Deferrals, he shall make a separate Payment Election under Section 7.2 for their attributable Company Matching Contributions and any Company Discretionary Contributions for the same Plan Year (and performance periods beginning in any such Plan Year).

(f) Subsequent Plan Years. If a Participant who makes a Payment Election under this Section 7.3 does not make a new Payment Election under Section 7.2 or this Section 7.3 during a subsequent Open Enrollment Period with respect to his Compensation Deferrals for the next following Plan Year (and any performance periods beginning in such Plan Year), then his separate Payment Election which he made under Section 7.2 for the attributable Company Matching Contributions of Compensation Deferrals which were the subject of a Payment Election under this Section 7.3 (as made pursuant to subsection (e) above) shall apply to all of his Compensation Deferrals for such next following Plan Years (and performance periods beginning in any such Plan Year) and attributable Company Matching Contributions and any Company Discretionary Contributions for such next following Plan Years (and performance periods beginning in any such Plan Year).

7.4 Default Payment Elections. If a Participant does not make a Payment Election in his Election Agreement under Section 7.2 or 7.3, his Compensation Deferrals and attributable Company Matching Contributions and any Company Discretionary Contributions for the Plan Year (and performance periods beginning in such Plan Year) will be distributed in a lump sum payment after his Termination of Employment. In addition, if a Participant makes a Payment Election (i) as a Termination Distribution under Section 7.2 of monthly installment payments but does not specify the installment payment period, the monthly installments will be made over a 20 year period or (ii) as a Scheduled In-Service Distribution under Section 7.3 of annual installment payments but does not specify the installment payment period, the annual installments will be made over a 5 year period.

7.5 Payment Elections Under 2008 Plan (Evergreen). A payment election made by a Participant under the 2008 Plan for the time and form of payment of his compensation deferrals and attributable company matching contributions under the 2008 Plan and which is still in effect thereunder as of December 31, 2019 shall continue to apply under the Plan to his Compensation Deferrals and attributable Company Matching Contributions for the Plan Year beginning on the Restatement Effective Date (and any performance periods which begin in such Plan Year) and future Plan Years (and performance periods beginning in any such Plan Year) (on an evergreen basis), unless and until he makes a new Payment Election under Section 7.2 or 7.3. A Participant must make at least an initial Payment Election under Section 7.2 for any Company Discretionary Contributions for the Plan Year beginning on the Restatement Effective Date (and any performance periods which begin in such Plan Year). Finally, the payment elections made by a Participant under the 2008 Plan for the time and form of payment of his compensation deferrals, company matching contributions and any company contributions under the 2008 Plan as held in his Sub-Accounts shall continue to apply to such amounts as now held under the Plan in the Sub-Accounts for the contribution effective on and after the Restatement Effective Date. The payment election of a Participant for a scheduled in-service distribution under the 2008 Plan shall not continue under the Plan as a Payment Election under the Plan with respect to Compensation Deferrals and attributable Company Matching Contributions or any Company Discretionary Contributions for the Plan Years beginning on and after the Restatement Effective Date, but the payment election of any such scheduled in-service distribution for any Sub-Account prior to the Restatement Effective Date shall continue to apply for the payment of such Sub-Accounts under the Plan.

7.6 Installment Payment Calculation. Installment payments are calculated and recalculated monthly (or annually) by multiplying the current applicable Sub-Account balance for a Plan Year by a fraction, with the (i) numerator of one and (ii) denominator as the remaining number of monthly (or annual) payments to be made to the Participant (including the payment being made). However, with respect to a Termination Distribution, the aggregate monthly installment payment amount of the Sub-Accounts which are payable at the same time and form of payment of monthly installments shall be no less than $300, which may effectively reduce the actual annual payment period for monthly installment payments elected by the Participant. All installment payments will stop when the value of the Sub-Account subject to the installment payments is reduced to zero.

7.7 Subsequent Payment Election. Once an Election Agreement becomes irrevocable under Section 6.2 or 6.3, a Participant may modify his Payment Election of a Sub-Account only in accordance with a Subsequent Payment Election (as so provided in Section 10.4).

ARTICLE VIII
ACCOUNTS

8.1 Participant Accounts. The Plan Administrator shall establish an Account in the name of each Participant which will contain Sub-Accounts to which amounts shall be allocated on the basis of the time and form of payment of such amounts within each such Sub-Account. A Participant's Account and Sub-Accounts shall be maintained by the Plan Administrator in accordance with the terms of the Plan until all of his Sub-Accounts have been distributed to him or his Beneficiary in accordance with the terms of the Plan.

8.2 Investment Return. Each Sub-Account shall be deemed to bear an investment return on all existing amounts and future contributions as if the Sub-Account were invested in the manner elected by the Participant from a list of investment funds determined by the Plan Administrator, from the date of crediting, and income and losses thereon, through the date of complete distribution of the Sub-Account. A Participant may change his investment election as of the dates specified by the Plan Administrator in accordance with the procedures specified by the Plan Administrator. The Company and Participating Employers shall have no obligation to actually invest funds pursuant to a Participant's investment elections and, if the Company or Participating Employer does invest funds, a Participant shall have no rights to any invested assets other than as a general unsecured creditor of the Company or Participating Employer. The Plan Administrator will select a default investment fund for each Participant who does not elect an investment fund for his Account.

8.3 Valuation of Sub-Accounts. The value of a Sub-Account of a Participant as of any Valuation Date shall equal the value of his Sub-Account on the previous Valuation Date, plus the amounts credited to such Sub-Account, less any payments debited to such Sub-Account, plus the investment gain or loss deemed to be earned on such Sub-Account in accordance with Section 8.2, through the Valuation Date.

ARTICLE IX
VESTING

9.1 Compensation Deferrals. A Participant shall at all times have a fully vested and nonforfeitable interest in all amounts in his Compensation Deferrals Sub-Account.

9.2 Company Contributions. A Participant shall have a fully vested and nonforfeitable interest in all amounts in his Company Matching Contributions and Company Discretionary Contributions Sub-Accounts upon either of the following:

(a) Three Years of Service: His completion of three (3) Years of Service; or

(b) Death During Employment: His death prior to his Termination of Employment, regardless of his Years of Service.

However, the Company reserves the right to make any particular Participant fully vested in some or all of his Company Matching Contributions and Company Discretionary Contributions Sub-Accounts, provided that no change occurs in the time and form of payment of such Sub-Accounts.

9.3 Years of Service. A Year of Service of a Participant is each twelve months of his continuous service (as defined below) with the Affiliated Group, based on the following:

(a) Monthly Crediting. A Participant will earn one-twelfth (1/12th) of a Year of Service for each month of his continuous service, treating each calendar month or portion of a calendar month in which he is credited with continuous service as 1/12th of a Year of Service.

(b) Reemployment Within 12 Months. Notwithstanding the foregoing, if a Participant who has Terminated Employment is reemployed with the Affiliated Group within 12 consecutive months of the date of his Termination of Employment (or, if earlier, beginning on the date of his absence from service with the Affiliated Group), then he nevertheless shall be treated as if he were in continuous service for the period between the date of his Termination of Employment and reemployment with the Affiliated Group.

(c) Continuous Service. The "continuous service" of a Participant shall begin on his employment commencement date or any reemployment commencement date as an Employee of the Affiliated Group and the date of his Termination of Employment that next follows such employment commencement date or reemployment commencement date.

(d) Employment Dates. The employment commencement date of a Participant means the date he first completes an hour of service as an Employee of the Affiliated Group. An hour of service is as an hour for which he is paid, or entitled to payment, for the performance of duties for the Affiliated Group. The reemployment commencement date of a Participant means the first date following the date of his Termination of Employment on which he again completes an hour of service.

(e) Uniformed Services. The determination of the Years of Service of a Participant shall be subject to applicable requirements of USERRA and related laws.

9.4 Death During Qualified Military Service. For purposes of determining whether a Participant is 100% vested under Section 9.2(b), a Participant who is absent from employment as an Employee because of military service and who dies while performing qualified military service (as described in USERRA) shall be treated as having returned to employment with a Participating Employer or other member of the Affiliated Group immediately prior to his death and as having died while employed by a Participating Employer or Affiliated Group member.

9.5 Non-Vested Termination. Upon the Termination of Employment of a Participant who is not fully vested in his Company Matching Contribution and Company Discretionary Contribution Sub-Accounts, the non-vested portion of such Sub-Accounts shall be immediately forfeited and his Years of Service shall be immediately disregarded under the Plan, subject to reinstatement under Section 11.5.

ARTICLE X
PLAN DISTRIBUTIONS

10.1 Plan Distributions. The Plan shall distribute the vested Sub-Accounts of a Participant pursuant to the terms of his Payment Election for the particular Sub-Account, subject to the provisions of this Article.

10.2 Termination Distribution (or other Termination of Employment). Upon the Termination of Employment of a Participant, the Plan shall distribute to him the vested portion of a Sub-Account based on the time and form of payment specified in his Payment Election for the Sub-Account as a Termination Distribution under Section 7.2 or 7.5, or as a Scheduled In-Service Distribution under Section 7.3 or 7.5 and which is being made as a result of his Termination of Employment, subject to the following:

(a) Key Employee. If the Participant is a Key Employee as of the date of his Termination of Employment and Separation from Service, then a lump sum payment or monthly installments payments (as applicable) of his applicable Sub-Accounts shall not be made or commence to him before the first business day of the seventh month following the date of his Termination of Employment and Separation from Service.

(b) Small Benefits. Notwithstanding the Payment Elections of a Participant, if at the time of his Termination of Employment his entire Account as of the most recent Valuation Date is less than $10,000, then his entire Account shall be distributed to him in a lump sum payment after the date of his Termination of Employment, subject to subsection (a) above if the Participant is a Key Employee. However, a payment shall be made under this subsection (b) only if (i) the payment results in the termination and liquidation of the entirety of his interest under the Plan and similar limited cashout payments are made to him after his Termination of Employment under all agreements, methods, programs or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Treasury Regulation Section 1.409A-1(c)(2) as an account balance plan of the Affiliated Group and (ii) the total of all such payments are not greater than the applicable dollar amount under Code Section 402(g)(1)(B) for the Plan Year which includes the date of his Termination of Employment. The provisions of this subsection (b) shall be applied only at the time of his Termination of Employment and, therefore, shall not apply (for example) at the later payment or commencement of payment of his Sub-Accounts or if he is receiving monthly installment payments and value of all his Sub-Accounts under the Plan later becomes less than $10,000.

(c) Minimum Monthly Installments. Pursuant to Section 7.6, the minimum monthly installment payment under the Plan shall be $300 (except for the final payment).

(d) Subsequent Payment Election. If a Participant makes a timely Subsequent Payment Election under Section 10.4, his applicable Sub-Account shall be distributed pursuant to the terms of the Subsequent Payment Election, but nevertheless subject to the six month delay provision for Key Employees under subsection (a) above.

(e) Death of Participant. Upon the death of a Participant, his Sub-Accounts shall be paid at the time and form of payment provided under Section 10.5, which shall apply notwithstanding his Payment Election for the Sub-Accounts and regardless of whether he is a Key Employee or made a Subsequent Payment Election under Section 10.4.

(f) Actual Payment or Commencement. The Sub-Account of a Participant which becomes payable under this Section shall be paid in a lump sum payment or commence in monthly installment payments (as applicable) to him during the 60-day period that begins on the first business day of the month following the 30th day after the date of the distribution event giving rise to the payment of the Sub-Account (i.e., as consisting of the date of his Termination of Employment or attainment of a specified age, as applicable, as may be provided under his Payment Election for the Sub-Account). However, in the case of a Key Employee under subsection (a) above, the lump sum payment or monthly installment payments shall be paid or commence on the first business day of the seventh month following his Separation from Service, if such date is later than the first day of the foregoing 60-day period.

10.3 Scheduled In-Service Distribution (other than at Termination of Employment). Upon the applicable February 1st date of a Participant who made a Payment Election under Section 7.3 to receive a Scheduled In-Service Distribution which is not being made as a result of his Termination of Employment (pursuant to subsection (c) thereof), the Plan shall distribute to him his Compensation Deferral Sub-Account based on the time and form of payment specified in his Payment Election for the Compensation Deferral Sub-Account as a Scheduled In-Service Distribution under Section 7.3, subject to the following:

(a) Subsequent Payment Election. If a Participant makes a timely Subsequent Payment Election under Section 10.4, his applicable Compensation Deferral Sub-Account shall be distributed pursuant to the terms of the Subsequent Payment Election.

(b) Death of Participant. Upon the death of a Participant, his Sub-Accounts shall be paid at the time and form of payment provided under Section 10.5, notwithstanding his Payment Election for the Compensation Deferral Sub-Account (or, if applicable, under a Subsequent Payment Election he may have made under Section 10.4 for such Sub-Account).

(c) Actual Payment or Commencement. The Sub-Accounts of a Participant which become payable under this Section shall be paid in a lump sum payment or commence in annual installment payments (as applicable) to him during the 60-day period that begins on the first business day of the month following the 30th day after the February 1st date giving rise to the payment of the Compensation Deferral Sub-Account as a Scheduled In-Service Distribution, which shall apply regardless of whether the Participant is a Key Employee.

The foregoing provisions of this Section 10.3 also shall separately apply to a Scheduled In-Service Distribution of a Participant under Section 7.5 of any vested Company Matching Contribution Sub-Accounts or vested Company Discretionary Contribution Sub-Accounts from under the 2008 Plan which are subject to the Scheduled In-Service Distribution and which are not being made as a result of his Termination of Employment (pursuant to payment election terms thereof).

10.4 Subsequent Payment Election. Notwithstanding the terms of a Payment Election of a Participant for a Termination Distribution or a Scheduled In-Service Distribution of any particular Sub-Account, a Participant may change his Payment Election therefor by making a Subsequent Payment Election with respect to the Sub-Account, subject to the following:

(a) Applicable Sub-Account, Permissible Elections. The Subsequent Payment Election by a Participant may apply to any particular Sub-Account of the Participant, but shall apply to the entire amount thereof. A Participant may make no more than two Subsequent Payment Elections with respect to an applicable Sub-Account. A Participant who made a Payment Election for a Termination Distribution of a Sub-Account may not make a Subsequent Payment Election to a time and form of payment applicable for a Scheduled In-Service Distribution for the Sub-Account (or vice versa).

(b) Advance 12-Month Election. The Participant must make the Subsequent Payment Election and deliver it to the Plan Administrator at least twelve months before the first day of the month that the payment or commencement of his applicable Sub-Account would otherwise be paid in a lump sum payment or commence in installment payments, determined without regard to the six month delay under Section 10.2(a) and (f) if the Participant is or may become a Key Employee.

(c) Plan Administrator Acceptance, Election Irrevocability. The Subsequent Payment Election of a Participant may not take effect until at least twelve (12) months after the date accepted by the Plan Administrator. The Subsequent Payment Election most recently accepted by the Plan Administrator and that satisfies the requirements of this Section 10.4 shall govern the payout of his applicable Sub-Account. A Subsequent Payment Election of a Participant with respect to an applicable Sub-Account shall become irrevocable when received by the Plan Administrator.

(d) Defer Time of Payment. The Participant must elect to defer the time of payment of his applicable Sub-Account in the following respects (as applicable):

(1) Termination Distribution (Termination only). If the time of payment of the applicable Sub-Account to be made as a Termination Distribution is based solely on his Termination of Employment (such as under the Plan in Section 7.2(a)(1)), then he must elect a new time of payment for the Sub-Account of either of the following:

(A) The fifth anniversary of the first business day of the month that the Sub-Account would otherwise have been paid or commenced under the Plan on account of his Termination of Employment under Section 10.2.

(B) The later of (i) the date specified in subparagraph (A) above or (ii) the first business day of the month after his attainment of age 45, 50, 55, 60 or 65 (as specified in his Subsequent Payment Election).

(2) Termination Distribution (Termination/Specified Age). If the time of payment of the applicable Sub-Account to be made as a Termination Distribution is based on the later of his Termination of Employment or a specified age (such as under the Plan in Section 7.2(a)(2)) but other than age 65, then he must elect a new time of payment for the Sub-Account of either of the following:

(A) The later of (i) the fifth anniversary of the first business day of the month that the Sub-Account would otherwise have been paid or commenced under the Plan on account of his Termination of Employment under Section 10.2 or (ii) the fifth anniversary of the first business day of the month that the Sub-Account would otherwise have been paid or commenced under the Plan on account of his attainment of the specified age in his Payment Election under Section 10.2.

(B) The later of (i) the date specified in subparagraph (A) above or (ii) the first business day of the month after his attainment of age 45, 50, 55, 60 or 65 (as specified in his Subsequent Payment Election). (A Participant who had elected a time of payment of a Sub-Account of the later of his Termination of Employment or age 65, therefore, cannot make a Subsequent Payment Election with respect to the Sub-Account.)

(3) Scheduled In-Service Distribution. If an applicable Sub-Account is to be made as a Scheduled In-Service Distribution, then he must elect a new time of payment of a date which is no sooner than the earlier of (i) the fifth anniversary of the first business day of the month that the Sub-Account would otherwise have been paid or commenced on account of reaching the February 1st date under Section 10.3 or (ii) the first business day of the month that the Sub-Account would otherwise have been paid or commenced on account of his Termination of Employment under the Plan under Section 10.2.

However, the time of payment as elected by the Participant under this subsection (d) shall in any event be subject to the six month delay provision for Key Employees under Section 10.2(a) and (f).

(e) Form of Payment. The Participant may change the form of payment of his applicable Sub-Account to another available form of payment (i) with respect to a Termination Distribution, as available under Section 7.2(b) (e.g., from an original form of payment under his Payment Election of a lump sum payment to monthly installment payments, or vice versa) or (ii) with respect to a Scheduled In-Service Distribution, as available under Section 7.3(b) (e.g., from an original form of payment under his Payment Election of annual installment payments to a lump sum payment, or vice versa).

(f) Participant Death. In the event of the death of the Participant, Section 10.5 shall control the time and form of payment of an applicable Sub-Account for which he made a Subsequent Payment Election. Further, a Beneficiary may not make a Subsequent Payment Election.

(g) No Acceleration. The Plan Administrator shall disregard any Subsequent Payment Election by a Participant to the extent such election would result in an acceleration of the time or schedule of any payment or amount scheduled to be paid under the Plan within the meaning of Code Section 409A.

(h) Actual Payment or Commencement. An applicable Sub-Account for which a Participant makes a Subsequent Payment Election shall be paid in a lump sum payment or commence in monthly installment payments (as applicable) to him during the 60-day period that begins on the first business day of the month following the 30th day after the new specified time of payment of the distribution event giving rise to the payment of the Sub-Account (i.e., Termination of Employment, attainment of a specified age or February 1st date, as applicable). However, in the case of a Participant who is a Key Employee as of the date of his Termination of Employment and Separation from Service, the lump sum payment or monthly installment payments as payable on account of a distribution event of his Termination of Employment shall be paid or commence on the first business day of the seventh month following his Termination of Employment, if such date is later than the first day of the foregoing 60-day period.

10.5 Death. Upon the death of a Participant, the Plan shall distribute to his Beneficiary the vested portion of his Sub-Accounts at the time and form of payment as provided in this Section, as follows:

(a) Death Before Payment/Commencement. If the Participant dies before the actual payment or commencement of distribution of a vested Sub-Account from the Plan (determined by reference to the first day of the applicable 60 day period specified under Section 10.2(f), 10.3(c) or 10.4(h) or, if applicable for a Key Employee, the first business day of the seventh month thereunder), then his Beneficiary will receive his such vested Sub-Account at the following time and form of payment:

(1) Immediate Distribution. The Beneficiary shall receive the vested Sub-Account as soon as practicable after the death of the Participant (and therefore without regard to the Participant's elected time of payment of his Sub-Account, including if applicable a deferred time of payment under a Subsequent Payment Election he may have made under Section 10.4).

(2) Same Form of Payment. The Beneficiary shall receive the vested Sub-Account in a lump sum or monthly or annual installment payments (as applicable), based on the Participant's Payment Election of the form of payment of the Sub-Account (including, if applicable, any such new form of payment under a Subsequent Payment Election he may have made under Section 10.4).

(b) Death After Payment/Commencement. If the Participant dies on or after the actual payment or commencement of distribution of a vested Sub-Account from the Plan (as determined in subsection (a) above), then his Beneficiary will continue to receive any remaining payments of such vested Sub-Account at the same time and form of payment as being made to the Participant.

(c) Trust. If the Participant designates a trust as his Beneficiary, the Plan Administrator shall determine the rights of the trustee without responsibility for determining the validity, existence or provisions of the trust. Further, neither the Plan Administrator nor the Company shall have responsibility for the application of sums paid to the trustee or for the discharge of the trust.

(d) Designation by Beneficiary. After the death of the Participant, his Beneficiary may designate his own beneficiary for the payment of the remaining payments of the vested Sub-Accounts in the event of the death of the Beneficiary. In the absence of a beneficiary designation or an effective designation by the Beneficiary, the beneficiary shall be the estate of the Beneficiary.

(e) Actual Payment or Commencement. The vested Sub-Account of a Participant which become payable under subsection (a) above shall be paid in a lump sum payment or commence in monthly installment payments (as applicable) to his Beneficiary during the 60-day period that begins on the first business day of the month following the 30th day after the date of the death of the Participant, which shall apply regardless of whether the Participant is a Key Employee.

ARTICLE XI
REEMPLOYMENT

11.1 Reemployment. Upon the reemployment of a Participant or Eligible Employee under the Plan after his Termination of Employment, his re-participation in the Plan, Deferral Elections, Years of Service and Plan distributions will be governed by the provisions of this Article.

11.2 Re-Participation in Plan. A reemployed Participant or Eligible Employee will be eligible to re-participate in the Plan only if he is reemployed by a Participating Employer as an Eligible Employee and the Company (or its delegate) designates him as eligible for the Plan under Section 3.3 and/or Section 3.4, subject to the provisions thereof.

11.3 Deferral Elections and Payment Elections. In the event a Participant is reemployed by a member of the Affiliated Group, then his Deferral Elections under Article IV and Payment Elections under Article VII shall be subject to the following:

(a) Reemployment in Same Plan Year. If he is reemployed in the same Plan Year as his Termination of Employment (regardless of whether he is reemployed as an Eligible Employee or otherwise), then he will be treated as a Participant who undergoes an employment status change under Section 3.6 or 3.7 (as applicable) and the provisions thereof shall apply to him regarding his Deferral Elections and Payment Elections for the current Plan Year.

(b) Reemployment in Later Plan Year. If he is reemployed in a later Plan Year than his Termination of Employment, and he is thereafter designated by the Company as eligible for the Plan under Section 3.3 and/or Section 3.4, then he may make a Deferral Election under the Plan only under Section 4.3 during the next Open Enrollment Period and he may make a new Payment Election under Section 7.2 or 7.3 for the next Plan Year (or performance periods beginning in such Plan Year).

11.4 Fully Vested Participant. A reemployed Participant or Eligible Employee who was credited with at least three (3) Years of Service shall never lose credit for his previous Years of Service, regardless of the length of the break in his employment with the Affiliated Group, and therefore will be fully vested in any future Company Matching Contributions and any Company Discretionary Contributions which are subject to the three year vesting schedule under Section 9.2(a). In addition, if he is reemployed within 12 consecutive months, he may be eligible for continued service credit under Section 9.3(b) to determine his Years of Service.

11.5 Non-Vested Participant. Upon the reemployment of a Participant who was credited less than three (3) Years of Service, then his previously forfeited non-vested Company Matching Contribution and Company Discretionary Contribution Sub-Accounts under Section 9.5 shall be reinstated under the Plan (without earnings after the date of the forfeiture) and his previously disregarded Years of Service under the Plan under Section 9.5 shall be restored under the Plan, provided that (i) he is reemployed with a Participating Employer as an Eligible Employee who is designated by the Company (or its delegate) as eligible for the Plan and (ii) the period between the date of his Termination of Employment and reemployment date as an Eligible Employee is less than five years. In addition, if he is reemployed within 12 consecutive months, he may be eligible for continued service credit under Section 9.3(b) to determine his Years of Service.

11.6 Current Installment Payments. Upon the reemployment of a Participant who is receiving current monthly or annual installment payments under Sections 10.2, 10.3 or 10.4, his installment payments shall not be suspended but shall continue in accordance with the terms of his Payment Election made under Section 7.2 or 7.3 or Subsequent Payment Election under Section 10.4.

ARTICLE XII
PARTICIPATING EMPLOYERS

12.1 Participating Employer. The Participating Employers of the Plan shall consist of the Company and each other member of the Affiliated Group which, with the written authorization of the board of directors of the Company (or its delegate), adopts the Plan for the benefit of its Eligible Employees pursuant to a resolution of its governing board (or its delegate).

12.2 Separate Accounting The Plan Administrator shall maintain separate accounting for each Participating Employer to reflect its benefit obligations under the Plan, including contributions, disbursements, investment experience and expenses allocable thereto under the Plan attributable to each Participant, based on periods of each Participant’s employment as an Eligible Employee of the Participating Employer and without regard to transfers of employment between Participating Employers.

12.3 Separate Benefit Obligations. A Participating Employer shall be obligated to make Plan benefit payments based on the separate accounting of its benefit obligations under Section 12.2, unless the board of directors of the Company otherwise determines that the Company shall be the obligor.

ARTICLE XIII
SPECIAL CODE SECTION 409A PROVISIONS

13.1 Permitted Acceleration of Payment. To the extent permitted by Code Section 409A, the Plan Administrator may, in its sole discretion, accelerate the time or form of a payment under the Plan as provided in this Section. The provisions of this Section are intended to comply with the exception to accelerated payments under Treasury Regulation Section 1.409A-3(j) and shall be interpreted and administered accordingly.

(a) Domestic Relations Order. The Plan Administrator may, in its sole discretion, accelerate the time or schedule of a payment under the Plan to an individual other than the Participant as may be necessary to fulfill a domestic relations order (as defined in Code Section 414(p)(1)(B)).

(b) Federal Government Employee Ethics Agreement. The Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent necessary for any Federal officer or employee in the executive branch to comply with an ethics agreement with the Federal government.

(c) Government Ethics Law, Conflict. Additionally, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent reasonably necessary to avoid the violation of an applicable Federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the Participant to participate in activities in the normal course of his position in which the Participant would otherwise not be able to participate under an applicable rule).

(d) Applicable Withholding Taxes. The Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a), and 3121(v)(2), or the Railroad Retirement Act (RRTA) tax imposed under Code Sections 3201, 3211, 3231(e)(1), and 3231(e)(8), where applicable, on compensation deferred under the Plan (the FICA or RRTA amount). Additionally, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment, to pay the income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA or RRTA amount, and to pay the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the FICA or RRTA amount, and the income tax withholding related to such FICA or RRTA amount.

(e) Code Section 409A Failure. Subject to Article X regarding the six month delay for Key Employees, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan at any time the Plan fails to meet the requirements of Code Section 409A. The payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Code Section 409A.

(f) Withholding Taxes. Subject to Article X regarding the six month delay to Key Employees, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to reflect payment of state, local, or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the participant (the state, local, or foreign tax amount). Such payment may not exceed the amount of such taxes due as a result of participation in the Plan. The payment may be made in the form of withholding pursuant to provisions of applicable state, local, or foreign law or by payment directly to the Participant. Additionally, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay the income tax at source on wages imposed under Code Section 3401 as a result of such payment and to pay the additional income tax at source on wages imposed under Code Section 3401 attributable to such additional wages and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the state, local, and foreign tax amount, and the income tax withholding related to such state, local, and foreign tax amount.

(g) Participant Debt. Subject to Article X regarding the six month delay for Key Employees, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as satisfaction of a debt of the Participant to the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)), where such debt is incurred in the ordinary course of the service relationship between the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) and the Participant, the entire amount of reduction in any of the taxable years of the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) does not exceed $5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(h) Participant Settlement. Subject to Article X regarding the six month delay for Key Employees, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan where such payments occur as part of a settlement between the Participant and the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) of an arm's length, bona fide dispute as to the Participant's right to the deferred amount.

(i) Plan Termination. Subject to Article X regarding the six month delay for Key Employees, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as provided in Section 15.2 regarding termination of the Plan.

(j) Other Circumstances. Subject to Article X regarding the six month delay for Key Employees, a payment may be accelerated upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

Except as otherwise specifically provided in the Plan, including but not limited to this Section 13.1 and Section 15.2 regarding termination of the Plan, the Plan Administrator may not accelerate the time or schedule of any payment or amount scheduled to be paid under the Plan within the meaning of Code Section 409A.

The six month delay provision for Key Employees under Article X does not apply to a payment made under the circumstances described in subsections (a) through (d) of this Section 13.1.

13.2 Delay of Payments. To the extent permitted under Code Section 409A, the Plan Administrator may, in its sole discretion, delay payment under any of the following circumstances, provided that the Plan Administrator treats all payments to similarly situated Participants on a reasonably consistent basis:

(a) Company Deduction. A payment may be delayed to the extent that the Plan Administrator reasonably anticipates that if the payment were made as scheduled, the Company's deduction with respect to such payment would not be permitted due to the application of Code Section 162(m). If a payment is delayed pursuant to this subsection (a), then the payment must be made either (i) during the Company's first taxable year in which the Plan Administrator reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction of such payment will not be barred by application of Code Section 162(m), or (ii) during the period beginning with the first business day of the seventh month following the Participant's separation from service as defined in Code Section 409A (the "six month anniversary") and ending on the later of (x) the last day of the taxable year of the Company in which the six month anniversary occurs or (y) the 15th day of the third month following the six month anniversary. Where any scheduled payment to a specific Participant in a Company's taxable year is delayed in accordance with this paragraph, all scheduled payments to that Participant that could be delayed in accordance with this paragraph must also be delayed. The Plan Administrator may not provide the Participant an election with respect to the timing of the payment under this subsection (a). For purposes of this subsection (a), the term Company includes any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c).

(b) Violate Federal Securities Laws. A Payment may be delayed where the Plan Administrator reasonably anticipates that the making of the payment will violate federal securities laws or other applicable law; provided that the delayed payment is made at the earliest date at which the Plan Administrator reasonably anticipates that the making of the payment will not cause such violation. For purposes of the preceding sentence, the making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law.

(c) Other IRS Permitted Events. A payment may be delayed upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

13.3 Actual Payment Date. To the extent permitted by Code Section 409A, the Plan Administrator may delay payment in the event that it is not administratively possible to make payment on the date (or within the periods) specified in this Article XIII, or the making of the payment would jeopardize the ability of the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) to continue as a going concern. Notwithstanding the foregoing, payment must be made no later than the latest possible date permitted under Code Section 409A.

13.4 Compliance with Code Section 409A. The Plan is intended to comply with the provisions of Code Section 409A, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or his beneficiaries. The Plan shall be construed, administered, and governed in a manner that effects such intent, and the Plan Administrator shall not take any action that would be inconsistent with such intent. Although the Plan Administrator shall use its best efforts to avoid the imposition of taxation, interest and penalties under Code Section 409A, the tax treatment of deferrals under the Plan is not warranted or guaranteed. Neither the Company, the board of directors of the Company, nor the Plan Administrator (nor its designee) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan. Any reference in this Plan to Code Section 409A will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Code Section 409A by the U.S. Department of Treasury or the Internal Revenue Service. For purposes of the Plan, the phrase "permitted by Code Section 409A," or words or phrases of similar import, shall mean that the event or circumstance shall only be permitted to the extent it would not cause an amount deferred or payable under the Plan to be includible in the gross income of a Participant or Beneficiary under Code Section 409A(a)(1).

ARTICLE XIV
ADMINISTRATION

14.1 Plan Administrator. The Company shall have the sole responsibility for the administration of the Plan and is designated as Plan Administrator.

14.2 Appointment of Plan Administrator. The Company may delegate its duties as Plan Administrator to the Benefit Plans Committee. The members of the Benefit Plans Committee shall be selected by the Company. If a Benefit Plans Committee is appointed, it shall be the Plan Administrator.

14.3 Powers of Plan Administrator. The Plan Administrator shall have the full and exclusive power, discretion and authority to administer the Plan. The determinations and decisions of the Plan Administrator are final and binding on all persons. The Plan Administrator's powers shall include but shall not be limited to, the power to (i) maintain records pertaining to the Plan, (ii) the discretionary authority to construe and interpret the terms and provisions of the Plan, (iii) establish procedures by which Participants may apply for benefits under the Plan and appeal a denial of benefits, (iv) determine the rights under the Plan of any Participant applying for or receiving benefits, (v) administer the claims procedure provided in this Article, (vi) perform all acts necessary to meet the reporting and disclosure obligations imposed by ERISA and (vii) delegate specific responsibilities for the operation and administration of the Plan to such employees or agents as it deems advisable and necessary. In the exercise of its powers, the Plan Administrator shall be entitled to rely upon all tables, valuations, certificates and reports furnished by any accountant or consultant and upon opinions given by any legal counsel in each case duly selected by the Plan Administrator.

14.4 Limitation of Liability. The Plan Administrator, the Company and its officers and board of directors shall not be liable for any act or omission relating to their duties under the Plan, unless such act or omission is attributable to their own willful misconduct or lack of good faith.

14.5 Claims Procedures. All claims under the Plan shall be directed to the attention of the Plan Administrator. Any Participant or Beneficiary whose application for benefits or other claim under the Plan has been denied, in whole or in part, shall be given written notice of the denial by the Plan Administrator within sixty (60) days after the receipt of the claim. The notice shall explain that the Participant or Beneficiary may request a review of the denial and the procedure for requesting review. The notice shall describe any additional information necessary to perfect the Participant's or Beneficiary's claim and explain why such information is necessary. If a Participant or Beneficiary does not receive a written response to a claim within sixty (60) days after receipt of the claim by the Plan Administrator, the claim will be deemed to be denied. A Participant or Beneficiary may make a written request to the Plan Administrator for a review of any denial of claims under the Plan. The request for review must be in writing and must be made within sixty (60) days after the mailing date of the notice of denial or the deemed denial. The request shall refer to the provisions of the Plan on which it is based and shall set forth the facts relied upon as justifying a reversal or modification of the determination being appealed. A Participant or Beneficiary who requests a review of denial of claims in accordance with this claims procedure may examine pertinent documents and submit pertinent issues and comments in writing. A Participant or Beneficiary may have a duly authorized representative act on his behalf in exercising his right to request a review and any other rights granted by this claims procedure. The Plan Administrator shall provide a review of the decision denying the claim within sixty (60) days after receiving the written request for review. If a Participant or Beneficiary does not receive a written response to a request for a review within the foregoing time limit, such request will be deemed to be denied. A decision by the Plan Administrator for review shall be final and binding on all persons.

14.6 Withholding of Taxes. Subject to Section 13.1, to the extent required by the law in effect at the time payments are made, the Company may withhold or cause to be withheld from any amounts deferred or payable under the Plan all federal, state, local and other taxes as shall be legally required. The Company shall have the right in its sole discretion to (i) require a Participant to pay or provide for payment of the amount of any taxes that the Company may be required to withhold with respect to amounts that the Company credits to a Participant's Account or (ii) deduct from any amount of salary, commission, bonus, incentive compensation or other payment otherwise payable in cash to the Participant the amount of any taxes that the Company may be required to withhold with respect to amounts that the Company credits to a Participant's Account.

ARTICLE XV
AMENDMENT AND TERMINATION

15.1 Amendment or Termination. The Company reserves the right to amend, terminate or freeze the Plan, in whole or in part, at any time by action of its board of directors and the Benefit Plans Committee reserves the right to amend or modify the Plan with respect to administrative matters at any time without prior notice by action of the Benefit Plans Committee. Moreover, the Benefit Plans Committee may amend the Plan at any time in its sole discretion to ensure that the Plan complies with the requirements of Code Section 409A or other applicable law; provided, however, that such amendments, in the aggregate, may not materially increase the benefit costs of the Plan. In no event shall any such action by the board of directors of the Company or Benefit Plans Committee adversely affect any Participant or Beneficiary who has an Account, or result in any change in the timing or manner of payment of the amount of any Account (except as otherwise permitted under the Plan), without the consent of the Participant or Beneficiary, unless the board of directors or the Benefit Plans Committee, as the case may be, determines in good faith that such action is necessary to ensure compliance with Code Section 409A. A Company affiliated with the Company which has adopted the Plan may terminate its participation in the Plan at any time by action of its board of directors or its delegate, except as may otherwise be prohibited by Code Section 409A. To the extent permitted by Code Section 409A, the Committee may, in its sole discretion, modify the rules applicable to Deferral Elections, Payment Elections and Subsequent Payment Elections to the extent necessary to satisfy the requirements of the Uniformed Service Employment and Reemployment Rights Act of 1994, as amended, 38 U.S.C.4301-4334.

15.2 Distributions Upon Termination of Plan. In the event that the Plan is terminated, the amounts allocated to a Participant's Sub-Accounts shall be paid to the Participant or his Beneficiary on the dates on which the Participant or his Beneficiary would otherwise receive payments hereunder without regard to the termination of the Plan. Notwithstanding the preceding sentence, and subject to Section 10.2(a) and Article X regarding the six month delay for Key Employees:

(a) Corporate Events. The Company, by action of its board of directors, shall have the authority, in its sole discretion, to terminate the Plan and pay each Participant's entire Account to the Participant or, if applicable, his Beneficiary within twelve (12) months of a corporate dissolution taxed under Code Section 331 or with the approval of a bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(a), provided that the amounts are included in the Participant's gross income in the latest of the following years (or, if earlier, the taxable year in which the amount is actually or constructively received): (i) the calendar year in which the Plan termination and liquidation occurs; (ii) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture as defined under Code Section 409A; or (iii) the first calendar year in which the payment is administratively practicable.

(b) Change in Control. The Company, by action of its board of directors, shall have the authority, in its sole discretion, to terminate the Plan and pay each Participant's entire Account to the Participant or, if applicable, his Beneficiary pursuant to an irrevocable action taken by the board of directors within the 30 days preceding or the 12 months following a Change in Control (as defined herein), provided that this paragraph will only apply if all agreements, methods, programs, and other arrangements sponsored by the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) immediately after the time of the change in control event with respect to which deferrals of compensation are treated as having been deferred under a single plan under Code Section 409A are terminated and paid with respect to each Participant that experienced the Change in Control event, so that under the terms of the termination and payment all such Participants are required to receive all amounts of compensation deferred under the terminated agreements, methods, programs, and other arrangements within 12 months of the date the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) irrevocably takes all necessary action to terminate and liquidate the agreements, methods, programs, and other arrangements. For purposes hereof, a "Change in Control" means the occurrence of a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of the Company, within the meaning of Code Section 409A.

(c) Company Financial Health. The Company, by action of its board of directors, shall have the authority, in its sole discretion, to terminate the Plan and pay each Participant's entire Account to the Participant or, if applicable, his Beneficiary, provided that: (i) the termination and liquidation does not occur proximate to a downturn in the financial health of the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)); (ii) the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) terminates and liquidates all agreements, methods, programs, and other arrangements sponsored by the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) that would be aggregated with any terminated and liquidated agreements, methods, programs, and other arrangements under Code Section 409A if the same Participant had deferrals of compensation under all of the agreements, methods, programs, and other arrangements that are terminated and liquidated; (iii) no payments in liquidation of the Plan are made within 12 months of the date the board of directors takes all necessary action to irrevocably terminate and liquidate the Plan other than payments that would be payable under the terms of the Plan if the action to terminate and liquidate the Plan had not occurred; (iv) all payments are made within 24 months of the date the board of directors takes all necessary action to irrevocably terminate and liquidate the Plan; and (v) the Company (or any entity which would be considered to be a single employer with the Company under Code Section 414(b) or Section 414(c)) does not adopt a new plan that would be aggregated with any terminated and liquidated plan under Code Section 409A if the same Participant participated in both plans, at any time within three years following the date the board takes all necessary action to irrevocably terminate and liquidate the Plan.

(d) Other Events. The Company, by action of its board of directors, shall have the authority, in its sole discretion, to terminate the Plan and pay each Participant's entire Account to the Participant or, if applicable, his Beneficiary upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

ARTICLE XVI
MISCELLANEOUS

16.1 Unfunded Plan. The Plan shall be an unfunded plan maintained by each Participating Employer with respect to its Eligible Employees for the purpose of providing benefits for a select group of management or highly compensated employees under ERISA. A Participating Employer is not required to set aside, earmark or entrust any fund or money with which to pay its obligations under the Plan or to invest in any particular investment vehicle and may change investments of Company assets at any time. All benefits under the Plan shall be paid by the applicable Participating Employer from its general assets, which assets shall, at all times, remain subject to the claims of its respective creditors. Neither Participants, their beneficiaries nor their legal representatives shall have any right, other than the right of an unsecured general creditor, against the Participating Employer in respect of any portion of a Participant's Account and shall have no right, title or interest, legal or equitable, in or to any asset of the Participating Employer.

16.2 Spendthrift Provision. The Plan shall not in any manner be liable for or subject to the debts or liabilities of any Participant or Beneficiary. No benefit or interest under the Plan is subject to assignment, alienation, pledge or encumbrance, whether voluntary or involuntary, except as provided in ERISA Section 206(d)(3), relating to qualified domestic relations orders. Any assignment, alienation, pledge or encumbrance of benefits shall be void and will not be recognized by the Company except to the extent required by law. With respect to a qualified domestic relations order, a separate Account shall be established for the alternate payee in accordance with such order, with such Account immediately distributed to the alternate payee..

16.3 Employment Rights. The existence of the Plan shall not grant a Participant any legal or equitable right to continue as an Employee nor affect the right of the Company to discharge a Participant.

16.4 No Fiduciary Relationship Created. Nothing contained in the Plan, and no action taken pursuant to the provisions of the Plan, shall create or be deemed to create a fiduciary relationship between the Company or Plan Administrator and any Participant, Beneficiary or any other person.

16.5 Obligations to Employer. If a Participant becomes entitled to a distribution under the Plan and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company that has been presented to the Plan Administrator within twelve (12) months after the Participant's termination of employment, then, subject to the requirements of Code Section 409A (including the delay of payments required under Section 10.2(a) and Article X regarding the six month delay for Key Employees, the Plan Administrator may offset such amount owed to it against the amount otherwise distributable.

16.6 Receipt of Release. Any payment to any Participant or Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Company and any of their officers, directors, shareholders, employees or agents. The Plan Administrator may require a Participant or Beneficiary, as a condition precedent to a payment from the Plan, to execute a release. The Plan Administrator shall provide such release within 10 days after the date a Participant's Sub-Accounts become payable under Article X and the Participant must return such release to the Plan Administrator within 50 days after the distribution event giving rise to the payment of the Sub-Account under Article X.

16.7 No Warranty or Representation. The Company makes no warranty or representation regarding the effect of deferrals made or benefits paid under the Plan for federal, state or local tax purposes.

16.8 Construction. Wherever the context of the Plan dictates, words used in the plural shall be read as the singular and the singular as the plural.

16.9 Governing Law. The provisions of the Plan shall be governed by ERISA, but to the extent that Delaware law is not preempted by ERISA, the provisions of the Plan shall be governed by the laws of the State of Delaware.

16.10 Counterparts. The Plan may be signed in any one or more counterparts each of which together shall constitute one instrument.

16.11 Expenses. Subject to Code Section 409A (including the delay of payments required under the Plan for a Key Employee), the Company may elect to debit a Participant's Account for the expenses of administration of the Plan, including the expenses of the Plan Administrator and the fees of any trustee.

16.12 Pre-2005 Plan. Any "amounts deferred" in taxable years before January 1, 2005 under the Pre-2005 Plan (within the meaning of Code Section 409A) and any earnings thereon shall be governed by the terms of the Pre-2005 Plan as so in effect on October 3, 2004, and it is intended that such amounts and any earnings thereon be exempt from the application of Code Section 409A. Nothing in the Plan shall be considered to materially enhance a benefit or right existing under the Pre-2005 Plan as of October 3, 2004 or add a new material benefit or right to the Pre-2005 Plan. Any "amounts deferred" in taxable years on or after January 1, 2005 (within the meaning of Code Section 409A) and any earnings thereon shall be governed by the terms and conditions of the Plan. The Plan Administrator may, in its sole discretion, transfer all or any portion of the accounts from the Pre-2005 Plan to the Plan to effectuate this Section 16.12.

16.13 Veterans Reemployment Rights. Notwithstanding any other provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u) and USERRA, as may be applicable to the Plan. Notwithstanding the foregoing, such a Participant shall not be entitled to additional contributions with respect to his period of military leave.

IN WITNESS WHEREOF, the Company has executed this amended and restated Plan this 20th day of December, 2019.

KELLY SERVICES, INC.

By: /s/ Michael Russo

Its: Sr. Director, Global Benefits

4824-1158-3908.4

Exhibit 21

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services (Canada), Ltd.	Canada	Kelly Services
Kelly Global Business Services, LLC	Michigan	Kelly Services
Kelly Services, Global, LLC	Michigan	Kelly Services
Kelly Services, USA, LLC	Michigan	Kelly Services
Teachers On Call, Inc. (a subsidiary of Kelly Services, USA, LLC)	Minnesota	Teachers On Call
Global Technology Associates, LLC	Virginia	Global Technology Associates
NextGen Global Resources, LLC	Delaware	NextGen Global Resources
Greenwood/Asher & Associates, LLC (a subsidiary of Kelly Services, USA, LLC)	Florida	Greenwood/Asher & Associates
Kelly Properties, LLC	Delaware	Kelly Properties
Kelly Innovation Fund, LLC (a subsidiary of Kelly Properties, LLC)	Michigan	Kelly Innovation Fund
Kelly Receivables Funding, LLC	Delaware	Kelly Receivables Funding
Kelly Outsourcing and Consulting Group Australia, Ltd.	Delaware	Kelly Services
Kelly Services of Denmark, Inc.	Delaware	Kelly Services
Kelly Services (Ireland), Ltd. (a subsidiary of Kelly Properties, LLC)	Delaware	Kelly Services
Kelly Services Management, Sarl (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Switzerland	Kelly Services
Kelly Services (Suisse), SA (a subsidiary of Kelly Services Management, Sarl)	Switzerland	Kelly Services
Kelly Services Outsourcing and Consulting Group, Sarl (a subsidiary of Kelly Services (Suisse), SA)	Switzerland	Kelly Services
Kelly Services (UK), Limited (a subsidiary of Kelly Services Management, Sarl)	United Kingdom	Kelly Services, Ltd.
Kelly Payroll Services, Limited (a subsidiary of Kelly Services (UK), Limited)	United Kingdom	Kelly Services, Ltd.

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Toner Graham, Limited (a subsidiary of Kelly Services (UK), Limited)	United Kingdom	Toner Graham
Kelly Services (Nederland), B.V.	Netherlands	Kelly Services
Kelly Administratiekantoor, B.V. (a subsidiary of Kelly Services (Nederland), B.V.)	Netherlands	Kelly Services
Kelly Managed Services (Nederland), B.V. (a subsidiary of Kelly Services (Nederland), B.V.)	Netherlands	Kelly Services
Kelly Services Norge, AS (a subsidiary of Kelly Services Management, Sarl)	Norway	Kelly Services
Kelly Services Management, AS (a subsidiary of Kelly Services Norge, AS)	Norway	Kelly Services
Kelly Services Mexico, S.A. de C. V. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Mexico	Kelly Services
Opciones de Servicio en Mexico, S.A. de C.V. (a subsidiary of Kelly Services Mexico, S.A. de C.V. and Kelly Properties, LLC)	Mexico	Kelly Services
QSM, S.A. de C.V. (a subsidiary of Kelly Services Mexico, S.A. de C.V. and Kelly Properties, LLC)	Mexico	Kelly Services
Kelly Services France, S.A.S. (a subsidiary of Kelly Services Management, Sarl)	France	Kelly Services
Kelly Services, S.A.S. (a subsidiary of Kelly Services France, S.A.S.)	France	Kelly Services
Kelly OCG Sarl (a subsidiary of Kelly Services France, S.A.S.)	France	Kelly Services
Kelly Services Luxembourg, S.à.r.l.	Luxembourg	Kelly Services
Kelly Outsourcing and Consulting Group, S.à.r.l. (a subsidiary of Kelly Services Luxembourg, S.à.r.l.)	Luxembourg	Kelly Services
Kelly Services, S.p.A. (a subsidiary of Kelly Services Management, Sarl)	Italy	Kelly Services

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Management Services, S.r.l. (a subsidiary of Kelly Services, S.p.A.)	Italy	Kelly Management Services
LLC Kelly Services CIS (a subsidiary of Kelly Services Management, Sarl)	Russia	Kelly Services
LLC Kelly Services IT Solutions (a subsidiary of LLC Kelly Services CIS and Kelly Services Management, Sarl)	Russia	Kelly Services
Kelly Outsourcing and Consulting Group (Germany), GmbH (a subsidiary of Kelly Services Management, Sarl)	Germany	access
Kelly Services, GmbH (a subsidiary of Kelly Outsourcing and Consulting Group (Germany), GmbH)	Germany	Kelly Services
Kelly Outsourcing and Consulting Group (Austria), GmbH (a subsidiary of Kelly Outsourcing and Consulting Group (Germany), GmbH)	Austria	access
Kelly Services Interim (Belgium), SPRL (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Belgium	Kelly Services
Kelly Services Outsourcing and Consulting Group, NV (a subsidiary of Kelly Services Interim (Belgium), SPRL and Kelly Properties, LLC)	Belgium	Kelly Services
Kelly Services – Empresa de Trabalho Temporario, Unipessoal, Lda. (a subsidiary of Kelly Services Management, Sarl)	Portugal	Kelly Services
Kelly Services – Gestao de Processos, Lda. (a subsidiary of Kelly Services – Empresa de Trabalho Temporario, Unipessoal, Lda. and Kelly Services Management, Sarl)	Portugal	Kelly Services
Kelly Services Healthcare Unipessoal, Lda. (a subsidiary of Kelly Services – Gestao de Processos, Lda.)	Portugal	Kelly Services

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services Hungary Staffing, Kft. (a subsidiary of Kelly Services Management, Sarl)	Hungary	Kelly Services
Kelly Services Poland, Sp.zo.o.	Poland	Talents
Kelly OCG Singapore, Pte. Ltd	Singapore	Kelly OCG Singapore
Kelly OCG Malaysia, Sdn. Bhd. (a subsidiary of Kelly OCG Singapore, Pte. Ltd)	Malaysia	Kelly Services
Agensi Pekerjaan Kelly OCG, Sdn. Bhd. (a subsidiary of Kelly OCG Malaysia Sdn. Bhd.)	Malaysia	Kelly Services
Kelly Outsourcing and Consulting Group India, Pte. Ltd. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	India	Kelly Services
Kelly Services Japan, Inc.	Japan	Kelly Services

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-241695) and Form S-8 (Nos. 333-218039, 333-114837, 333-125091, 333-166798 and 333-201165) of Kelly Services, Inc. of our report dated February 18, 2021 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Detroit, Michigan
February 18, 2021

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned directors of Kelly Services, Inc. does hereby appoint Olivier G. Thirot and Vanessa P. Williams, signing singly, his or her true and lawful attorneys, to execute for and on behalf of the undersigned Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ending January 3, 2021, to be filed with the Securities and Exchange Commission in Washington, D.C. under the provisions of the Securities Exchange Act of 1934, as amended, and any and all amendments to said Form 10-K whether said amendments add to, delete from, or otherwise alter the Form 10-K, or add to or withdraw any exhibit or exhibits, schedule or schedules to be filed therewith, and any and all instruments necessary or incidental in connection therewith, hereby granting unto said attorneys and each of them full power and authority to do and perform in the name and on behalf of each of the undersigned, and in any and all capacities, every act and thing whatsoever required or necessary to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as each of the undersigned might or could do in person, hereby ratifying and approving the acts of said attorneys and each of them.

IN WITNESS WHEREOF the undersigned have caused this Power of Attorney to be executed as of this 18th day of February, 2021.

/s/ Donald R. Parfet
Donald R. Parfet

/s/ Peter W. Quigley
Peter W. Quigley

/s/ Carol M. Adderley
Carol M. Adderley

/s/ Gerald S. Adolph
Gerald S. Adolph

/s/ George S. Corona
George S. Corona

/s/ Robert S. Cubbin
Robert S. Cubbin

/s/ Jane E. Dutton
Jane E. Dutton

/s/ Terrence B. Larkin
Terrence B. Larkin

/s/ Leslie A. Murphy
Leslie A. Murphy

Exhibit 31.1

CERTIFICATIONS

I, Peter W. Quigley, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 18, 2021

/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 annual report on Form 10-K 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: February 18, 2021

/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 Annual Report of Kelly Services, Inc. (the “Company”) on Form 10-K for the period ended January 3, 2021 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: February 18, 2021

/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 Annual Report of Kelly Services, Inc. (the "Company") on Form 10-K for the period ended January 3, 2021 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: February 18, 2021

/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.

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Donald R. Parfet
Chairman of the Board
Managing Director
Apjohn Group, LLC

Peter W. Quigley
President and
Chief Executive Officer

Carol M. Adderley
Writer and Researcher
in the Humanities

Gerald S. Adolph
Retired Senior Partner
Strategy & M&A
Booz & Co.

George S. Corona
Retired President and
Chief Executive Officer
Kelly Services, Inc.

Robert S. Cubbin
Retired President and
Chief Executive Officer
Meadowbrook Insurance Group, Inc.

Jane E. Dutton
Robert L. Kahn Distinguished
University Professor Emeritus
of Business Administration
and Psychology
The University of Michigan
Business School

Terrence B. Larkin
Retired Executive Vice President,
Business Development,
General Counsel and
Corporate Secretary
Lear Corporation

Leslie A. Murphy, CPA
President and
Chief Executive Officer
Murphy Consulting, Inc.

EXECUTIVE OFFICERS

Peter W. Quigley
President and
Chief Executive Officer

Olivier G. Thirot
Executive Vice President
and Chief Financial Officer

Peter M. Boland
Senior Vice President
Chief Marketing Officer

Amy J. Bouque
Senior Vice President
Chief Human Resources Officer

James H. Bradley
Senior Vice President
Chief Administrative Officer

Tammy L. Browning
Senior Vice President
President, KellyOCG

Timothy L. Dupree
Senior Vice President
President, Kelly Professional
& Industrial

Dinette Koolhaas
Senior Vice President
President, Kelly International

Daniel Hugo Malan
Senior Vice President
President, Kelly Science,
Engineering & Technology

Nicola M. Soares
Senior Vice President
President, Kelly Education

Vanessa P. Williams
Senior Vice President
General Counsel

CORPORATE HEADQUARTERS

999 West Big Beaver Road
Troy, Michigan 48084-4716
248.362.4444
kellyservices.com

TRANSFER AGENT AND REGISTRAR

Computershare
P.O. Box 505000
Louisville, KY 40233
Overnight correspondence should be sent to:
Computershare
462 South 4th Street
Louisville, KY 40202
Toll Free (U.S. and Canada) **866.249.2607**
TDD for Hearing Impaired **800.231.5469**
Foreign TDD for Hearing Impaired **201.680.6610**
Foreign Stockholders **201.680.6578**
Website: **computershare.com/investor**

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
500 Woodward Avenue
Detroit, Michigan 48226

ANNUAL MEETING

The Annual Meeting of Stockholders will be held virtually on May 19, 2021, at 11:00 a.m. Eastern Daylight Time. You will be able to attend the Annual Meeting online by visiting **kellyservices.com.**

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

Registered stockholders of Kelly's Class A common stock can purchase additional shares through the Direct Stock Purchase and Dividend Reinvestment Plan. For more information about the plan or to enroll, visit **kellyservices.com.**

ADDITIONAL INFORMATION

For more information, including financial documents such as annual reports, Form 10-Ks, and copies of the Company's Code of Business Conduct and Ethics, contact:
James M. Polehna
Senior Vice President and Corporate Secretary
Kelly Services, Inc.
999 West Big Beaver Road
Troy, Michigan 48084-4716
248.244.4586

STOCK LISTINGS

Kelly Services Class A and Class B common stock trade on the NASDAQ Global Select Market℠ under the symbols: KELYA and KELYB.

999 West Big Beaver Road
Troy, Michigan 48084-4716
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kellyservices.com