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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2012
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	Name of each exchange on which registered
Class A Common	NASDAQ Global Market
Class B Common	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 [X]

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 [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No[_]

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

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 $373,723,242.

Registrant had 33,723,170 shares of Class A and 3,452,585 of Class B common stock, par value $1.00, outstanding as of February 3, 2013.

Documents Incorporated by Reference

The proxy statement of the registrant with respect to its 2013 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 R. Kelly in 1946, Kelly Services® has developed innovative workforce solutions for customers in a variety of industries throughout our 66-year history. Our range of solutions has grown steadily over the years to match the expanding needs of our customers.

We have evolved from a United States-based company concentrating primarily on traditional office staffing into a global workforce solutions leader offering a full breadth of specialty services. While ranking as one of the world's largest scientific staffing providers, we are also among the leaders in information technology, engineering and financial staffing, and we place professional and technical employees at all levels in law, healthcare, education and creative services. These specialty services complement our expertise in office services, contact center, light industrial and electronic assembly staffing. As the human capital arena has become more complex, we have also developed a suite of innovative solutions to help many of the world's largest companies manage their supply of talent, including outsourcing, consulting, recruitment, career transition and vendor management services.

Geographic Breadth of Services

Headquartered in Troy, Michigan, we provide employment for approximately 560,000 employees annually to a variety of customers around the globe—including 99 of the *Fortune 100*™ companies.

Kelly provides workforce solutions to a diversified group of customers in three regions: the **Americas, Europe, the Middle East, and Africa ("EMEA"),** and **Asia Pacific ("APAC")**.

Description of Business Segments

Our operations are divided into seven principal business segments: **Americas Commercial,** Americas Professional and Technical **("Americas PT"), EMEA Commercial,** EMEA Professional and Technical **("EMEA PT")**, **APAC Commercial,** APAC Professional and Technical **("APAC PT")** and Outsourcing and Consulting Group **("OCG").**

Americas Commercial
Our Americas Commercial segment specialties include: Office, providing trained employees for word processing, data entry, clerical and administrative support roles; Contact Center, providing staff for contact centers, technical support hotlines and telemarketing units; Education, supplying schools nationwide with instructional and non-instructional employees; Marketing, providing support staff for seminars, sales and trade shows; Electronic Assembly, providing assemblers, quality control inspectors and technicians; and Light Industrial, placing maintenance workers, material handlers and assemblers. We also offer a temporary-to-hire service that provides customers and temporary staff the opportunity to evaluate their relationship before making a full-time employment decision, a direct-hire placement service and vendor on-site management.

Americas PT
Our Americas PT segment includes a number of industry-specific specialty services: Science, providing all levels of scientists and scientific and clinical research workforce solutions; Engineering, supplying engineering professionals across all disciplines including aeronautical, chemical, civil/structural, electrical/instrumentation, environmental, industrial, mechanical, petroleum, pharmaceutical, quality and telecommunications; Information Technology, placing IT specialists across all disciplines; Creative Services, placing creative talent in the spectrum of creative services positions; Finance and Accounting, serving the needs of corporate finance departments, accounting firms and financial institutions with all levels of financial professionals; Government, providing a full spectrum of talent management solutions to the U.S. federal government; Healthcare, providing all levels of healthcare specialists and professionals; and Law, placing legal professionals including attorneys, paralegals, contract administrators, compliance specialists and legal administrators. Our temporary-to-hire service, direct-hire placement service and vendor on-site management are also offered in this segment.

EMEA Commercial
Our EMEA Commercial segment provides a similar range of staffing services as described for our Americas Commercial segment above, including: Office, Contact Center and our temporary-to-hire service. Additional service areas include Catering and Hospitality, providing chefs, porters and hospitality representatives; and Industrial, supplying manual workers to semi-skilled professionals in a variety of trade, non-trade and operational positions.

EMEA PT
Our EMEA PT segment provides many of the same services as described for our Americas PT segment, including: Engineering, Finance and Accounting, Healthcare, IT and Science.

APAC Commercial
Our APAC Commercial segment offers a similar range of commercial staffing services as described for our Americas and EMEA Commercial segments above, through staffing solutions that include permanent placement, temporary staffing and temporary to full-time staffing.

APAC PT
Our APAC PT segment provides many of the same services as described for our Americas and EMEA PT segments, including: Engineering, IT and Science. Additional services in Australia and New Zealand include mid- to senior-level search and selection for leaders in core practice areas such as HR, Sales and Marketing, Finance, Procurement and General Management.

OCG
OCG delivers integrated talent management solutions to meet customer needs across multiple regions, skill sets and the entire spectrum of human resources. Using talent supply chain strategies, we help customers manage their contingent labor spend and gain access to service providers and quality talent at competitive rates and with minimized risk. Services in this segment include: *Contingent Workforce Outsourcing (CWO)*, providing globally managed service solutions that integrate supplier and vendor management technology partners to optimize contingent workforce spend; *Business Process Outsourcing (BPO)*, offering full staffing and operational management of non-core functions or departments; *Recruitment Process Outsourcing (RPO)*, offering end-to-end talent acquisition solutions, including customized recruitment projects; *Independent Contractor Solutions*, delivering evaluation, classification and risk management services that enable safe access to this critical talent pool; *Payroll Process Outsourcing (PPO)*, providing centralized payroll processing solutions globally for our customers; *Career Transition & Organizational Effectiveness (CTO)*, offering a range of outplacement services; and *Executive Search*, providing leadership in executive placement in various regions throughout the world.

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

Business Objectives

Kelly's philosophy is rooted in our conviction that we can and do make a difference on a daily basis — for our customers, in the lives of our employees, in the local communities we serve and in our industry. Our vision is "to provide the world's best workforce solutions." We aspire to be a strategic business partner to our customers and strive to assist them in operating efficient, profitable organizations. Our solutions are customizable to benefit any scope or scale customers require.

As the use of contingent labor, consultants and independent contractors becomes more prevalent and critical to the ongoing success of our customer base, our core competencies are refined to help them realize their respective business objectives. Kelly offers a comprehensive array of outsourcing and consulting services, as well as world-class staffing on a temporary, temporary-to-hire and direct placement basis. Kelly will continue to deliver the strategic expertise our customers need to transform their workforce challenges into opportunities.

Business Operations

Service Marks

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

Seasonality

Our quarterly operating results are affected by the seasonality of our customers' businesses. Demand for staffing services historically has been lower during the first quarter, and typically increases during the remainder of the year.

Working Capital

Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. Since receipts from customers generally lag payroll to temporary employees, working capital requirements increase substantially in periods of growth.

Customers

We are not dependent on any single customer or a limited segment of customers. In 2012, an estimated 49% of total Company revenue was attributed to 100 large customers. Our largest single customer accounted for approximately five percent of total revenue in 2012.

Government Contracts

Although we conduct business under various federal, state, and local government contracts, they do not account for a significant portion of our business.

Competition

The worldwide temporary staffing industry is competitive and highly fragmented. In the United States, approximately 100 competitors operate nationally, and approximately 10,000 smaller companies compete in varying degrees at local levels. Additionally, several similar staffing companies compete globally. In 2012, our largest competitors were Allegis Group, Adecco S.A., Manpower Inc., Robert Half International Inc. and Randstad Holding N.V.

Key factors that influence our success are quality of service, price, breadth of service, and geographic coverage.

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

Breadth of service, or ability to manage staffing suppliers, has become more critical as customers seek "one-stop shopping" for all their staffing needs. Geographic presence is important, as temporary employees are generally unwilling to travel great distances for assignment, and customers prefer working with companies in their local market.

Environmental Concerns

Because we are involved in a service business, federal, state or local laws that regulate the discharge of materials into the environment do not materially impact us.

Employees

We employ approximately 1,100 people at our corporate headquarters in Troy, Michigan, and approximately 7,000 staff members in our international network of branch offices. In 2012, we assigned approximately 560,000 temporary employees to a variety of customers around the globe.

While services may be provided inside the facilities of customers, we remain the employer of record for our temporary employees. We retain responsibility for employee assignments, the employer's share of all applicable payroll taxes and the administration of the employee's share of these taxes.

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 note 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 public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 100 F. Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also 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 Internet website, and by responding to requests addressed to our 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.

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 companies. While the majority of our competitors are significantly smaller than us, several competitors, including Allegis Group, Adecco S.A., Manpower Inc., Robert Half International Inc. and Randstad Holding N.V., have substantial marketing and financial resources. In particular, Adecco S.A., Manpower Inc. and Randstad Holding N.V. are considerably larger than we are and, thus, have significantly more marketing and financial resources than we do. Additionally, the emergence of on-line staffing platforms 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 and light industrial 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 consolidating their staffing services purchases with a single provider or small group of providers continues to increase which, in some cases, may make it more difficult for us to obtain or retain 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.

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 also experience more competitive pricing pressure 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.

We may not achieve the intended effects of our business strategy.

Our business strategy focuses on improving profitability through scale and specialization, particularly with our professional and technical and OCG businesses. We have also implemented steps to increase our operating efficiency in our commercial staffing markets, grow our higher margin specialty staffing and grow our outsourcing and consulting business. We are implementing cost-efficient service delivery models to enable local teams to focus on profit-generating activities and relationships. If we are not successful or timely in achieving these objectives, our revenues, costs and overall profitability could be negatively affected. If we are unable to execute our business strategy effectively, our productivity and cost competitiveness could be negatively affected.

Our loss of major customers or the deterioration of their financial condition or prospects could have a material adverse effect on our business.

Our business strategy is focused on serving large corporate customers through high volume global service agreements. While our strategy is intended to enable us to increase our revenues and earnings from our major corporate customers, the strategy also exposes us to increased 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 temporary employment services and result in a significant decrease in the revenues and earnings we derive from these customers. The bankruptcy of a major customer could have a material adverse impact on our ability to meet our working capital requirements.

Impairment charges relating to our goodwill and long-lived assets could adversely affect our results of operations.

We regularly monitor our goodwill and long-lived assets for impairment indicators. In conducting our goodwill impairment testing, we compare the fair value of each of our reporting units to the related net book value. In conducting our impairment analysis of long-lived assets, we compare the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of our goodwill or long-lived assets. In the event that we determine that our goodwill or long-lived assets are impaired, we may be required to record a significant non-cash charge to earnings that could adversely affect our results of operations.

Our customer contracts contain termination provisions that could decrease our future revenues and earnings.

Most of our customer contracts can be terminated by the customer on short notice without penalty. Our customers are, therefore, not contractually obligated to continue to do business with us in the future. This creates uncertainty with respect to the revenues and earnings we may recognize with respect to our customer contracts.

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. 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;
- classification of employees including independent contractors;
- employment of unauthorized workers;
- violations of wage and hour requirements;
- retroactive entitlement to employee benefits;
- 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 and scientists.

We are also subject to potential risks relating to misuse of customer proprietary information, misappropriation of funds, damage to customer facilities due to negligence of temporary employees, criminal activity and other similar claims. We may incur fines and other losses or negative publicity with respect to these problems. In addition, these claims may give rise to litigation, which could be time-consuming and expensive. In the U.S., and increasingly at the state and local level, 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. There can be no assurance that the corporate policies 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.

Improper disclosure of sensitive or private information could result in liability and damage our reputation.

Our business involves the use, storage and transmission of information about full-time and temporary employees. Additionally, our employees may have access or exposure to customer data and systems, the misuse of which could result in legal liability. We are dependent on, and are ultimately responsible for, the security provisions of vendors who have custodial control of our data. We have established policies and procedures to help protect the security and privacy of this information. It is possible that our security controls over personal and other data and other practices we follow may not prevent the improper access to or disclosure of personally identifiable or otherwise confidential information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal data and confidential information, resulting in increased costs or loss of revenue. Further, data privacy is subject to frequently evolving rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability, additional compliance costs, missed business opportunities or damage to our reputation in the marketplace.

Unexpected changes in claim trends on our workers' compensation and 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 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, our costs could increase significantly. 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.

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 2012, we met all of the covenant requirements. Our ability to continue to meet these financial covenants, particularly with respect to interest coverage (see Debt note in the footnotes to the consolidated financial statements), may not 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. 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.

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

Many business processes critical to our continued operation are housed in our data center situated within the corporate headquarters complex as well as regional data centers in Asia-Pacific and Europe. Those processes include, but are not limited to, payroll, customer reporting and order management. While we have taken steps to protect these operations, the loss of a data center would create a substantial risk of business interruption.

Our information technology projects may not yield their intended results.

At the present time, we have a number of information technology projects in process or in the planning stages, including improvements to applicant onboarding and tracking systems, order management, billing and customer data analytics. Although the technology is intended to increase productivity and operating efficiencies, these projects 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.

We are highly dependent on our senior management and the continued performance and productivity of our local management and field personnel.

We are highly dependent on the continued efforts of the members of our senior management. We are also highly dependent on the performance and productivity of our local management and field personnel. The loss of any of the members of our senior management may cause a significant disruption in our business. In addition, the loss of any of our local managers or field personnel may jeopardize existing customer relationships with businesses that use our services based on relationships with these individuals. The loss of the services of members of our senior management could have a material adverse effect on our business.

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, 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.

The net financial impact of recent U.S. healthcare legislation on our results of operations could be significant.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Acts”) were signed into U.S. law. The Acts represent comprehensive healthcare reform legislation that, in addition to other provisions, will require that we provide affordable, minimum essential healthcare coverage to certain temporary employees (and dependents) in the United States or incur penalties. Although we intend to pass these costs on to our customers, there can be no assurance that we will be able to increase pricing to our customers in a sufficient amount to cover the increased costs. While we are unable at this time to estimate the net impact of the Acts, we believe the net financial impact on our results of operations could be significant.

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.

We conduct our business in most 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;
- 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;
- changing and, in some cases, complex or ambiguous laws and regulations; and
- litigation 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 controlling stockholder exercises voting control over our company and has the ability to elect or remove from office all of our directors.

Terence E. Adderley, the Executive Chairman of our board of directors, and certain trusts with respect to which he acts as trustee or co-trustee, control approximately 93% of the outstanding shares of Kelly Class B common stock, which is the only class of our common stock entitled to voting rights. Mr. Adderley is 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 Board of Directors.

We are not subject to most 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” by virtue of the fact that Terence E. Adderley, the Executive Chairman of our board of directors, and certain trusts of which he acts as trustee or co-trustee have 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 Securities and Exchange Commission 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 certain of 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 that 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 stock holders 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.

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;
- 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We own our headquarters in Troy, Michigan, where corporate, subsidiary and divisional offices are currently located. The original headquarters building was purchased in 1977. Headquarters operations were expanded into additional buildings purchased in 1991, 1997 and 2001.

The combined usable floor space in the headquarters complex is approximately 350,000 square feet. Our buildings are in good condition and are currently adequate for their intended purpose and use. We also own undeveloped land in Troy and northern Oakland County, Michigan.

Branch office business is conducted in leased premises with the majority of leases being fixed for terms of generally three to five years in the United States and Canada and five to ten years outside the United States and Canada. We own virtually all of the office furniture and the equipment used in our corporate headquarters and branch offices.

ITEM 3. LEGAL PROCEEDINGS.

During the second quarter of 2012, the Company received final court approval of a settlement of a single class action, Fuller v. Kelly Services, Inc. and Kelly Home Care Services, Inc., in the Superior Court of California, Los Angeles, which involved a claim for monetary damages by current and former temporary employees in the State of California. The claims were related to alleged misclassification of personal attendants as exempt and not entitled to overtime compensation under state law and alleged technical violations of a state law governing the content of employee pay stubs. Recognized in discontinued operations in 2011 was a $1.2 million after tax charge relating to the settlement and in 2012 a $0.4 million after tax reduction in our estimate of costs to settle the litigation.

The Company is continuously engaged in litigation arising in the ordinary course of its business, typically matters alleging employment discrimination, alleging wage and hour violations or enforcing the restrictive covenants in the Company's employment agreements. While there is no expectation that any of these matters will have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is always subject to inherent uncertainty and the Company is not able to reasonably predict if any matter will be resolved in a manner that is materially adverse to the Company.

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 to the consolidated financial statements.

	Per share amounts (in dollars)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2012					
Class A common					
High	$ 18.09	$ 16.25	$ 14.30	$ 15.90	$ 18.09
Low	13.75	11.30	11.26	12.40	11.26
Class B common					
High	17.40	18.02	14.47	15.50	18.02
Low	13.80	12.13	11.65	12.93	11.65
Dividends	0.05	0.05	0.05	0.05	0.20
2011					
Class A common					
High	$ 22.99	$ 21.41	$ 17.58	$ 17.00	$ 22.99
Low	17.50	14.61	10.95	10.77	10.77
Class B common					
High	22.99	21.30	16.70	17.12	22.99
Low	18.10	14.53	12.23	11.26	11.26
Dividends	-	-	0.05	0.05	0.10

Holders

The number of holders of record of our Class A and Class B common stock were approximately 8,600 and 300, respectively, as of February 3, 2013.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

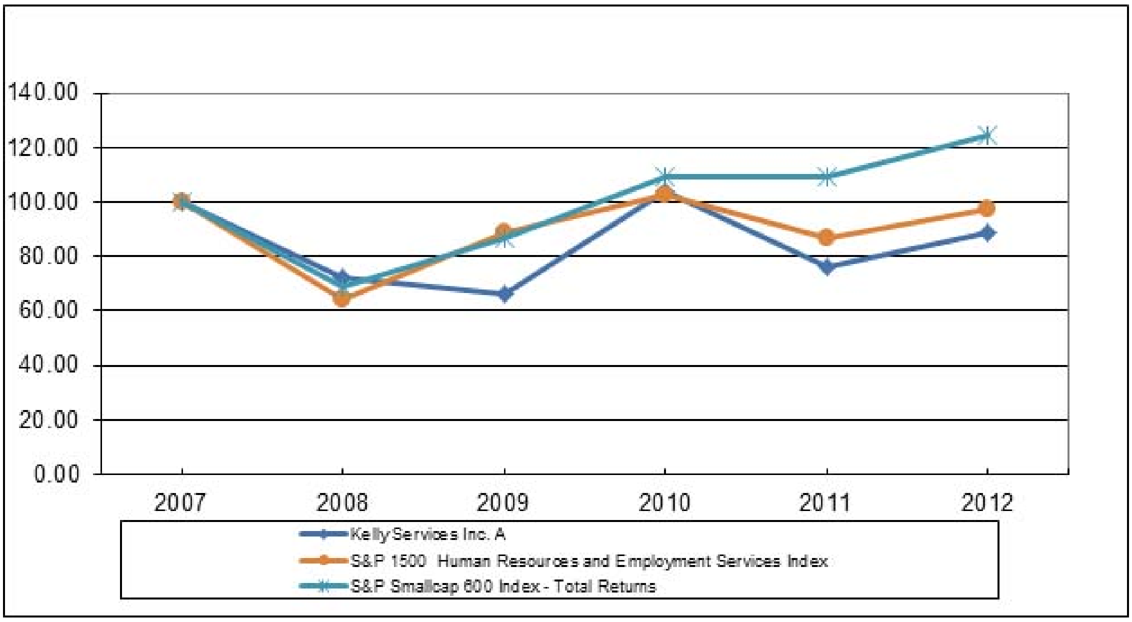
Period	Total Number of Shares (or Units) Purchased		Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs		Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs (in millions of dollars)
October 1, 2012 through November 4, 2012	280	$	12.77	-	$	-
November 5, 2012 through December 2, 2012	30,192		13.66	-		-
December 3, 2012 through December 30, 2012	-		-	-		-
Total	30,472	$	13.65	-		

We may reacquire shares sold to cover taxes due upon the vesting of restricted stock held by employees. Accordingly, 30,472 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 600 SmallCap Index and the S&P 1500 Human Resources and Employment Services Index for the five years ended December 31, 2012. The graph assumes an investment of $100 on December 31, 2007 and that all dividends were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Assumes Initial Investment of $100
December 31, 2007 – December 31, 2012



	2007	2008	2009	2010	2011	2012
Kelly Services, Inc.	$ 100.00	$ 71.98	$ 66.00	$ 104.01	$ 76.20	$ 89.04
S&P SmallCap 600 Index	$ 100.00	$ 68.92	$ 86.53	$ 109.31	$ 109.05	$ 124.41
S&P 1500 Human Resources and Employment Services Index	$ 100.00	$ 64.34	$ 88.91	$ 102.84	$ 86.88	$ 97.38

ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes selected financial information of Kelly Services, Inc. and its subsidiaries for each of the most recent five fiscal years. This table should be read in conjunction with the other financial information, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements included elsewhere in this report.

(In millions except per share amounts)	2012	2011	2010	2009 (1)	2008
Revenue from services	$ 5,450.5	$ 5,551.0	$ 4,950.3	$ 4,314.8	$ 5,517.3
Earnings (loss) from continuing operations (2)	49.7	64.9	26.1	(105.1)	(81.7)
Earnings (loss) from discontinued operations, net of tax (3)	0.4	(1.2)	-	0.6	(0.5)
Net earnings (loss)	50.1	63.7	26.1	(104.5)	(82.2)
Basic earnings (loss) per share:					
Earnings (loss) from continuing operations	1.31	1.72	0.71	(3.01)	(2.35)
Earnings (loss) from discontinued operations	0.01	(0.03)	-	0.02	(0.02)
Net earnings (loss)	1.32	1.69	0.71	(3.00)	(2.37)
Diluted earnings (loss) per share:					
Earnings (loss) from continuing operations	1.31	1.72	0.71	(3.01)	(2.35)
Earnings (loss) from discontinued operations	0.01	(0.03)	-	0.02	(0.02)
Net earnings (loss)	1.32	1.69	0.71	(3.00)	(2.37)
Dividends per share					
Classes A and B common	0.20	0.10	-	-	0.54
Working capital	470.3	417.0	367.6	357.6	427.4
Total assets	1,635.7	1,541.7	1,368.4	1,312.5	1,457.3
Total noncurrent liabilities	172.4	168.3	153.6	205.3	203.8

(1) Fiscal year included 53 weeks.

(2) Included in results of continuing operations are asset impairments of $3.1 million in 2012, $2.0 million in 2010, $53.1 million in 2009 and $80.5 million in 2008.

(3) Discontinued Operations represent adjustments to assets and liabilities retained from the 2006 sale of Kelly Staff Leasing and 2007 sale of Kelly Home Care.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Executive Overview

The Staffing Industry

The worldwide staffing industry is competitive and highly fragmented. In the United States, approximately 100 competitors operate nationally, and approximately 10,000 smaller companies compete in varying degrees at local levels. Additionally, several similar staffing companies compete globally. Demand for temporary services is highly dependent on the overall strength of the global economy and labor markets. In periods of economic growth, demand for temporary services generally increases, and the need to recruit, screen, train, retain and manage a pool of employees who match the skills required by particular customers becomes critical. Conversely, during an economic downturn, competitive pricing pressures can pose a threat to retaining a qualified temporary workforce. Accordingly, the on-going economic crisis in the Eurozone and slow recovery from recession in the U.S. has impacted all staffing firms over the last several years.

Our Business

Kelly Services is a global staffing company, providing innovative workforce solutions for customers in a variety of industries. Our staffing operations are divided into three regions, Americas, EMEA and APAC, with commercial and professional and technical staffing businesses in each region. As the human capital arena has become more complex, we have also developed a suite of innovative solutions within our global OCG Group. We are forging strategic relationships with our customers to help them manage their flexible workforces, through outsourcing, consulting, recruitment, career transition and vendor management services.

We earn revenues from the hourly sales of services by our temporary employees to customers, as a result of recruiting permanent employees for our customers, and through our outsourcing and consulting activities. 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 financial asset. Average days sales outstanding varies within and outside the U.S., but averages more than 50 days on a global basis. Since receipts from customers generally lag temporary employee payroll, working capital requirements increase substantially in periods of growth.

Our Strategy and Outlook

Our long-term strategic objective is to create shareholder value by delivering a competitive profit from the best workforce solutions and talent in the industry. We have set a long-term goal to achieve a competitive return on sales of 4%. To attain this, we are focused on the following key areas:

- Maintain our core strengths in commercial staffing and key markets;
- Aggressively grow our professional and technical staffing;
- Transform our OCG segment into a market-leading provider of talent supply chain management;
- Capture permanent placement growth in selected specialties; and
- Lower our costs through deployment of efficient service delivery models.

In the face of economic uncertainty, softening demand, and declining revenue, we made progress in 2012, although at a pace slower than we had originally expected. During 2012, we:

- Maintained our competitive position in key global staffing markets;
- Grew our professional and technical business by 3% year over year, despite a 2% decline in total revenue;
- Increased our OCG revenue by 25% year over year and improved earnings from operations by over $11 million;
- Increased permanent placement fees by 7% year over year; and
- Reduced expenses by 1% in comparison to last year.

We improved our return on sales by 30 basis points to 1.3%, although still far short of our long-term goal of 4.0%. In order to make significant progress against our long-term goal, we will need much stronger economic growth in order to leverage our business.

Looking ahead, although the U.S. unemployment rate is currently below 8%, overall job growth remains tepid, and U.S. temporary job growth is decelerating -- trends that are likely to continue in 2013. We expect that ongoing economic uncertainty in the U.S., fueled by the fiscal situation, will continue to constrain hiring in the near-term. In Europe, we do not anticipate any significant changes to the recessionary conditions that continue to take their toll on the labor market.

An additional challenge for us will be to meet the 2014 provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Acts”). The Acts represent comprehensive health care reform legislation that, in addition to other provisions, will require that we offer affordable, minimum essential health care coverage to certain temporary employees (and dependents) in the United States or incur penalties. In order to comply with the Acts, Kelly intends to begin offering health care coverage in 2014 to all temporary employees eligible for coverage under the Acts.

At this point in time, we are unable to estimate the costs of complying with the Acts. Estimating the costs of complying with the Acts is difficult due to a variety of factors associated with our temporary employee population, including: the number of employees who are eligible for coverage; the percentage of eligible employees who will enroll for health care coverage; the number of months during the following year that those employees who accept coverage remain an employee; determination of the appropriate employee contribution share for affordability purposes; the cost and availability of health care coverage that meets the Acts’ requirements; and the cost of implementation and ongoing administrative costs of compliance. Although we intend to pass ongoing costs on to our customers, there can be no assurance that we will be able to increase pricing to our customers in a sufficient amount to cover the increased costs, and the net financial impact on our results of operations could be significant.

Longer-term, we believe the trends in the staffing industry are positive: companies are becoming more comfortable with the use of flexible staffing models; there is increasing acceptance of free agents and contractual employment by companies and candidates alike; and companies are searching for more comprehensive workforce management solutions. This shift in demand for contingent labor plays to our strengths and experience -- particularly serving large companies.

Financial Measures – Operating Margin and Constant Currency

Operating margin (earnings from operations divided by revenue from services) in the following tables is a ratio used to measure the Company’s pricing strategy and operating efficiency. Constant currency (“CC”) change amounts are non-GAAP measures. CC change amounts in the following tables refer to the year-over-year percentage changes resulting from translating 2012 financial data into U.S. dollars using the same foreign currency exchange rates used to translate financial data for 2011. We believe that CC measurements are an important analytical tool to aid in understanding underlying operating trends without distortion due to currency fluctuations.

Results of Operations
2012 versus 2011

Total Company
(Dollars in millions)

	2012	2011	Change	CC Change
Revenue from services	$ 5,450.5	$ 5,551.0	(1.8) %	(0.2) %
Fee-based income	148.2	138.0	7.3	10.1
Gross profit	896.6	883.3	1.5	3.3
SG&A expenses excluding restructuring charges	822.1	822.8	(0.1)	
Restructuring charges	(0.9)	2.8	(132.3)	
Total SG&A expenses	821.2	825.6	(0.6)	1.2
Asset impairments	3.1	-	NM	
Earnings from operations	72.3	57.7	25.3	
Gross profit rate	16.5%	15.9%	0.6 pts.	
Expense rates (excluding restructuring charges):				
% of revenue	15.1	14.8	0.3	
% of gross profit	91.7	93.2	(1.5)	
Operating margin	1.3	1.0	0.3	

Total Company revenue for 2012 was down 2% in comparison to the prior year, and declined 3% excluding the Company's 2011 acquisition of Tradição described below. On a CC basis, total Company revenue was flat and down 1% excluding the Company's acquisition of Tradição. This reflected an 11% decrease in hours worked, partially offset by a 9% increase in average bill rates on a CC basis. Hours decreased in our staffing business in all three regions. The decrease in the Americas and EMEA was due, in large part, to the economic uncertainty existing in both regions, while the decline in APAC was due to decisions we made to exit low-margin business in India. The improvement in average bill rates was primarily due to the mix of countries, particularly the business we exited in India with very low average bill rates.

Compared to 2011, the gross profit rate improved by 60 basis points due to higher fee-based income and an improved temporary gross profit rate in the Americas and APAC regions and the OCG segment. The improvement in the Americas' temporary gross profit rate included the impact of lower workers' compensation costs. We regularly update our estimates of open workers' compensation claims. Due to favorable development of claims and payment data, we reduced our estimated costs of prior year workers' compensation by $10 million for 2012. This compares to an adjustment reducing prior year workers' compensation claims by $6 million for 2011.

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

Selling, general and administrative ("SG&A") expenses excluding restructuring decreased slightly year over year. In the fourth quarter of 2012, we embarked on a restructuring program for certain of our EMEA operations in Italy, France and Ireland. The total net restructuring benefit in 2012 included $3 million of revisions of the estimated lease termination costs for previously closed EMEA Commercial branches, partially offset by $2 million of severance and lease termination costs for those EMEA Commercial branches which are in the process of closing. We expect to spend approximately $0.5 million in the first quarter of 2013 to complete the restructuring in EMEA. Restructuring costs in 2011 relate primarily to revisions of the estimated lease termination costs for previously closed EMEA Commercial branches.

In the fourth quarter of 2012, we made the decision to abandon our PeopleSoft billing system implementation in the U.S., Canada and Puerto Rico and, accordingly, recorded asset impairment charges of $3 million, representing previously capitalized costs associated with this project.

Income tax expense for 2012 was $19 million (27.8%), compared to a benefit of $7 million (-12.6%) for 2011. The 2012 income tax expense was impacted by the expiration of employment-related income tax credits, including the Hiring Incentives to Restore Employment ("HIRE") Act retention credit, which was unavailable in 2012, and the work opportunity credit, which was available in 2012 only for veterans and pre-2012 hires. Together, these income tax credits totaled $8 million in 2012, compared to $28 million in 2011. The work opportunity credit was retroactively reinstated on January 2, 2013, which will result in a first quarter 2013 tax benefit of $9 million that would have been recognized in 2012 if the law had been in effect at year-end 2012. In 2012, the Company closed income tax examinations relating to prior years, resulting in a $5 million benefit. During 2011, the Company determined that for tax reporting purposes, it was eligible for worthless stock deductions related to foreign subsidiaries, which provided U.S. federal and state benefits of $8 million in 2011.

Diluted earnings from continuing operations per share for 2012 were $1.31, as compared to $1.72 for 2011.

Earnings (loss) from discontinued operations for 2012 and 2011 represent adjustments to the estimated costs of litigation, net of tax, retained from the 2007 sale of the Kelly Home Care business unit.

Total Americas
(Dollars in millions)

	2012	2011	Change	CC Change
Revenue from services	$ 3,672.1	$ 3,643.7	0.8%	1.3%
Fee-based income	30.2	25.3	19.0	20.3
Gross profit	547.9	523.1	4.7	5.2
Total SG&A expenses	405.8	396.4	2.4	3.0
Earnings from operations	142.1	126.7	12.0	
Gross profit rate	14.9%	14.4%	0.5 pts.	
Expense rates:				
% of revenue	11.1	10.9	0.2	
% of gross profit	74.1	75.8	(1.7)	
Operating margin	3.9	3.5	0.4	

On an organic basis, excluding the Tradição acquisition in Brazil in late 2011, CC revenue decreased slightly. This was attributable to a 4% decrease in hours worked, partially offset by a 3% increase in average bill rates on a CC basis. During 2012, the PT segment revenue grew by 5%, while the Commercial segment revenue, excluding Tradição, declined 3%. The PT segment growth was fueled primarily by increases in hours and revenues in our engineering, IT and finance services. The decrease in Commercial segment revenue was driven primarily by decreases in light industrial and electronic assembly service lines, reflecting slowing demand as the year progressed, due to economic uncertainties.   Americas represented 67% of total Company revenue in 2012 and 66% in 2011.

The increase in our gross profit rate was due to the combined effects of increased fee-based income, pricing increases and the decreases in workers' compensation costs noted above. The year-over-year increase in total SG&A expenses is due to the costs associated with our Tradição operation. Total SG&A expenses without Tradição decreased slightly from last year.

Total EMEA
(Dollars in millions)

	2012	2011	Change	CC Change
Revenue from services	$ 1,022.9	$ 1,169.0	(12.5) %	(6.7) %
Fee-based income	39.2	44.1	(11.2)	(5.5)
Gross profit	176.8	207.7	(14.9)	(9.2)
SG&A expenses excluding restructuring charges	169.0	186.9	(9.7)	
Restructuring charges	(0.9)	2.8	(132.3)	
Total SG&A expenses	168.1	189.7	(11.5)	(6.0)
Earnings from operations	8.7	18.0	(51.6)	
Gross profit rate	17.3%	17.8%	(0.5) pts.	
Expense rates (excluding restructuring charges):				
% of revenue	16.5	16.0	0.5	
% of gross profit	95.6	90.1	5.5	
Operating margin	0.8	1.5	(0.7)	

The change in EMEA revenue from services reflected an 11% decrease in hours worked. The decrease primarily reflects the difficult economic environment in the European Union. However, we also saw a decrease in our hours in Russia, where we were focused on gaining higher-margin customers. The decrease in volume was partially offset by a 5% increase in average bill rates on a CC basis. This was the result of average bill rate increases in Switzerland due to favorable customer mix and Russia where, as noted above, we were focused on higher-margin customers. EMEA represented 19% of total Company revenue in 2012 and 21% in 2011.

The EMEA gross profit rate decreased due to both a mix change, where higher-margin retail business decreased by more than lower-margin corporate accounts, and a decrease in fee-based income in the Eurozone due to the economic environment.

The decrease in SG&A expenses excluding restructuring charges was primarily due to a reduction of full-time employees in specific countries. Restructuring costs recorded in 2012 reflect the net costs associated with the restructuring actions taken in Italy, France and Ireland in the fourth quarter of 2012, offset by adjustments to prior restructuring costs in the U.K.

Total APAC
(Dollars in millions)

	2012	2011	Change	CC Change
Revenue from services	$ 394.8	$ 449.0	(12.1) %	(11.5) %
Fee-based income	27.5	29.2	(5.8)	(4.8)
Gross profit	71.1	76.3	(6.8)	(6.3)
Total SG&A expenses	73.4	77.0	(4.7)	(4.1)
Earnings from operations	(2.3)	(0.7)	(207.4)	
Gross profit rate	18.0%	17.0%	1.0 pts.	
Expense rates:				
% of revenue	18.6	17.2	1.4	
% of gross profit	103.3	101.0	2.3	
Operating margin	(0.6)	(0.2)	(0.4)	

The change in total APAC revenue reflected a 35% decrease in hours worked, partially offset by a 35% increase in average bill rates on a CC basis. The change in both hours worked and average bill rates were due primarily to a decision to exit low-margin customers in India. In addition to reducing hours, this changed our mix of business, as the average bill rate in India is significantly lower than that of the APAC region. We also saw a decrease in hours worked in Australia, where market demand for temporary volume in the lower margin manufacturing and light industrial service lines has slowed down. APAC revenue represented 7% of total Company revenue in 2012 and 8% in 2011.

The improvement in the APAC gross profit rate was also due to the decision to exit a number of lower-margin customers in India. The temporary gross profit rate in India was significantly lower than the temporary gross profit rate of the region. Fee-based income also contributed to the improvement in the gross profit rate. Although fees declined on a year-over-year basis, they declined by less than total revenue and thus had a positive mix effect.

The change in SG&A expenses reflects a decrease in full-time salaries due, in part, to a decision to keep open positions vacant in response to volume pressures in the region.

OCG
(Dollars in millions)

	2012	2011	Change	CC Change
Revenue from services	$ 396.1	$ 317.3	24.8%	25.5%
Fee-based income	51.4	39.5	30.0	32.1
Gross profit	104.0	78.8	32.0	33.5
Total SG&A expenses	95.4	81.4	17.0	18.6
Earnings from operations	8.6	(2.6)	NM	
Gross profit rate	26.3%	24.8%	1.5 pts.	
Expense rates:				
% of revenue	24.1	25.7	(1.6)	
% of gross profit	91.6	103.4	(11.8)	
Operating margin	2.2	(0.8)	3.0	

Revenue from services in the OCG segment increased during 2012 due to growth in BPO of 40%, RPO growth of 22% and CWO growth of 20%. The revenue growth in BPO was due to expansion of programs with existing customers, RPO revenue increased, in part, due to a large project which was completed in the third quarter and CWO growth was due to implementation of new customers. OCG revenue represented 7% of total Company revenue in 2012 and 6% in 2011.

The OCG gross profit rate increased primarily due to mix as volume increased in the higher margin BPO, RPO and CWO practice areas. The increase in SG&A expenses is primarily the result of support costs, salaries and incentive-based compensation associated with new customer programs, as well as higher volumes on existing programs in our BPO, RPO and CWO practice areas.

Results of Operations
2011 versus 2010

Total Company
(Dollars in millions)

	2011	2010	Change	CC Change
Revenue from services	$ 5,551.0	$ 4,950.3	12.1%	9.6%
Fee-based income	138.0	99.0	39.4	33.4
Gross profit	883.3	786.9	12.3	9.4
SG&A expenses excluding restructuring charges	822.8	739.6	11.3	
Restructuring charges	2.8	7.2	(61.7)	
Total SG&A expenses	825.6	746.8	10.6	7.6
Asset impairments	-	2.0	(100.0)	
Earnings from operations	57.7	38.1	51.4	
Gross profit rate	15.9%	15.9%	- pts.	
Expense rates (excluding restructuring charges):				
% of revenue	14.8	14.9	(0.1)	
% of gross profit	93.2	94.0	(0.8)	
Operating margin	1.0	0.8	0.2	

The U.S. and global economies slowly strengthened during 2011. More than 1.8 million jobs were created in the U.S., representing the best performance in five years. Within the U.S. staffing industry, more than 650,000 jobs were added since the recovery began in September 2009, and the temporary help penetration rate grew steadily during 2011, concluding the year at 1.81%. As a result of these improving conditions, we were able to increase the number of hours worked by 7%, in comparison to 2010. This, combined with a 2% increase in average bill rates on a CC basis, drove our year-over-year revenue increase. On a CC basis, revenue increased in all business segments.

Compared to 2010, the 2011 gross profit rate was unchanged. The growth in fee-based income offset a decline in the temporary staffing gross profit rate which resulted from the expiration of the HIRE Act payroll tax benefit in the U.S. The HIRE Act, which allowed employers to receive tax incentives for hiring and retaining previously unemployed individuals, resulted in a benefit to our gross profit of $21 million in 2010. HIRE Act benefits were also available in 2011, but as an income tax credit, rather than a benefit to the Company's gross profit.

SG&A expenses increased year over year due primarily to higher compensation costs. During 2011 we hired full-time employees, primarily in our PT and OCG businesses as part of executing our business strategy, reinstated certain retirement benefits and merit increase programs and increased incentive-based compensation. Restructuring costs incurred in 2011 primarily related to revisions of the estimated lease termination costs for EMEA Commercial branches that closed in prior years. Restructuring costs incurred in 2010 primarily related to severance and lease termination costs for branches in the EMEA Commercial and APAC Commercial segments that were in the process of closure at the end of 2009, and severance costs related to the corporate headquarters.

Income tax benefit for 2011 was $7 million (-12.6%), compared to income tax expense of $7 million (20.2%) for 2010. The income tax benefit in 2011 was largely impacted by significant employment-related income tax credits, including the favorable impact of the HIRE Act retention credit of $11 million and continued strong work opportunity credits of $17 million. Together, these income tax credits totaled $28 million in 2011, compared to $12 million in 2010. The Company also determined that for tax reporting purposes it was eligible for worthless stock deductions related to foreign subsidiaries, which provided U.S. federal and state benefits of $8 million in 2011, compared to $1 million in 2010. The HIRE Act retention credit was available only in 2011, and was in addition to the HIRE Act payroll tax benefits recognized in cost of services in 2010.

Included in earnings from continuing operations were restructuring charges of $3 million, net of tax, for 2011 and $5 million, net of tax, for 2010. Diluted earnings from continuing operations per share for 2011 were $1.72, as compared to $0.71 for 2010. Discontinued operations in 2011 represents costs of litigation, net of tax, retained from the 2007 sale of the Kelly Home Care business unit.

Total Americas
(Dollars in millions)

	2011	2010	Change	CC Change
Revenue from services	$ 3,643.7	$ 3,317.2	9.8%	9.5%
Fee-based income	25.3	17.8	43.3	42.6
Gross profit	523.1	493.5	6.1	5.8
SG&A expenses excluding restructuring charges	396.4	367.6	7.9	
Restructuring charges	-	0.3	(100.0)	
Total SG&A expenses	396.4	367.9	7.8	7.5
Earnings from operations	126.7	125.6	1.0	
Gross profit rate	14.4%	14.9%	(0.5) pts.	
Expense rates (excluding restructuring charges):				
% of revenue	10.9	11.1	(0.2)	
% of gross profit	75.8	74.5	1.3	
Operating margin	3.5	3.8	(0.3)	

The change in Americas revenue from services reflected a 7% increase in hours worked, combined with a 2% increase in average bill rates on a CC basis. Commercial revenues increased by nearly 10%, primarily due to increases in demand from existing and new light industrial customers and an increase in our electronic assembly service lines during the year. Our PT segment grew just over 10%, fueled by solid growth in our science, engineering and IT services. Americas represented 66% of total Company revenue in 2011 and 67% in 2010.

The change in the gross profit rate was due primarily to the unfavorable impact related to the expiration of the HIRE Act payroll tax benefit. SG&A expenses increased due to the reinstatement of merit increases and certain retirement benefits, higher incentive-based compensation and additional PT staff.

Total EMEA
(Dollars in millions)

	2011	2010	Change	CC Change
Revenue from services	$ 1,169.0	$ 1,019.6	14.7%	6.7%
Fee-based income	44.1	34.1	28.6	20.7
Gross profit	207.7	179.5	15.6	7.6
SG&A expenses excluding restructuring charges	186.9	167.2	11.9	
Restructuring charges	2.8	2.7	4.0	
Total SG&A expenses	189.7	169.9	11.8	3.9
Asset impairments	-	1.5	(100.0)	
Earnings from operations	18.0	8.1	115.7	
Gross profit rate	17.8%	17.6%	0.2 pts.	
Expense rates (excluding restructuring charges):				
% of revenue	16.0	16.4	(0.4)	
% of gross profit	90.1	93.0	(2.9)	
Operating margin	1.5	0.8	0.7	

The change in revenue from services in EMEA resulted from a 6% increase in average hourly bill rates on a CC basis. Approximately half of the increase relates to the strategic focus on higher skilled candidates in the U.K., France, Germany and Norway. Salary inflation in Russia also accounts for a large portion of the increase. EMEA revenue represented 21% of total Company revenue in both 2011 and 2010.

The change in the EMEA gross profit rate was primarily due to increases in fee-based income, as a result of targeted investments in additional full-time employees in new or existing branches in Russia, France, Italy and Germany. Russia accounted for approximately one-third of the growth in fees, and France, Italy and Germany each accounted for approximately 15% of the fee growth.

The increase in SG&A expenses was due to increased hiring of full-time employees in specific countries. The vast majority of the investments were done in Switzerland, France, Germany and Russia, countries with identified high-growth potential and investments in additional PT branches in Russia, Germany and the U.K.

Total APAC
(Dollars in millions)

	2011	2010	Change	CC Change
Revenue from services	$ 449.0	$ 387.8	15.8%	7.9%
Fee-based income	29.2	21.9	34.8	25.6
Gross profit	76.3	62.2	22.6	13.6
SG&A expenses excluding restructuring charges	77.0	62.0	24.0	
Restructuring charges	-	0.5	(100.0)	
Total SG&A expenses	77.0	62.5	23.0	13.8
Earnings from operations	(0.7)	(0.3)	(83.8)	
Gross profit rate	17.0%	16.0%	1.0 pts.	
Expense rates (excluding restructuring charges):				
% of revenue	17.2	16.0	1.2	
% of gross profit	101.0	99.8	1.2	
Operating margin	(0.2)	(0.1)	(0.1)	

The change in revenue from services in APAC resulted from an 11% increase in hours worked, partially offset by a 3% decline in average hourly bill rates on a CC basis. The volume increase was due to a 20% increase in hours worked by temporary employees in India for customers in the telecommunication services sector in the first half of the year. The decline in average hourly bill rates was due to the mix effect of adding hours in India, where the average bill rate is significantly lower than the average for the APAC region. APAC revenue represented 8% of total Company revenue in both 2011 and 2010.

The improvement in the APAC gross profit rate was primarily due to higher growth in fee-based income. Nearly 50% of the fee growth came from Australia and New Zealand and approximately 25% came from China. This was the result of a focused effort on building the PT permanent placement practice in these countries. SG&A expenses increased, primarily due to higher salaries and related costs from the investment in additional full-time employees across the region.

OCG
(Dollars in millions)

	2011	2010	Change	CC Change
Revenue from services	$ 317.3	$ 254.8	24.5%	23.6%
Fee-based income	39.5	25.6	54.3	49.8
Gross profit	78.8	54.1	45.6	43.2
SG&A expenses excluding restructuring charges	81.4	71.6	13.5	
Restructuring charges	-	0.1	(100.0)	
Total SG&A expenses	81.4	71.7	13.4	10.6
Earnings from operations	(2.6)	(17.6)	85.0	
Gross profit rate	24.8%	21.3%	3.5 pts.	
Expense rates (excluding restructuring charges):				
% of revenue	25.7	28.2	(2.5)	
% of gross profit	103.4	132.6	(29.2)	
Operating margin	(0.8)	(7.0)	6.2	

Revenue from services in the OCG segment increased due to growth in RPO of 42%, growth in BPO of 25% and growth in CWO of 22%. Growth in all practice areas was due to the expansion of programs with existing customers. OCG revenue represented 6% of total Company revenue in 2011 and 5% in 2010.

The OCG gross profit rate increased primarily due to increased volume in the higher-margin BPO, RPO and CWO practice areas, as well as increases in gross profit rates for both the BPO and RPO practice areas in 2011. The increase in SG&A expenses is primarily the result of support costs, salaries and incentive-based compensation associated with the expansion of customer programs, as well as higher volumes on existing programs, in our RPO and CWO practice areas.

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 and customer accounts receivable. Since receipts from customers generally lag payroll to temporary employees, working capital requirements increase substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease. As highlighted in the consolidated statements of cash flows, our liquidity and available capital resources are impacted by four key components: cash and equivalents, operating activities, investing activities and financing activities.

Cash and Equivalents

Cash and equivalents totaled $76 million at the end of 2012, compared to $81 million at year-end 2011. As further described below, during 2012, we generated $61 million of cash from operating activities, used $28 million of cash for investing activities and used $39 million in cash for financing activities.

Operating Activities

In 2012, we generated $61 million of cash from operating activities, as compared to generating $19 million in 2011 and $42 million in 2010. The increase from 2011 to 2012 was primarily due to lower additional working capital requirements. The decrease from 2010 to 2011 was primarily due to growth in working capital requirements, partially offset by improved operating results.

Trade accounts receivable totaled $1.0 billion at the end of 2012. Global days sales outstanding (“DSO”) for the fourth quarter were 53 days for 2012, compared to 52 days for 2011.

Our working capital position was $470 million at the end of 2012, an increase of $53 million from year-end 2011. The current ratio was 1.7 at year-end 2012 and 1.6 at year-end 2011.

Investing Activities

In 2012, we used $28 million of cash for investing activities, compared to $21 million in 2011 and $11 million in 2010. Capital expenditures, which totaled $22 million in 2012, $15 million in 2011 and $11 million in 2010, primarily related to the Company’s information technology programs, including costs for the implementation of the PeopleSoft payroll, billing and accounts receivable project.

The PeopleSoft payroll, billing and accounts receivable project, which commenced in the fourth quarter of 2004, was intended to cover the U.S., Canada, Puerto Rico, the U.K. and Ireland. During 2012, management made the decision to abandon the billing system module in the U.S., Canada and Puerto Rico, and wrote off the previously capitalized costs related to this portion of the project. To date, the Company has implemented modules associated with payroll in the northeast region of the U.S. and Canada, accounts receivable in all locations, payroll and billing in the U.K. and Ireland, and general ledger and fixed assets in the U.S., Puerto Rico and Canada. We anticipate spending approximately $3 to $4 million in 2013 to complete the PeopleSoft project.

During 2012, we entered into an agreement with Temp Holdings Co., Ltd. ("Temp Holdings") to form a venture, TS Kelly Workforce Solutions ("TS Kelly"), in order to expand both companies' presence in North Asia. As part of this agreement, we contributed our operations in China, South Korea and Hong Kong for a 49% ownership interest in TS Kelly. The $7 million investment represents a $2 million payment to TS Kelly, as well as the cash on hand at the operations we contributed. Our share of the operating results of TS Kelly will be recorded on an equity basis beginning in the first quarter of 2013.

To establish the Company's presence in the Brazilian market, we acquired the stock of Tradição Planejamento e Tecnologia de Serviços S.A. and Tradição Tecnologia e Serviços Ltda. (collectively, "Tradição"), a national service provider in Brazil, in November, 2011 for $7 million in cash. In addition to the cash payment, the Company assumed debt of $9 million as part of this transaction. The operating results of Tradição are included as a business unit in the Americas Commercial operating segment.

Financing Activities

In 2012, we used $39 million in cash for financing activities, as compared to generating $6 million in 2011 and using $35 million in 2010. Changes in cash from financing activities are primarily related to borrowing activities. Debt totaled $64 million at year-end 2012 compared to $96 million at year-end 2011. Debt-to-total capital is a common ratio to measure the relative capital structure and leverage of the Company. Our ratio of debt-to-total capital (total debt reported on the balance sheet divided by total debt plus stockholders' equity) was 8.0% at the end of 2012 and 12.5% at the end of 2011.

In 2012, the net change in short-term borrowings included $21 million and $6 million related to payments on the securitization facility and revolving credit facility, respectively. In 2011, the net change in short-term borrowings included $67 million related to borrowings on the securitization facility. Subsequent to the acquisition of Tradição in November, 2011, we established an unsecured, uncommitted revolving line of credit for the Brazilian legal entities, and used the facility to pay off short-term debt. Accordingly, also included in the 2011 net change in short-term borrowings was $6 million related to borrowings under the revolving line of credit in Brazil. In 2010, the net change in short-term borrowings included $38 million related to payments on the securitization facility.

During 2011, we repaid term debt of $68 million. Included in this amount was $5 million of short-term debt which was paid off by our Brazilian legal entities subsequent to the acquisition of Tradição. During 2010, we paid $15 million due on our yen-denominated credit facility.

Included in financing activities during 2010 was $24 million related to the sale of 1,576,169 shares of Kelly's Class A common stock to Temp Holdings. The shares were sold in a private transaction at $15.42 per share, which was the average of the closing prices of the Class A common stock for the five days from May 3, 2010 through May 7, 2010, and represented 4.8 percent of the outstanding Class A shares after the completion of the sale.

Dividends paid per common share were $0.20 in 2012 and $0.10 in 2011. No dividends were paid in 2010. 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.

Contractual Obligations and Commercial Commitments

Summarized below are our obligations and commitments to make future payments as of year-end 2012:

	Payment due by period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
	(In millions of dollars)				
Operating leases	$ 108.0	$ 42.6	$ 45.1	$ 15.8	$ 4.5
Short-term borrowings	64.1	64.1	-	-	-
Accrued insurance	76.3	32.8	19.8	9.2	14.5
Accrued retirement benefits	116.5	5.5	11.1	11.2	88.7
Other long-term liabilities	15.4	2.1	7.5	4.0	1.8
Uncertain income tax positions	3.1	0.1	0.8	1.0	1.2
Purchase obligations	31.6	16.7	14.9	-	-
Total	$ 415.0	$ 163.9	$ 99.2	$ 41.2	$ 110.7

Purchase obligations above represent unconditional commitments relating primarily to voice and data communications services 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- 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 public or private bonds, asset-based lending, additional bank facilities, issuance of equity or other sources.

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. At the present time, these reviews have not resulted in any specific plans to repatriate our international cash balances. We expect much of our international cash will be needed to fund working capital growth in our local operations. The majority of our international cash is concentrated in a cash pooling arrangement (the "Cash Pool") and 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.

We manage 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.

At year-end 2012, we had $150 million of available capacity on our $150 million revolving credit facility and $32 million of available capacity on our $150 million securitization facility. The securitization facility carried $63 million of short-term borrowings and $55 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. While we believe these facilities will cover our working capital needs over the short term, if economic conditions or operating results change significantly, we may need to seek additional sources of funds. Throughout 2012 and as of the 2012 year end we met the debt covenants related to our revolving credit facility and securitization facility.

At year-end 2012, we also had additional unsecured, uncommitted short-term credit facilities totaling $13 million, under which we had borrowed $1 million. Details of our debt facilities as of the 2012 year end are contained in the Debt footnote in the notes to our consolidated financial statements.

We monitor the credit ratings of our major banking partners on a regular basis. We also 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.

As of the end of fiscal 2012, we had no holdings of sovereign debt in Italy, Portugal, Ireland, Spain or Greece. Our investment policy requires our international affiliates to contribute any excess cash balances to the Cash Pool. We then manage this as counterparty exposure and distribute the risk among our Cash Pool provider and other banks we may designate from time to time.

At the end of fiscal 2012, our total exposure to European receivables from our customers was $284 million, which represents 28% of total trade accounts receivable, net. The percentage of trade accounts receivable over 90 days past due for Europe was consistent with our global experience. Net trade accounts receivable for Italy, Portugal and Ireland, specific countries currently experiencing economic volatility, totaled $38 million at the 2012 year end, and we have not experienced a significant deterioration in these amounts during 2012.

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 that 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

We have a combination of insurance and self-insurance contracts under which we effectively bear the first $500,000 of risk per single accident, except in the state of California, where we bear the first $750,000 of risk per single accident. There is no aggregate limitation on our per-risk 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. This process includes establishing loss development factors, based on our historical claims experience as well as industry experience, and applying those factors to current claims information to derive an estimate of our ultimate claims liability. In preparing the estimates, we also consider the nature, frequency and severity of the claims, reserving practices of our third party claims administrators, performance of our medical cost management 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 our estimates. When claims exceed insured limits and realization of the claim for recovery is deemed probable, we record a receivable from the insurance company for the excess amount.

We evaluate the accrual, and the underlying assumptions, regularly throughout the year 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 other assets in the consolidated balance sheet, was $61 million and $70 million at year-end 2012 and 2011, respectively.

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) 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. 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 adjustment 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 the consolidated balance sheet within income and other taxes and long-term tax accruals are presented in the consolidated balance sheet within other long-term liabilities.

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. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax return in future years for which we have already recorded the tax benefit in our consolidated income statement. 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. Deferred tax liabilities generally represent items for which we have already taken a deduction on our tax return, but have not yet recognized as expense in our consolidated financial statements. Our net deferred tax asset is recorded using currently enacted tax rates, and may need to be adjusted in the event tax rates 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.

Goodwill

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

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 competitive environment conditions, overall financial performance, reporting unit specific events and market considerations. We may also consider recent valuations of the reporting unit, including the magnitude of the difference between the most recent fair value estimate and the carrying value, as well as both positive and adverse events and circumstances, and the extent to which each of the events and circumstances identified may affect the comparison of a reporting unit's fair value with its carrying value.

For reporting units where the qualitative assessment is not used, goodwill is tested for impairment using a two-step process. In the first step, the estimated fair value of a reporting unit is compared to its carrying value. If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is required. To derive the estimated fair value of reporting units, we primarily relied on an income approach. Under the income approach, estimated fair value is determined based on estimated future cash flows discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit being measured. Estimated future cash flows are based on our internal projection model. 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.

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

We completed our annual impairment test for all reporting units in the fourth quarter for the fiscal year ended 2012 and 2011 and determined that goodwill was not impaired. In 2012, we performed a qualitative assessment for the Americas Commercial and Americas PT reporting units, and a step one quantitative assessment for the APAC PT and OCG reporting segments. In 2011, we performed a step one quantitative assessment for all reporting units.

Our step one analysis used significant assumptions by segment, including: expected future revenue and expense growth rates, profit margins, cost of capital, discount rate and forecasted capital expenditures. Our revenue projections assumed near-term growth consistent with current year results, followed by long-term modest growth. Although we believe the assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. Different assumptions of the anticipated future results and growth from these businesses could result in an impairment charge, which would decrease operating income and result in lower asset values on our consolidated balance sheet. For example, a 10% reduction in our growth rate assumptions would not result in the estimated fair value falling below book value for any of our segments.

At year-end 2012 and 2011, total goodwill amounted to $90 million. (See the Goodwill footnote in the notes to our consolidated financial statements).

Litigation

Kelly is subject to legal proceedings 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, results of similar litigation and participation rates. 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 consolidated financial statements of this Annual Report on Form 10-K. At year-end 2012 and 2011, the accrual for litigation costs amounted to $3 million and $5 million, respectively, and is included in accounts payable and accrued liabilities on the consolidated balance sheet.

Allowance for Uncollectible Accounts Receivable

We make ongoing estimates relating to the collectibility of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our customers to make required payments. In determining the amount of the allowance, we consider our historical level of credit losses and apply percentages to certain aged receivable categories. We also make judgments about the creditworthiness of significant customers based on ongoing credit evaluations, and we monitor historical trends that might impact the level of credit losses in the future. Historically, losses from uncollectible accounts have not exceeded our allowance. Since we cannot predict with certainty future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from our estimates. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required. In the event we determined that a smaller or larger allowance was appropriate, we would record a credit or a charge to SG&A expense in the period in which we made such a determination. In addition, we also include a provision for sales allowances, based on our historical experience, in our allowance for uncollectible accounts receivable. If sales allowances vary from our historical experience, an adjustment to the allowance may be required. As of year-end 2012 and 2011, the allowance for uncollectible accounts receivable was $10 million and $13 million, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

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

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The principal important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, competitive market pressures including pricing and technology introductions, changing market and economic conditions, our ability to achieve our business strategy, including our ability to successfully expand into new markets and service lines, material changes in demand from or loss of large corporate customers, impairment charges triggered by adverse industry or market developments, unexpected termination of customer contracts, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, liability for improper disclosure of sensitive or private employee information, unexpected changes in claim trends on workers' compensation and benefit plans, our ability to maintain specified financial covenants in our bank facilities, our ability to access credit markets and continued availability of financing for funding working capital, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology programs, our ability to retain the services of our senior management, local management and field personnel, the impact of changes in laws and regulations (including federal, state and international tax laws), the net financial impact of the Patient Protection and Affordable Care Act on our business, and risks associated with conducting business in foreign countries, including foreign currency fluctuations. 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 due to our net investment in foreign subsidiaries, which conduct business in their local currencies. We may also utilize local currency-denominated borrowings.

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 2012 earnings.

Marketable equity investments, representing our investment in Temp Holdings, are stated at fair value and marked to market through stockholders' equity, net of tax. Impairments in value below historical cost, if any, deemed to be other than temporary, would be expensed in the consolidated statement of earnings. See the Fair Value Measurements footnote in the Notes to 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.

Overall, our holdings and positions in market risk-sensitive instruments do not subject us to material risk.

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 41 of this filing and are presented in pages 42-74.

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.

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 42 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 December 30, 2012, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

During 2012, the Company implemented the PeopleSoft payroll system for payroll processing in the northeast region of the U.S. Management has reviewed the internal controls impacted by the implementation of the PeopleSoft payroll system and has made changes to these internal controls as appropriate.

There were no other 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 page 36, and “Code of Business Conduct and Ethics,” which is included on page 37, (Item 10), and except as set forth under the title “Equity Compensation Plan Information,” which is included on page 37, (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.

Name/Office	Age	Served as an Officer Since	Business Experience During Last 5 Years
Carl T. Camden President and Chief Executive Officer	58	1995	Served as officer of the Company.
George S. Corona Executive Vice President and Chief Operating Officer	54	2000	Served as officer of the Company.
Patricia Little Executive Vice President and Chief Financial Officer	52	2008	Served as officer of the Company since July 2008. Served in various key finance positions at Ford Motor Company from 1984 to 2008, most recently as general auditor (2006 – 2008).
Michael S. Webster Executive Vice President	57	1996	Served as officer of the Company.
Leif Agneus Senior Vice President and General Manager, EMEA / APAC	49	2002	Served as officer of the Company.
Teresa S. Carroll Senior Vice President and General Manger, Outsourcing and Consulting Group	47	2000	Served as officer of the Company.
Michael E. Debs Senior Vice President, Controller and Chief Accounting Officer	55	2000	Served as officer of the Company.
Peter W. Quigley Senior Vice President and General Counsel	51	2004	Served as officer of the Company.
Antonina M. Ramsey Senior Vice President	58	1992	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 76. 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 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 2012.

	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) (2)
Equity compensation plans approved by security holders (1)	392,599	$ 26.16	1,866,542
Equity compensation plans not approved by security holders (3)	-	-	-
Total	392,599	$ 26.16	1,866,542

(1) The equity compensation plans approved by our stockholders include our Equity Incentive Plan, Non-Employee Director Stock Option Plan and Non-Employee Director Stock Award Plan.

The number of shares to be issued upon exercise of outstanding options, warrants and rights excludes 1,062,525 of restricted stock granted to employees and not yet vested at December 30, 2012.

(2) The Equity Incentive Plan provides that the maximum number of shares available for grants, including stock options and restricted stock, is 10 percent of the outstanding Class A common stock, adjusted for plan activity over the preceding five years.

The Non-Employee Director Stock Option Plan provides that the maximum number of shares available for settlement of options is 250,000 shares of Class A common stock.

The Non-Employee Director Stock Award Plan provides that the maximum number of shares available for awards is one-quarter of one percent of the outstanding Class A common stock.

(3) We have no equity compensation plans that have not been approved by our stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

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

(1) 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 December 30, 2012

Consolidated Statements of Comprehensive Income for the three fiscal years ended December 30, 2012

Consolidated Balance Sheets at December 30, 2012 and January 1, 2012

Consolidated Statements of Stockholders' Equity for the three fiscal years ended December 30, 2012

Consolidated Statements of Cash Flows for the three fiscal years ended December 30, 2012

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule -

For the three fiscal years ended December 30, 2012:

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.

(3) The Exhibits are listed in the Index to Exhibits included beginning at page 75, which is incorporated herein by reference.

(b) The Index to Exhibits and required Exhibits are included following the Financial Statement Schedule beginning at page 75 of this filing.

(c) None.

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 14, 2013		KELLY SERVICES, INC. Registrant
	By	/s/ P. Little P. Little 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 14, 2013	*	T. E. Adderley T. E. Adderley Executive Chairman of the Board and Director
Date: February 14, 2013	*	C. T. Camden C. T. Camden President, Chief Executive Officer and Director (Principal Executive Officer)
Date: February 14, 2013	*	C. M. Adderley C. M. Adderley Director
Date: February 14, 2013	*	J. E. Dutton J. E. Dutton Director
Date: February 14, 2013	*	M. A. Fay, O.P. M. A. Fay, O.P. Director
Date: February 14, 2013	*	T. B. Larkin T. B. Larkin Director
Date: February 14, 2013	*	C. L. Mallett, Jr. C. L. Mallett, Jr. Director
Date: February 14, 2013	*	L. A. Murphy L. A. Murphy Director
Date: February 14, 2013	*	D. R. Parfet D. R. Parfet Director
Date: February 14, 2013	*	T. Saburi T. Saburi Director
Date: February 14, 2013	*	B. J. White B. J. White Director

SIGNATURES (continued)

Date: February 14, 2013	/s/ P. Little P. Little Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: February 14, 2013	/s/ M. E. Debs M. E. Debs Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
Date: February 14, 2013	*By /s/ P. Little P. Little Attorney-in-Fact

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Kelly Services, Inc. and Subsidiaries

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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 December 30, 2012. 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.

Based on our assessment, management determined that, as of December 30, 2012, 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 December 30, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page 43.

Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Kelly Services, Inc. and its subsidiaries at December 30, 2012 and January 1, 2012, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 30, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

/s/PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Detroit, Michigan
February 14, 2013

CONSOLIDATED STATEMENTS OF EARNINGS
Kelly Services, Inc. and Subsidiaries

	2012	2011	2010
	(In millions of dollars except per share items)		
Revenue from services	**$ 5,450.5**	$ 5,551.0	$ 4,950.3
Cost of services	**4,553.9**	4,667.7	4,163.4
Gross profit	**896.6**	883.3	786.9
Selling, general and administrative expenses	**821.2**	825.6	746.8
Asset impairments	**3.1**	-	2.0
Earnings from operations	**72.3**	57.7	38.1
Other expense, net	**3.5**	0.1	5.4
Earnings from continuing operations before taxes	**68.8**	57.6	32.7
Income tax expense (benefit)	**19.1**	(7.3)	6.6
Earnings from continuing operations	**49.7**	64.9	26.1
Earnings (loss) from discontinued operations, net of tax	**0.4**	(1.2)	-
Net earnings	**$ 50.1**	$ 63.7	$ 26.1
Basic earnings (loss) per share			
Earnings from continuing operations	**$ 1.31**	$ 1.72	$ 0.71
Earnings (loss) from discontinued operations	**0.01**	(0.03)	-
Net earnings	**$ 1.32**	$ 1.69	$ 0.71
Diluted earnings (loss) per share			
Earnings from continuing operations	**$ 1.31**	$ 1.72	$ 0.71
Earnings (loss) from discontinued operations	**0.01**	(0.03)	-
Net earnings	**$ 1.32**	$ 1.69	$ 0.71
Dividends per share	**$ 0.20**	$ 0.10	$ -
Average shares outstanding (millions):			
Basic	**37.0**	36.8	36.1
Diluted	**37.0**	36.8	36.1

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Kelly Services, Inc. and Subsidiaries

	2012	2011	2010
		(In millions of dollars)	
Net earnings	**$ 50.1**	$ 63.7	$ 26.1
Other comprehensive income, net of tax:			
Foreign currency translation adjustments, net of tax benefit of $0.4, $0.6 and $0.5 million, respectively	**4.9**	(8.0)	3.9
Less: Reclassification adjustments included in net earnings	**0.7**	(1.6)	(0.3)
Foreign currency translation adjustments	**5.6**	(9.6)	3.6
Unrealized gains (losses) on investments	**13.1**	(2.1)	1.0
Pension liability adjustments, net of tax expense of $0.0, $0.1 and $0.3 million, respectively	**0.3**	(1.2)	(0.8)
Less: Reclassification adjustments included in net earnings	**0.2**	0.1	0.1
Pension liability adjustments	**0.5**	(1.1)	(0.7)
Other comprehensive income (loss)	**19.2**	(12.8)	3.9
Comprehensive Income	**$ 69.3**	$ 50.9	$ 30.0

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

Kelly Services, Inc. and Subsidiaries

	2012	2011
	(In millions of dollars)	
ASSETS		
Current Assets:		
Cash and equivalents	**$ 76.3**	$ 81.0
Trade accounts receivable, less allowances of $10.4 million and $13.4 million, respectively	**1,013.9**	944.9
Prepaid expenses and other current assets	**57.5**	50.6
Deferred taxes	**44.9**	38.2
Total current assets	**1,192.6**	1,114.7
Property and Equipment:		
Property and equipment	**337.6**	326.9
Accumulated depreciation	**(247.7)**	(236.3)
Net property and equipment	**89.9**	90.6
Noncurrent Deferred Taxes	**82.8**	94.1
Goodwill, Net	**89.5**	90.2
Other Assets	**180.9**	152.1
Total Assets	**$ 1,635.7**	$ 1,541.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	**$ 64.1**	$ 96.3
Accounts payable and accrued liabilities	**295.6**	237.2
Accrued payroll and related taxes	**264.5**	271.4
Accrued insurance	**32.8**	31.5
Income and other taxes	**65.3**	61.3
Total current liabilities	**722.3**	697.7
Noncurrent Liabilities:		
Accrued insurance	**43.5**	53.5
Accrued retirement benefits	**111.0**	91.1
Other long-term liabilities	**17.9**	23.7
Total noncurrent liabilities	**172.4**	168.3
Commitments and contingencies (See Commitments and Contingencies footnotes)		
Stockholders' Equity:		
Capital stock, $1.00 par value		
Class A common stock, shares issued 36.6 million at 2012 and 2011	**36.6**	36.6
Class B common stock, shares issued 3.5 million at 2012 and 2011	**3.5**	3.5
Treasury stock, at cost		
Class A common stock, 2.9 million shares at 2012 and 3.2 million at 2011	**(61.0)**	(66.3)
Class B common stock	**(0.6)**	(0.6)
Paid-in capital	**27.1**	28.8
Earnings invested in the business	**700.0**	657.5
Accumulated other comprehensive income	**35.4**	16.2
Total stockholders' equity	**741.0**	675.7
Total Liabilities and Stockholders' Equity	**$ 1,635.7**	$ 1,541.7

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Kelly Services, Inc. and Subsidiaries

	2012	2011	2010
		(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	**-**	-	-
Balance at end of year	**36.6**	36.6	36.6
Class B common stock			
Balance at beginning of year	**3.5**	3.5	3.5
Conversions to Class A	**-**	-	-
Balance at end of year	**3.5**	3.5	3.5
Treasury Stock			
Class A common stock			
Balance at beginning of year	**(66.3)**	(70.3)	(106.6)
Exercise of stock options, restricted stock awards and other	**5.3**	4.0	36.3
Balance at end of year	**(61.0)**	(66.3)	(70.3)
Class B common stock			
Balance at beginning of year	**(0.6)**	(0.6)	(0.6)
Exercise of stock options, restricted stock awards and other	**-**	-	-
Balance at end of year	**(0.6)**	(0.6)	(0.6)
Paid-in Capital			
Balance at beginning of year	**28.8**	28.0	36.9
Exercise of stock options, restricted stock awards and other	**(1.7)**	0.8	(8.9)
Balance at end of year	**27.1**	28.8	28.0
Earnings Invested in the Business			
Balance at beginning of year	**657.5**	597.6	571.5
Net earnings	**50.1**	63.7	26.1
Dividends	**(7.6)**	(3.8)	-
Balance at end of year	**700.0**	657.5	597.6
Accumulated Other Comprehensive Income			
Balance at beginning of year	**16.2**	29.0	25.1
Other comprehensive income (loss), net of tax	**19.2**	(12.8)	3.9
Balance at end of year	**35.4**	16.2	29.0
Stockholders' Equity at end of year	**$ 741.0**	$ 675.7	$ 623.8

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kelly Services, Inc. and Subsidiaries

	2012	2011	2010
		(In millions of dollars)	
Cash flows from operating activities:			
Net earnings	**$ 50.1**	$ 63.7	$ 26.1
Noncash adjustments:			
Impairment of assets	**3.1**	-	2.0
Depreciation and amortization	**22.3**	31.4	34.9
Provision for bad debts	**1.1**	4.3	2.1
Stock-based compensation	**4.8**	4.6	3.2
Deferred income taxes	**4.7**	(27.3)	(9.3)
Other, net	**1.3**	(2.6)	0.5
Changes in operating assets and liabilities	**(26.3)**	(55.0)	(17.7)
Net cash from operating activities	**61.1**	19.1	41.8
Cash flows from investing activities:			
Capital expenditures	**(21.5)**	(15.4)	(11.0)
Investment in equity affiliate	**(6.6)**	-	-
Acquisition of companies, net of cash received	-	(6.5)	-
Other investing activities	-	1.2	(0.3)
Net cash from investing activities	**(28.1)**	(20.7)	(11.3)
Cash flows from financing activities:			
Net change in short-term borrowings	**(31.9)**	79.2	(44.8)
Repayment of debt	-	(68.3)	(14.9)
Dividend payments	**(7.6)**	(3.8)	-
Other financing activities	**0.1**	(1.0)	24.4
Net cash from financing activities	**(39.4)**	6.1	(35.3)
Effect of exchange rates on cash and equivalents	**1.7**	(4.0)	(3.6)
Net change in cash and equivalents	**(4.7)**	0.5	(8.4)
Cash and equivalents at beginning of year	**81.0**	80.5	88.9
Cash and equivalents at end of year	**$ 76.3**	$ 81.0	$ 80.5

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Nature of Operations Kelly Services, Inc. is a global 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 December 30, 2012 (2012), January 1, 2012 (2011) and January 2, 2011 (2010), all of which contained 52 weeks. The Company's operations in Brazil are accounted for on a one-month lag. The Company's equity investment in TS Kelly Workforce Solutions is accounted for on a one-quarter lag (See Investment in Equity Affiliate footnote). Any material transactions in the intervening period are disclosed or accounted for in the current reporting period. Period costs included in selling, general and administrative ("SG&A") expenses are recorded on a calendar-year basis.

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.

Available-For-Sale Investment Available-for-sale investments are carried at fair value with the unrealized gains or losses, net of tax, included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized losses and declines in value below cost judged to be other-than-temporary on such securities are included as a component of asset impairments expense in the consolidated statement of earnings. The fair values of available-for-sale investments are based on quoted market prices.

Foreign Currency Translation All of the Company's international subsidiaries use their local currency as their functional currency. 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.

Revenue Recognition Revenue from services is recognized as services are provided by the temporary or contract employees. Revenue from permanent placement services is recognized at the time the permanent placement candidate begins full-time employment. Revenue from other fee-based consulting services is recognized when the services are provided. Provisions for sales allowances, based on historical experience, are recognized at the time the related sale is recognized as a reduction in revenue from services, and are included in the allowance for uncollectible accounts receivable.

Allowance for Uncollectible Accounts Receivable The Company records an allowance for uncollectible accounts receivable based on historical loss experience, customer payment patterns and current economic trends. The reserve for sales allowances, as discussed above, is also included in the allowance for uncollectible accounts receivable. 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.

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 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.

Effective with the first quarter of 2012, certain vendor management and other technology costs which were previously included in SG&A expenses are now included in cost of services, and 2011 and 2010 results were revised to conform to this presentation. The only effect of this change was to increase cost of services and decrease SG&A expenses (and gross profit) by $10.8 million in 2011 and $7.6 million in 2010 from those amounts previously reported in 2011 and 2010.

Advertising Expenses Advertising expenses from continuing operations, which are expensed as incurred and are included in SG&A expenses, were $8.5 million in 2012, $7.5 million in 2011 and $7.0 million in 2010.

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, workers' compensation, goodwill and long-lived asset impairment, 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 over their estimated useful lives, principally by the straight-line method. Cost and estimated useful lives of property and equipment by function are as follows:

Category	2012	2011	Life
	(In millions of dollars)		
Land	$ 3.8	$ 3.8	-
Work in process	7.2	8.6	-
Buildings and improvements	56.5	55.5	15 to 45 years
Computer hardware and software	202.3	190.0	3 to 12 years
Equipment, furniture and fixtures	33.0	33.6	5 years
Leasehold improvements	34.8	35.4	The lesser of the life of the lease or 5 years.
Total property and equipment	$ 337.6	$ 326.9	

The Company capitalizes external costs and internal payroll costs 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 and is included in property and equipment on the consolidated balance sheet. Depreciation expense from continuing operations was $19.0 million for 2012, $28.9 million for 2011 and $31.3 million for 2010.

Operating Leases The Company recognizes rent expense on a straight-line basis over the lease term. This includes the impact of both scheduled rent increases and free or reduced rents (commonly referred to as "rent holidays"). The Company records allowances provided by landlords for leasehold improvements as deferred rent in the consolidated balance sheet and as operating cash flows in the consolidated statement of cash flows.

Goodwill and Other Intangible Assets Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Purchased intangible assets with definite lives are recorded at estimated fair value at the date of acquisition and are amortized over their respective useful lives (from 3 to 15 years) on a straight-line basis or, where appropriate, on an accelerated basis commensurate with the related cash flows.

Impairment of Long-Lived Assets and Intangible Assets 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 an asset's carrying amount, 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 at the reporting unit level annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. We have determined that our reporting units are the same as our operating and reportable segments based on our organizational structure and the financial information that is provided to and reviewed by management. We may use a qualitative assessment for one or more reporting units for the annual goodwill impairment test if we have determined that it is more likely than not that the fair value of the reporting unit(s) is more than their carrying value.

For reporting units where the qualitative assessment is not used, goodwill is tested for impairment using a two-step process. In the first step, the estimated fair value of a reporting unit is compared to its carrying value. If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is required.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, a second step of the impairment test is performed in order to determine the implied fair value of a reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference.

Accounts Payable Included in accounts payable are outstanding checks in excess of funds on deposit. Such amounts totaled $22.2 million and $18.9 million at year-end 2012 and 2011, respectively.

Accrued Payroll and Related Taxes Included in accrued payroll and related taxes are outstanding checks in excess of funds on deposit. Such amounts totaled $5.3 million and $6.6 million at year-end 2012 and 2011, respectively. Payroll taxes for temporary employees are recognized proportionately to direct wages for interim periods based on expected full-year amounts.

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.

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 accounted for as income tax expense.

Stock-Based Compensation The Company may grant restricted stock awards and units (collectively, "restricted stock"), stock options (both incentive and nonqualified), stock appreciation rights and performance awards to key employees utilizing the Company's Class A stock. The Company utilizes the market price on the date of grant as the fair market value for restricted stock and estimates the fair value of stock option awards on the date of grant using an option-pricing model. The value of awards that are ultimately expected to vest is recognized as expense 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, 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 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. The estimates are based both on historical experience as well as current legal, economic and regulatory factors. When claims exceed insured limits and realization of the claim for recovery is deemed probable, the Company records a receivable from the insurance company for the excess amount. The receivable is included in other assets in the consolidated balance sheet. The Company regularly updates its estimates, and the ultimate cost of these claims may be greater than or less than the established accrual. During 2012, due to favorable development of claims and payment data, the Company revised its estimate of the cost of outstanding workers' compensation claims and, accordingly, reduced expense by $10.1 million. This compares to adjustments reducing prior year workers' compensation claims by $5.6 million in 2011 and $5.2 million in 2010.

2. Fair Value Measurements

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

Assets Measured at Fair Value on a Recurring Basis
The following tables present the assets carried at fair value as of year-end 2012 and 2011 on 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.

	Fair Value Measurements on a Recurring Basis As of Year-End 2012			
Description	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 2.3	$ 2.3	$ -	$ -
Available-for-sale investment	37.7	37.7	-	-
Total assets at fair value	$ 40.0	$ 40.0	$ -	$ -

	Fair Value Measurements on a Recurring Basis As of Year-End 2011			
Description	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 2.0	$ 2.0	$ -	$ -
Available-for-sale investment	27.1	27.1	-	-
Total assets at fair value	$ 29.1	$ 29.1	$ -	$ -

Money market funds as of year-end 2012 and 2011 represent investments in money market accounts, all of which are restricted cash and are included in prepaid expenses and other current assets on the consolidated balance sheet. The valuations were based on quoted market prices of those accounts as of the respective period end.

2. Fair Value Measurements (continued)

Available-for-sale investment represents the Company's investment in Temp Holdings Co., Ltd. ("Temp Holdings") and is included in other assets on the consolidated balance sheet. The valuation is based on the quoted market price of Temp Holdings stock on the Tokyo Stock Exchange as of the period end. The unrealized gain of $13.1 million for the year ended 2012 and unrealized loss of $2.1 million for the year ended 2011 was recorded in other comprehensive income, as well as in accumulated other comprehensive income, a component of stockholders' equity.

Assets Measured at Fair Value on a Nonrecurring Basis
We completed our annual impairment test for all reporting units in the fourth quarter for the fiscal year ended 2012 and 2011 and determined that goodwill was not impaired.

For the Americas Commercial and PT reporting units in 2012, we completed a qualitative assessment for the annual goodwill impairment test and determined it was more likely than not that the fair value of the reporting units was more than its carrying value. In conducting the qualitative assessment, we assessed the totality of relevant events and circumstances that affect the fair value or carrying value of a reporting unit. Such events and circumstances included macroeconomic conditions, industry and competitive environment considerations, overall financial performance, reporting unit specific events and market considerations. We considered recent valuations of our reporting units, including the magnitude of the difference between the most recent fair value estimate and the carrying value. We considered both positive and adverse events and circumstances and assessed the extent to which each of the events and circumstances identified affected the comparison of a reporting unit's fair value with its carrying value.

For the APAC PT and OCG reporting units in 2012 and all reporting units in 2011, we completed a step one quantitative test and the estimated fair value of each reporting unit exceeded its related carrying value. Our analysis used significant assumptions by segment, including: expected future revenue and expense growth rates, profit margins, cost of capital, discount rate and forecasted capital expenditures. Our revenue projections assumed near-term growth consistent with current year results, followed by long-term modest growth. Assumptions and estimates about future cash flows and discount rates are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and internal forecasts. For example, a 10% reduction in our growth rate assumptions would not result in the estimated fair value falling below book value for any of our segments.

In 2012, management made the decision to abandon the PeopleSoft billing system implementation project in the U.S., Canada and Puerto Rico and accordingly, recorded impairment charges of $3.1 million representing previously capitalized costs associated with this project. In 2010, management assessed the viability of certain incomplete software projects in Europe and the U.S. Based on the estimated costs to complete, management terminated the projects and recorded impairment charges of $2.0 million. After the impairment charges, there were no amounts remaining on our consolidated balance sheet related to these software projects.

3. Acquisition

To establish the Company's presence in the Brazilian market, we acquired the stock of Tradição Planejamento e Tecnologia de Serviços S.A. and Tradição Tecnologia e Serviços Ltda. (collectively, "Tradição"), a national service provider in Brazil, during the fourth quarter of 2011 for $6.6 million in cash. Tradição is included the Americas Commercial operating segment.

3. Acquisition (continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition along with measurement period adjustments recognized during 2012:

	Original Allocation	Adjustments	Revised Allocation
		(In millions of dollars)	
Current assets	$ 6.3	$ -	$ 6.3
Goodwill	22.9	(0.1)	22.8
Identified intangibles	5.3	0.4	5.7
Other noncurrent assets	0.7	-	0.7
Current liabilities	(14.4)	(0.6)	(15.0)
Noncurrent liabilities	(14.2)	0.3	(13.9)
Total purchase price	$ 6.6	$ -	$ 6.6

The acquisition adjustments relate to changes in Tradição's estimated identified intangibles balance, acquired contingency reserves and tax liabilities assumed.

Included in the assets purchased was approximately $5.0 million of intangible assets associated with customer lists. These assets will be amortized over approximately 7 years based on the expected cash flows and will have no residual value.

4. Restructuring

In December 2012, the Chief Executive Officer of Kelly Services, Inc. authorized a restructuring plan for our EMEA Commercial operations ("2012 Plan"). The 2012 Plan was the result of management's strategic review of operations in EMEA, which identified under-performing locations and the opportunity for operational cost savings.

Restructuring costs incurred in 2012 totaled income of $0.9 million. This amount is comprised of the following: $2.0 million of severance and lease termination costs for EMEA Commercial operations which are in the process of closure or consolidation under the 2012 Plan, and income of $2.9 million related to revisions of the estimated lease termination costs for EMEA Commercial branches that closed in prior years ("Prior Years' Plans"). Restructuring costs incurred in 2011 amounted to expense of $2.8 million and relate to restructuring costs under the Prior Years' Plans. Restructuring costs incurred in 2010 amounted to expense of $7.2 million and primarily related to severance costs for the corporate headquarters and severance and lease termination costs for branches in the EMEA Commercial and APAC Commercial segments that were in the process of closure at the end of 2009. These costs were reported as a component of SG&A expenses.

4. Restructuring (continued)

A summary of our balance sheet accrual related to the global restructuring costs follows (in millions of dollars):

Balance as of year-end 2010	$	4.7
Amounts charged to operations - Prior Years' Plans		2.8
Reductions for cash payments		(3.0)
Balance as of year-end 2011		4.5
Amounts credited to operations - Prior Years' Plans		(2.9)
Amounts charged to operations - 2012 Plan		2.0
Reductions for cash payments		(1.2)
Balance as of year-end 2012	$	2.4

The remaining balance of $2.4 million as of year-end 2012 represents primarily severance and future lease payments and is expected to be paid by 2015. On a quarterly basis, the Company reassesses the accrual associated with restructuring costs and adjusts it as necessary.

5. Investment in Equity Affiliate

In 2012, we purchased the remaining 30% noncontrolling interest in our China subsidiaries, and recorded a charge to paid-in capital of $1.2 million for the difference between the carrying value of the noncontrolling interest and the fair value of the consideration provided.

On July 24, 2012, we entered into an agreement with Temp Holdings Co., Ltd. (“Temp Holdings”) to form a venture, TS Kelly Workforce Solutions (“TS Kelly”), in order to expand both companies’ presence in North Asia. On November 1, 2012, we contributed our China, Hong Kong and South Korea subsidiaries in exchange for a 49% ownership interest in TS Kelly. Consequently, we deconsolidated the operations of those entities and recorded a $5.1 million investment in other assets on the consolidated balance sheet, which represented the fair value of our ownership interest in TS Kelly at year-end 2012. The operating results of our interest in TS Kelly will be accounted for on a one-quarter lag under the equity method; accordingly, our consolidated financial statements for 2012 do not include operating results for TS Kelly.

We recorded a loss of $0.7 million in other expense, net, which represented the difference between the carrying value of net assets contributed to the venture and the fair value of our retained investment in TS Kelly. As part of this transaction, we allocated a pro-rata share of goodwill related to the contributed entities in our APAC PT and OCG segments amounting to $0.6 million.

The amount due to or due from TS Kelly is immaterial as of year-end 2012.

6. Goodwill

The changes in the net carrying amount of goodwill for the fiscal years 2012 and 2011 are included in the tables below. See Acquisition footnote for a description of adjustments to Americas Commercial goodwill and Investment in Equity Affiliate footnote for a description of adjustments to APAC PT and OCG goodwill.

	Goodwill, Gross as of Year-End 2011	Accumulated Impairment Losses as of Year-End 2011	Adjustments to Goodwill	Goodwill, Gross as of Year-End 2012	Accumulated Impairment Losses as of Year-End 2012	Goodwill, Net as of Year-End 2012
			(In millions of dollars)			
Americas						
Americas Commercial	$ 39.3	$ (16.4)	$ (0.1)	$ 39.2	$ (16.4)	$ 22.8
Americas PT	39.2	-	-	39.2	-	39.2
Total Americas	78.5	(16.4)	(0.1)	78.4	(16.4)	62.0
EMEA						
EMEA Commercial	50.4	(50.4)	-	50.4	(50.4)	-
EMEA PT	22.0	(22.0)	-	22.0	(22.0)	-
Total EMEA	72.4	(72.4)	-	72.4	(72.4)	-
APAC						
APAC Commercial	12.1	(12.1)	-	12.1	(12.1)	-
APAC PT	1.8	-	(0.4)	1.4	-	1.4
Total APAC	13.9	(12.1)	(0.4)	13.5	(12.1)	1.4
OCG	26.3	-	(0.2)	26.1	-	26.1
Consolidated Total	$ 191.1	$ (100.9)	$ (0.7)	$ 190.4	$ (100.9)	$ 89.5

	Goodwill, Gross as of Year-End 2010	Accumulated Impairment Losses as of Year-End 2010	Adjustments to Goodwill	Goodwill, Gross as of Year-End 2011	Accumulated Impairment Losses as of Year-End 2011	Goodwill, Net as of Year-End 2011
			(In millions of dollars)			
Americas						
Americas Commercial	$ 16.4	$ (16.4)	$ 22.9	$ 39.3	$ (16.4)	$ 22.9
Americas PT	39.2	-	-	39.2	-	39.2
Total Americas	55.6	(16.4)	22.9	78.5	(16.4)	62.1
EMEA						
EMEA Commercial	50.4	(50.4)	-	50.4	(50.4)	-
EMEA PT	22.0	(22.0)	-	22.0	(22.0)	-
Total EMEA	72.4	(72.4)	-	72.4	(72.4)	-
APAC						
APAC Commercial	12.1	(12.1)	-	12.1	(12.1)	-
APAC PT	1.8	-	-	1.8	-	1.8
Total APAC	13.9	(12.1)	-	13.9	(12.1)	1.8
OCG	26.3	-	-	26.3	-	26.3
Consolidated Total	$ 168.2	$ (100.9)	$ 22.9	$ 191.1	$ (100.9)	$ 90.2

7. Other Assets

Included in other assets are the following:

	2012	2011
	(In millions of dollars)	
Deferred compensation plan (See Retirement Benefits footnote)	$ 106.3	$ 88.2
Available-for-sale investment (See Fair Value Measurements footnote)	37.7	27.1
Workers' compensation receivable	15.0	15.1
Intangibles, net of accumulated amortization of $21.8 million and $20.2 million, respectively	8.1	11.9
Investment in equity affiliate (See Investment in Equity Affiliate footnote)	5.1	-
Other	8.7	9.8
Other assets	$ 180.9	$ 152.1

Intangible amortization expense which is included in SG&A expenses, was $3.3 million, $2.5 million and $3.6 million in 2012, 2011 and 2010, respectively.

8. Debt

Short-Term Debt
The Company has a $150 million revolving credit facility (the "Facility") with a termination date of March 31, 2016. The Facility allows for borrowings in various currencies and is used to fund working capital, acquisitions, and general corporate needs.

At year-end 2012, there were no borrowings under the Facility and a remaining capacity of $150.0 million. At year-end 2011, borrowings under the Facility were $6.2 million, with an interest rate of 2.90%, and the Facility had a remaining capacity of $143.8 million. The Facility has a commitment fee of 25 basis points.

The Facility's financial covenants and restrictions are described below, all of which were met at year-end 2012:

- The Company 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.

- The Company 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 based on the Interest Coverage Ratio.

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

8. Debt (continued)

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 million, three-year, securitization facility (“Securitization Facility”). The Receivables Purchase Agreement will terminate December 4, 2014, 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 also allows for the issuance of standby letters of credit (“SBLC”). The Securitization Facility contains a cross-default clause that could result in termination if defaults occur under our other loan agreements. The Securitization Facility also contains certain restrictions based on the performance of the Receivables.

As of year-end 2012, the Securitization Facility carried $63.0 million of short-term borrowings at a rate of 1.40%, $55.0 million of SBLCs related to workers’ compensation and a remaining capacity of $32.0 million. The interest rate applicable to borrowings under the Securitization Facility at year-end 2012 was 55 basis points over the cost of commercial paper, in addition to a facility fee of 60 basis points. As of year-end 2011, the Securitization Facility carried $84.0 million of short-term borrowings at a rate of 1.43%, SBLCs of $50.1 million related to workers’ compensation and remaining capacity of $15.9 million.

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 assets of the Receivables Entity are not available to pay creditors of the Company or any of its other subsidiaries. The assets and liabilities of the Receivables Entity are included in the consolidated financial statements of the Company.

The Company had unsecured, uncommitted short-term local credit facilities that totaled $12.9 million as of year-end 2012. Borrowings under these lines totaled $1.1 million and $6.1 million at year-end 2012 and 2011, respectively. The interest rate for these borrowings was 9.56% at year-end 2012 and 13.4% at year-end 2011.

9. Retirement Benefits

The Company provides a qualified defined contribution plan covering substantially all U.S.-based full-time employees, except officers and certain other management employees. Upon approval by the Board of Directors, a discretionary contribution based on eligible wages may be funded annually. The plan also offers a savings feature with Company matching contributions. Company matching contributions were suspended as of October, 2009, and were reinstated effective January 2011. Assets of this plan are held by an independent trustee for the sole benefit of participating employees.

A nonqualified deferred compensation plan is provided for officers and certain other management employees. Upon approval by the Board of Directors, a discretionary contribution based on eligible wages may be made annually. This plan also includes provisions for salary deferrals and Company matching contributions. Company matching contributions were suspended as of February, 2009 and were reinstated effective January 2011.

The liability for the nonqualified plan was $110.6 million and $91.7 million as of year-end 2012 and 2011, respectively, and is included in current accrued payroll and related taxes and noncurrent accrued retirement benefits. The cost of participants' earnings on this liability, which were included in SG&A expenses, were earnings of $10.2 million in 2012, losses of $0.9 million in 2011 and earnings of $9.0 million in 2010. In connection with the administration of this plan, the Company has purchased company-owned variable universal life insurance policies insuring the lives of certain 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 non-qualified deferred compensation plan noted above, was $106.3 million and $88.2 million at year-end 2012 and 2011, respectively. The cash surrender value of these insurance policies are included in other assets and are restricted for the specific use of funding this plan. Earnings on these assets, which were included in SG&A expenses, were $10.3 million in 2012, losses of $1.8 million in 2011 and earnings of $10.1 million in 2010.

The net expense for retirement benefits for both the qualified and nonqualified deferred compensation plans, including Company matching and discretionary contributions, totaled $9.7 million in 2012, $9.9 million in 2011 and $0.6 million in 2010.

In addition, the Company also 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 2012 were $14.2 million, $8.2 million and $6.0 million, respectively. The total projected benefit obligation, assets and unfunded liability for these plans as of year-end 2011 were $12.8 million, $7.0 million and $5.8 million, respectively. Total pension expense for these plans was $1.1 million, $0.9 million and $0.8 million in 2012, 2011 and 2010, respectively. Pension contributions and the amount of accumulated other comprehensive income expected to be recognized in 2013 are not significant.

10. 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.

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.

During 2012 and 2011, the Company made dividend payments totaling $7.6 million and $3.8 million, respectively. The Company made no dividend payments in 2010.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income at year-end 2012 and 2011 were as follows:

	2012	2011
	(in millions of dollars)	
Cumulative translation adjustments, net of taxes	$ 24.9	$ 19.3
Unrealized gain on marketable securities	13.6	0.5
Pension liability, net of taxes	(3.1)	(3.6)
	$ 35.4	$ 16.2

11. Earnings Per Share

The reconciliation of basic earnings per share on common stock for the year-end 2012, 2011 and 2010 follows (in millions of dollars except per share data).

	2012	2011	2010
Earnings from continuing operations	$ 49.7	$ 64.9	$ 26.1
Less: Earnings allocated to participating securities	(1.3)	(1.5)	(0.3)
Earnings from continuing operations available to common shareholders	$ 48.4	$ 63.4	$ 25.8
Earnings (loss) from discontinued operations	$ 0.4	$ (1.2)	$ -
Less: Earnings (loss) allocated to participating securities	-	-	-
Earnings (loss) from discontinued operations available to common shareholders	$ 0.4	$ (1.2)	$ -
Net earnings	$ 50.1	$ 63.7	$ 26.1
Less: Earnings allocated to participating securities	(1.3)	(1.5)	(0.3)
Net earnings available to common shareholders	$ 48.8	$ 62.2	$ 25.8
Basic earnings (loss) per share on common stock:			
Earnings from continuing operations	$ 1.31	$ 1.72	$ 0.71
Earning (loss) from discontinued operations	$ 0.01	$ (0.03)	$ -
Net earnings	$ 1.32	$ 1.69	$ 0.71
Diluted earnings (loss) per share on common stock:			
Earnings from continuing operations	$ 1.31	$ 1.72	$ 0.71
Earnings (loss) from discontinued operations	$ 0.01	$ (0.03)	$ -
Net earnings	$ 1.32	$ 1.69	$ 0.71
Average common shares outstanding (millions)			
Basic	37.0	36.8	36.1
Diluted	37.0	36.8	36.1

Due to the fact that there were no potentially dilutive common shares outstanding during the period, the computations of basic and diluted earnings per share on common stock are the same for 2012, 2011 and 2010. Stock options representing 0.4 million, 0.6 million and 0.7 million shares for 2012, 2011 and 2010, respectively, were excluded from the computation of diluted earnings (loss) per share due to their anti-dilutive effect.

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.

11. Earnings Per Share (continued)

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.

12. Stock-Based Compensation

Under the Equity Incentive Plan (the "Plan"), the Company may grant stock options (both incentive and nonqualified), stock appreciation rights, restricted stock and performance awards to key employees utilizing the Company's Class A stock. The Plan provides that the maximum number of shares available for grants is 10 percent of the outstanding Class A stock, adjusted for Plan activity over the preceding five years. Shares available for future grants at year-end 2012 under the Plan were 1,608,520. The Company issues shares out of treasury stock to satisfy stock-based awards. The Company has no intent to repurchase additional shares for the purpose of satisfying stock-based awards.

In 2012, 2011 and 2010, the Company recognized stock-based compensation cost of $6.0 million, $5.7 million and $4.2 million, respectively, as well as related tax benefits of $2.3 million, $2.2 million and $1.6 million, respectively.

Restricted Stock

Restricted stock, which typically vests over a period of 3 to 5 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 on the date of grant as the fair market 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 Plan as of year-end 2012 and changes during this period is presented as follows:

	Restricted Stock	Weighted Average Grant Date Fair Value
Nonvested at year-end 2011	907,990	$ 17.41
Granted	512,400	12.98
Vested	(319,640)	17.88
Forfeited	(38,225)	15.89
Nonvested at year-end 2012	1,062,525	$ 15.19

12. Stock-Based Compensation (continued)

As of year-end 2012, unrecognized compensation cost related to unvested restricted stock totaled $13.6 million. The weighted average period over which this cost is expected to be recognized is approximately two years. The weighted average grant date fair value per share of restricted stock granted during 2012, 2011 and 2010 was $12.98, $16.84 and $18.08, respectively. The total fair market value of restricted stock, which vested during 2012, 2011 and 2010 was $4.1 million, $3.7 million and $3.4 million, respectively.

Stock Options

Under the terms of the Plan, stock options may not be granted at prices less than the fair market value on the date of grant, nor for a term exceeding 10 years, and typically vest over 3 years. The Company expenses the fair value of stock option grants on a straight-line basis over the vesting period. No stock options were granted in 2012, 2011 and 2010.

A summary of the status of stock option grants under the Plan as of year-end 2012 and changes during this period is presented as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at year-end 2011	515,699	$ 25.41		
Granted	-	-		
Exercised	-	-		
Forfeited	-	-		
Expired	(123,100)	23.01		
Outstanding at year-end 2012	392,599	$ 26.16	1.08	$ -
Options exercisable at year-end 2012	392,599	$ 26.16	1.08	$ -

The table above includes 46,500 of non-employee director shares outstanding at year-end 2012.

As of year-end 2012, there was no unrecognized compensation cost related to unvested stock options. No stock options were exercised in 2012, 2011 and 2010.

Windfall tax benefits, which were included in the “Other financing activities” component of net cash from financing activities in the consolidated statement of cash flows, were insignificant for 2012, 2011 and 2010.

13. Other Expense, Net

Included in other expense, net are the following:

	2012	2011	2010
	(In millions of dollars)		
Interest income	$ 1.0	$ 1.0	$ 0.8
Interest expense	(3.4)	(3.4)	(5.7)
Dividend income	0.6	0.5	0.4
Foreign exchange (losses) gains	(1.0)	1.5	(1.2)
Loss on investment in equity affiliate (See Investment in Equity Affiliate footnote)	(0.7)	-	-
Other	-	0.3	0.3
Other expense, net	$ (3.5)	$ (0.1)	$ (5.4)

Dividend income includes dividends earned on the Company’s investment in Temp Holdings (see Fair Value Measurements footnote).

14. Income Taxes

Earnings from continuing operations before taxes for the years 2012, 2011 and 2010 were taxed under the following jurisdictions:

	2012	2011	2010
	(in million of dollars)		
Domestic	$ 56.3	$ 36.7	$ 27.3
Foreign	12.5	20.9	5.4
Total	$ 68.8	$ 57.6	$ 32.7

The provision for income taxes from continuing operations was as follows:

	2012	2011	2010
	(in millions of dollars)		
Current tax expense:			
U.S. federal	$ 1.4	$ 5.2	$ 6.2
U.S. state and local	3.0	1.8	0.6
Foreign	10.0	13.0	9.1
Total current	14.4	20.0	15.9
Deferred tax expense:			
U.S. federal	4.7	(33.3)	(11.3)
U.S. state and local	0.9	1.1	(0.3)
Foreign	(0.9)	4.9	2.3
Total deferred	4.7	(27.3)	(9.3)
Total provision	$ 19.1	$ (7.3)	$ 6.6

14. Income Taxes (continued)

Deferred taxes are comprised of the following:

	2012	2011
	(in millions of dollars)	
Depreciation and amortization	$ (8.9)	$ (10.4)
Employee compensation and benefit plans	57.5	48.4
Workers' compensation	23.7	26.7
Unrealized loss on securities	2.3	8.3
Loss carryforwards	50.2	53.5
Credit carryforwards	60.5	68.6
Other, net	(3.6)	(1.4)
Valuation allowance	(58.4)	(65.4)
Net deferred tax assets	$ 123.3	$ 128.3

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

	2012	2011
	(in millions of dollars)	
Current assets, deferred tax	$ 44.9	$ 38.2
Noncurrent deferred tax asset	82.8	94.1
Current liabilities, income and other taxes	(3.3)	(1.8)
Noncurrent liabilities, other long-term liabilities	(1.1)	(2.2)
	$ 123.3	$ 128.3

The differences between income taxes from continuing operations for financial reporting purposes and the U.S. statutory rate of 35% are as follows:

	2012	2011	2010
		(in millions of dollars)	
Income tax based on statutory rate	$ 24.1	$ 20.2	$ 11.4
State income taxes, net of federal benefit	2.6	1.9	0.2
General business credits	(7.9)	(28.5)	(11.7)
Life insurance cash surrender value	(3.4)	0.9	(3.3)
Foreign items	1.6	(0.5)	1.7
Foreign business taxes	4.5	4.7	4.5
Worthless stock	-	(7.7)	(0.9)
Non-deductible compensation	1.2	1.5	1.1
Change in deferred tax realizability	(0.7)	(0.6)	3.0
Uncertain tax positions	(4.8)	(0.7)	0.2
Other, net	1.9	1.5	0.4
Total	$ 19.1	$ (7.3)	$ 6.6

14. Income Taxes (continued)

General business credits primarily represent U.S. work opportunity credits and, in 2011 only, HIRE Act retention credits of $11.3 million. In 2012 the work opportunity credit was available only for veterans and pre-2012 hires. The full credit was retroactively reinstated on January 2, 2013, resulting in a first quarter 2013 tax benefit of $9.3 million that would have been recognized in 2012 if the law had been in effect during that time. 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 Topic 740 (“ASC 740”), Income Taxes. The Company closed income tax examinations in 2012, resulting in a $5.1 million benefit.

The Company has U.S. general business credit carryforwards of $59.3 million which will expire from 2030 to 2032 and foreign tax credit carryforwards of $1.2 million which will expire from 2019 to 2022. The net tax effect of state and foreign loss carryforwards at year-end 2012 totaled $50.2 million, which expire as follows (in millions of dollars):

Year	Amount
2013 - 2015	$ 0.9
2016 - 2018	3.3
2019 - 2022	2.5
2023 - 2027	0.2
2028 - 2032	0.9
No expiration	42.4
Total	$ 50.2

The Company has established a valuation allowance for loss carryforwards and future deductible items in certain foreign jurisdictions. The valuation allowance is determined in accordance with the provisions of ASC 740, which requires an assessment of both negative and positive evidence when measuring the need for a valuation allowance. The Company’s foreign losses in recent periods in these jurisdictions 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.

Provision has not been made for U.S. or additional foreign income taxes on an estimated $70.7 million of undistributed earnings of foreign subsidiaries, which are permanently reinvested. If these earnings were to be repatriated, the Company would be subject to additional U.S. income taxes, adjusted for foreign credits. It is not practicable to determine the income tax liability that might be incurred if these earnings were repatriated.

14. Income Taxes (continued)

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

	2012	2011	2010
		(in millions of dollars)	
Balance at beginning of the year	$ 7.8	$ 8.5	$ 8.9
Additions for prior years' tax positions	0.4	0.2	0.1
Reductions for prior years' tax positions	(5.3)	(0.8)	(0.3)
Additions for settlements	-	0.2	-
Reductions for settlements	-	(0.2)	-
Reductions for expiration of statutes	-	(0.1)	(0.2)
Balance at end of the year	$ 2.9	$ 7.8	$ 8.5

If the $2.9 million in 2012, $7.8 million in 2011 and $8.5 million in 2010 of unrecognized tax benefits were recognized, they would have a favorable effect of $1.9 million in 2012, $6.7 million in 2011 and $7.3 million in 2010 on income tax expense.

The Company recognizes both interest and penalties as part of the income tax provision. The Company recognized a benefit of $0.3 million in 2012 and expense of $0.1 million in 2011 and 2010 for interest and penalties. Accrued interest and penalties were $0.2 million at year-end 2012 and $0.5 million at year-end 2011.

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 2007 through 2012, Canada for fiscal years 2007 through 2012 and France for fiscal years 2010 through 2012.

The Company and its subsidiaries have various income tax returns in the process of examination or administrative appeals. The unrecognized tax benefit and related interest and penalty balances include approximately $0.6 million for 2012 related to tax positions which are reasonably possible to change within the next twelve months due to income tax audits, settlements and statute expirations.

15. Supplemental Cash Flow Information

Changes in operating assets and liabilities, net of acquisitions and the effect of deconsolidated entities, as disclosed in the statements of cash flows, for the fiscal years 2012, 2011 and 2010, respectively, were as follows:

	2012	2011	2010
		(in millions of dollars)	
Increase in trade accounts receivable	$ (57.9)	$ (148.5)	$ (95.5)
(Increase) decrease in prepaid expenses and other assets	(12.5)	(4.7)	25.0
Increase in accounts payable and accrued liabilities	54.1	58.9	0.4
Increase in accrued payroll and related taxes	2.4	34.3	36.0
(Decrease) increase in accrued insurance	(8.7)	0.2	7.0
(Decrease) increase in income and other taxes	(3.7)	4.8	9.4
Total changes in operating assets and liabilities	$ (26.3)	$ (55.0)	$ (17.7)

The Company paid interest of $2.6 million, $2.9 million and $6.1 million in 2012, 2011 and 2010, respectively. The Company paid income taxes of $18.8 million in 2012 and $21.5 million in 2011 and received a refund of income taxes of $7.8 million in 2010.

16. Commitments

The Company conducts its field operations primarily from leased facilities. The following is a schedule by fiscal year of future minimum commitments under operating leases as of year-end 2012 (in millions of dollars):

Fiscal year:	
2013	$ 42.6
2014	27.5
2015	17.6
2016	10.0
2017	5.8
Later years	4.5
Total	$ 108.0

Lease expense from continuing operations for fiscal 2012, 2011 and 2010 amounted to $48.3 million, $50.5 million and $50.1 million, respectively.

In addition to operating lease agreements, the Company has entered into noncancelable purchase obligations totaling $31.6 million. These obligations relate primarily to voice and data communications services 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.

17. Contingencies

The Company has received final court approval of the settlement of a single class action, Fuller v. Kelly Services, Inc. and Kelly Home Care Services, Inc., in the Superior Court of California, Los Angeles, which involved a claim for monetary damages by current and former temporary employees in the State of California. The claims were related to alleged misclassification of personal attendants as exempt and not entitled to overtime compensation under state law and alleged technical violations of a state law governing the content of employee pay stubs. During 2011, a $1.2 million after tax charge relating to the settlement was recognized in discontinued operations. During the first quarter of 2012, we reduced our estimate of the costs to settle the litigation by $0.4 million after tax, which we recorded in discontinued operations.

The Company is continuously engaged in litigation arising in the ordinary course of its business, typically matters alleging employment discrimination, alleging wage and hour violations or enforcing the restrictive covenants in the Company's employment agreements. While there is no expectation that any of these matters will have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is always subject to inherent uncertainty and the Company is not able to reasonably predict if any matter will be resolved in a manner that is materially adverse to the Company. The accrual for litigation costs at year-end 2012 and 2011 amounted to $3.1 million and $4.5 million, respectively, and is included in accounts payable and accrued liabilities on the consolidated balance sheet.

The Company is undergoing unclaimed property examinations by Delaware, its state of incorporation, and five other states. Types of property under exam include payroll and accounts payable checks and accounts receivable credits. Generally, unclaimed property must be reported and remitted to the state of the rightful owner. In cases where the rightful owner cannot be identified, the property must be reported and remitted to the holder's state of incorporation. Delaware has substantially completed the payroll and accounts payable portions of its exam, which covers years dating back to 1981, and has preliminarily calculated a potential liability of $3 million. While the outcome of these examinations is uncertain, we believe the Company has meritorious positions against Delaware's preliminary calculation of potential liability and will continue to vigorously defend the Company.

18. Segment Disclosures

The Company's segments are based on the organizational structure for which financial results are regularly evaluated by the Company's chief operating decision maker to determine resource allocation and assess performance. The Company's seven reporting segments are: (1) Americas Commercial, (2) Americas Professional and Technical ("Americas PT"), (3) Europe, Middle East and Africa Commercial ("EMEA Commercial"), (4) Europe, Middle East and Africa Professional and Technical ("EMEA PT"), (5) Asia Pacific Commercial ("APAC Commercial"), (6) Asia Pacific Professional and Technical ("APAC PT") and (7) Outsourcing and Consulting Group ("OCG").

The Commercial business segments within the Americas, EMEA and APAC regions represent traditional office services, contact-center staffing, marketing, electronic assembly, light industrial and, in the Americas, substitute teachers. The PT segments encompass a wide range of highly skilled temporary employees, including scientists, financial professionals, attorneys, engineers, IT specialists and healthcare workers. OCG includes recruitment process outsourcing ("RPO"), contingent workforce outsourcing ("CWO"), business process outsourcing ("BPO"), payroll process outsourcing ("PPO"), executive placement and career transition/outplacement services. Corporate expenses that directly support the operating units have been allocated to the Americas, EMEA and APAC regions and OCG based on a work effort, volume, or in the absence of a readily available measurement process, proportionately based on revenue from services.

18. Segment Disclosures (continued)

The following tables present information about the reported revenue from services and gross profit of the Company by segment, along with a reconciliation to consolidated earnings before taxes, for 2012, 2011 and 2010. 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. Our segments themselves did not change from prior periods, however, effective with the first quarter of 2012, we changed the manner in which we evaluate and internally report segments, such that our primary measure of segment performance is now gross profit. Historically, our primary measure of segment performance was gross profit less an allocation of SG&A expenses. We revised the prior period's segment results to conform to the current manner in which we evaluate segment performance.

	2012	2011	2010
		(In millions of dollars)	
Revenue from Services:			
Americas Commercial	$ 2,642.4	$ 2,660.9	$ 2,428.2
Americas PT	1,029.7	982.8	889.0
Total Americas Commercial and PT	3,672.1	3,643.7	3,317.2
EMEA Commercial	854.6	990.1	872.0
EMEA PT	168.3	178.9	147.6
Total EMEA Commercial and PT	1,022.9	1,169.0	1,019.6
APAC Commercial	343.2	397.6	355.3
APAC PT	51.6	51.4	32.5
Total APAC Commercial and PT	394.8	449.0	387.8
OCG	396.1	317.3	254.8
Less: Intersegment revenue	(35.4)	(28.0)	(29.1)
Consolidated Total	$ 5,450.5	$ 5,551.0	$ 4,950.3

18. Segment Disclosures (continued)

	2012	2011	2010
	(In millions of dollars)		
Earnings from Operations:			
Americas Commercial gross profit	$ 388.2	$ 375.3	$ 353.6
Americas PT gross profit	159.7	147.8	139.9
Americas Region gross profit	547.9	523.1	493.5
Americas Region SG&A expenses	(405.8)	(396.4)	(367.9)
Americas Region Earnings from Operations	142.1	126.7	125.6
EMEA Commercial gross profit	133.8	160.3	140.8
EMEA PT gross profit	43.0	47.4	38.7
EMEA Region gross profit	176.8	207.7	179.5
EMEA Region SG&A expenses	(168.1)	(189.7)	(169.9)
EMEA Region asset impairments	-	-	(1.5)
EMEA Region Earnings from Operations	8.7	18.0	8.1
APAC Commercial gross profit	50.1	55.7	48.4
APAC PT gross profit	21.0	20.6	13.8
APAC Region gross profit	71.1	76.3	62.2
APAC Region SG&A expenses	(73.4)	(77.0)	(62.5)
APAC Region Loss from Operations	(2.3)	(0.7)	(0.3)
OCG gross profit	104.0	78.8	54.1
OCG SG&A expenses	(95.4)	(81.4)	(71.7)
OCG Earnings (Loss) from Operations	8.6	(2.6)	(17.6)
Corporate	(84.8)	(83.7)	(77.7)
Consolidated Total	72.3	57.7	38.1
Other Expense, Net	3.5	0.1	5.4
Earnings From Continuing Operations Before Taxes	$ 68.8	$ 57.6	$ 32.7

18. Segment Disclosures (continued)

A summary of revenue from services by geographic area for 2012, 2011 and 2010 follows:

	2012	2011	2010
	(In millions of dollars)		
Revenue From Services:			
Domestic	$ 3,464.2	$ 3,445.4	$ 3,121.9
International	1,986.3	2,105.6	1,828.4
Total	$ 5,450.5	$ 5,551.0	$ 4,950.3

Foreign revenue is based on the country in which the legal subsidiary is domiciled. No single foreign country's revenue was material to the consolidated revenues of the Company. Revenue from no single customer was material to the consolidated revenues of the Company.

A summary of long-lived assets information by geographic area as of year-end 2012 and 2011 follows:

	2012	2011
	(In millions of dollars)	
Long-Lived Assets:		
Domestic	$ 72.1	$ 72.9
International	17.8	17.7
Total	$ 89.9	$ 90.6

Long-lived assets include primarily property and equipment. No single foreign country's long-lived assets were material to the consolidated long-lived assets of the Company.

19. New Accounting Pronouncements

None.

20. Selected Quarterly Financial Data (unaudited)

	Fiscal Year 2012				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In millions of dollars except per share data)				
Revenue from services	$ 1,354.8	$ 1,366.1	$ 1,354.2	$ 1,375.4	$ 5,450.5
Gross profit	223.7	223.2	227.5	222.2	896.6
SG&A expenses	209.0	199.4	203.5	209.3	821.2
Restructuring charges (credits) included in SG&A	-	(2.2)	-	1.3	(0.9)
Asset impairments	-	-	-	3.1	3.1
Earnings from continuing operations	9.2	15.0	16.6	8.9	49.7
Earnings from discontinued operations, net of tax	0.4	-	-	-	0.4
Net earnings	9.6	15.0	16.6	8.9	50.1
Basic earnings per share (1)					
Earnings from continuing operations	0.24	0.40	0.43	0.23	1.31
Earnings from discontinued operations	0.01	-	-	-	0.01
Net earnings	0.26	0.40	0.43	0.23	1.32
Diluted earnings per share (1)					
Earnings from continuing operations	0.24	0.40	0.43	0.23	1.31
Earnings from discontinued operations	0.01	-	-	-	0.01
Net earnings	0.26	0.40	0.43	0.23	1.32
Dividends per share	0.05	0.05	0.05	0.05	0.20

	Fiscal Year 2011				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In millions of dollars except per share data)				
Revenue from services	$ 1,339.1	$ 1,405.8	$ 1,409.8	$ 1,396.3	$ 5,551.0
Gross profit	211.2	222.1	225.7	224.3	883.3
SG&A expenses	209.6	200.8	203.6	211.6	825.6
Restructuring charges (credits) included in SG&A	4.0	(0.6)	(0.6)	-	2.8
Earnings from continuing operations	1.1	20.0	19.7	24.1	64.9
Loss from discontinued operations, net of tax	-	(1.2)	-	-	(1.2)
Net earnings	1.1	18.8	19.7	24.1	63.7
Basic earnings (loss) per share (1)					
Earnings from continuing operations	0.03	0.53	0.52	0.64	1.72
Loss from discontinued operations	-	(0.03)	-	-	(0.03)
Net earnings	0.03	0.50	0.52	0.64	1.69
Diluted earnings (loss) per share (1)					
Earnings from continuing operations	0.03	0.53	0.52	0.64	1.72
Loss from discontinued operations	-	(0.03)	-	-	(0.03)
Net earnings	0.03	0.50	0.52	0.64	1.69
Dividends per share	-	-	0.05	0.05	0.10

(1) Earnings (loss) per share amounts for each quarter are required to be computed independently and may not equal the amounts computed for the total year.

SCHEDULE II - VALUATION RESERVES

Kelly Services, Inc. and Subsidiaries

(In millions of dollars)

	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
Description						
Fiscal year ended December 30, 2012:						
Reserve deducted in the balance sheet from the assets to which it applies -						
Allowance for doubtful accounts	$ 13.4	1.1	-	0.1	(4.2)	$ 10.4
Deferred tax assets valuation allowance	$ 65.4	7.1	(0.1)	0.2	(14.2)	$ 58.4
Fiscal year ended January 1, 2012:						
Reserve deducted in the balance sheet from the assets to which it applies -						
Allowance for doubtful accounts	$ 12.3	4.3	-	(0.2)	(3.0)	$ 13.4
Deferred tax assets valuation allowance	$ 52.5	14.1	1.5	(1.0)	(1.7)	$ 65.4
Fiscal year ended January 2, 2011:						
Reserve deducted in the balance sheet from the assets to which it applies -						
Allowance for doubtful accounts	$ 15.0	2.1	-	(0.2)	(4.6)	$ 12.3
Deferred tax assets valuation allowance	$ 52.7	6.1	-	(1.0)	(5.3)	$ 52.5

* Allowance of companies acquired.

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

Exhibit No.	Description
3.1	Restated Certificate of Incorporation, effective May 6, 2009 (Reference is made to Exhibit 3.1 to the Form 8-K filed with the Commission on May 8, 2009 which is incorporated herein by reference).
3.2	By-laws, effective May 6, 2009 (Reference is made to Exhibit 3.2 to the Form 8-K filed with the Commission on May 8, 2009, which is incorporated herein by reference).
10.1*	Kelly Services, Inc. Short-Term Incentive Plan (Reference is made to Exhibit 10.1 to the Form 10-Q filed with the Commission on November 7, 2012, which is incorporated herein by reference).
10.2*	Kelly Services, Inc. Equity Incentive Plan, as amended and restated on December 31, 2011 (Reference is made to Exhibit 10.2 to the Form 10-Q filed with the Commission on August 8, 2012, which is incorporated herein by reference).
10.3*	Kelly Services, Inc. Executive Severance Plan dated April 4, 2006, as amended November 8, 2007 (Reference is made to Exhibit 10.3 to the Form 10-Q filed with the Commission on November 7, 2012, which is incorporated herein by reference).
10.4*	Kelly Services, Inc. Non-Employee Directors Stock Option Plan (Reference is made to Exhibit 10.4 to the Form 10-Q filed with the Commission on May 11, 2011, which is incorporated herein by reference).
10.5*	Kelly Services, Inc. 2008 Non-Employee Directors Stock Plan.
10.6	Amended and restated five-year, secured, revolving credit agreement, dated March 31, 2011 (Reference is made to Exhibit 10.6 to the Form 8-K filed with the Commission on April 6, 2011, which is incorporated herein by reference).
10.7*	Kelly Services, Inc. Performance Incentive Plan, as amended and restated on March 29, 1996 and April 14, 2000 (Reference is made to Exhibit 10 to the Form 10-Q for the quarterly period ended April 1, 2001, filed with the Commission on May 14, 2001, which is incorporated herein by reference).
10.8*	Form of Amendment to Performance Incentive Plan (Reference is made to Exhibit 10.1 to the Form 8-K filed with the Commission on November 9, 2006, which is incorporated herein by reference).
10.9*	Retirement Agreement.
10.12*	Kelly Services, Inc. 2008 Management Retirement Plan – Post 2004 (Reference is made to Exhibit 10.12 to the Form 10-Q filed with the Commission on November 7, 2012, which is incorporated herein by reference).
10.13*	First Amendment to the Kelly Services, Inc. 2008 Management Retirement Plan (Reference is made to Exhibit 10.13 to the Form 10-Q filed with the Commission on November 7, 2012, which is incorporated herein by reference).

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

Exhibit No.	Description
10.14	Pledge and Security Agreement, dated September 28, 2009 (Reference is made to Exhibit 10.14 to the Form 8-K filed with the Commission on September 29, 2009, which is incorporated herein by reference).
10.15	Receivables Purchase Agreement, dated December 4, 2009 (Reference is made to Exhibit 10.17 to the Form 8-K filed with the Commission on December 9, 2009, which is incorporated herein by reference).
10.16	Receivables Purchase Agreement Amendment No. 2 (Reference is made to Exhibit 10.16 to the Form 8-K filed with the Commission on April 6, 2011, which is incorporated herein by reference).
14	Code of Business Conduct and Ethics, adopted February 9, 2004, as amended on November 9, 2010 (Reference is made to Exhibit 14 to the Form 10-K filed with the Commission on February 17, 2011, 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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Indicates a management contract or compensatory plan or arrangement.

KELLY SERVICES, INC.
2008 NON-EMPLOYEE DIRECTORS STOCK PLAN

Section 1 - Establishment

Kelly Services, Inc. ("Kelly") hereby establishes the Kelly Services, Inc. 2008 Non-Employee Directors Stock Plan (the "Plan"), which is an amendment and restatement of the Kelly Services, Inc. Non-Employee Director Stock Award Plan, as set forth in this document.

Section 2 - Purpose

The purpose of the Plan is to (i) enhance Kelly's ability to attract and retain the services of Non-Employee Directors by providing them with an opportunity to participate in the growth of Kelly and (ii) align the personal interests of Non-Employee Directors with those of Kelly's stockholders by facilitating the acquisition of Class A Common Stock by Non-Employee Directors in satisfaction of Kelly's Services, Inc. Non-Employee Director Stock Ownership Guidelines.

Section 3 - Certain Definitions

(a) The terms in quotation marks below have the following meanings under the Plan:

"*Annual Retainer*" means the total amount payable in cash to a Non-Employee Director as an annual retainer (excluding meeting fees and committee fees) for services provided by the Non-Employee Director to Kelly.

"*Board*" means the Board of Directors of Kelly.

"*Class A Common Stock*" means Class A Common Stock, par value 1.00 per share, of Kelly.

"*Fair Market Value*" means, for any given date, the closing market price for a share of Class A Common Stock as a Nasdaq Stock Market LLC security reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq") for that date (or, if no such prices are so reported for such date, for the latest preceding date on which such sale prices were so reported). If the Fair Market Value for a given date cannot be determined by reference to Nasdaq, it shall be determined in good faith by the Board.

"*Non-Employee Directors*" means a member of the Board who is not an employee of Kelly.

(b) References in this Plan to the “issuance” of shares, to shares “issued" or “issuable,” and the like, include authorized and unissued shares or authorized and unissued shares of Class A Common Stock which have been reacquired by Kelly and held as treasury shares.

Section 4 - Duration Of The Plan

The Plan was approved by the Board on February 12, 2008 and became effective upon its approval by the stockholders of the Company at the annual meeting of stockholders of the Company held on May 6, 2008. The Plan shall remain available for the issuance of Class A Common Stock until ten years from the date the Plan was approved by the Company's stockholders (or such earlier date determined by the Board).

Section 5 - Shares Issuable Under The Plan

Subject to adjustment as provided in Paragraph 6, the total number of shares of Class A Common Stock which may be issued under the Plan in each year during which the Plan is in effect shall not exceed one-quarter of one percent of the total number of outstanding Class A Common Stock as of the first day of that year.

Section 6 - Capital Adjustments

The aggregate number and class of shares subject to and authorized by the Plan shall be proportionately adjusted for any increase or decrease in the number of issued shares of Class A Common Stock resulting from the payment of a stock dividend, stock split, recapitalization, merger, consolidation, reorganization of shares or any similar capital adjustment or other increase or decrease in the number of outstanding Class A Common Stock effected without receipt of consideration by Kelly.

Section 7 - Grants of Class A Common Stock

(a) Each Non-Employee Director who is elected at the annual stockholders meeting, whose term continues thereafter, or who is elected between annual stockholders meetings shall receive a portion of his or her Annual Retainer (or pro rated Annual Retainer for a Non-Employee Director elected between annual stockholders meetings) in the form of Class A Common Stock in a percentage (up to a maximum of 100%) of the Annual Retainer as determined by the Board at the annual stockholders meeting (or at such other time as determined by the Board).

(b) With respect to those Non-Employee Directors elected at the annual meeting of stockholders, or whose term continues thereafter, the portion of the Annual Retainer to be paid in the form of Class A Common Stock shall be paid on the first business day next following the date of the annual meeting of stockholders and with respect to any Non-Employee Director elected to the Board between annual meetings, the portion of the Annual Retainer to be paid in the form of Class A Common Stock will be paid on the first business day following his or her election to the Board (each an "Issue Date").

(c) The number of shares of Class A Common Stock issued to a Non-Employee Director in accordance with Section 7(b) shall be determined by multiplying (x) the Annual Retainer (or pro rated Annual Retainer for a Non-Employee Director elected between annual stockholders meetings) provided to such Non-Employee Director for the year by (y) the percentage established by the Board in accordance with Section 7(a) for the year and dividing the product of (x) and (y) by the Fair Market Value of a share of Class A Common Stock on the Issue Date. Fractional shares resulting from this formula shall be rounded, up or down, to the nearest whole share at the sole discretion of the Board.

Section 8 - Transferability and Vesting

The shares of Class A Common Stock issued to each Non-Employee Director shall not be transferable by the Non-Employee Director for a period of six months after the Issue Date, except in the event of the death of the recipient.

Section 9 - Rights Of the Stockholder

A Non-Employee Director shall have no rights as a stockholder with respect to any shares of Class A Common Stock issued under the terms of this Plan until the Non-Employee Director shall have become the holder of record of any such shares, and no adjustment shall be made for dividends in cash or other property or distribution of other rights with respect to any such shares of Class A Common Stock for which the record date prior to the date on which the Non-Employee Director shall have become the holder of record of any such shares.

Section 10 - Termination of Service As A Non-Employee Director

In the event a Non-Employee Director ceases to serve on the Board (including in the case of death), all rights to receive Class A Common Stock hereunder shall terminate immediately.

Section 11 - Amendment Of Plan

The Board may terminate, amend or modify the Plan at any time and from time to time; provided, however, the Board of Directors shall not, without the requisite affirmative approval of stockholders of Kelly, make any amendment which requires stockholder approval under any applicable law or rule, including Rule 16b-3 under the Securities Exchange Act of 1934 ("Rule 16b-3") or the NASDAQ Marketplace Rules, unless such compliance, if discretionary, is no longer desired.

Section 12 - Compliance With Rule 16b-3

It is intended that the Plan be applied and administered in compliance with Rule 16b-3. If any provision of the Plan would be in violation of Rule 16b-3 if applied as written, such provision shall not have effect as written and shall be given effect so as to comply with Rule 16b-3, as determined by the Board.

Section 13 - Securities Law Restrictions

Kelly may impose such other restrictions on any shares of Class A Common Stock issues pursuant to this Plan as it may deem advisable including, but not limited to, restrictions intended to achieve compliance with the Securities Act of 1933, as amended, with the requirements of any stock exchange upon which the Class A Common Stock is then listed, and with any Blue Sky or state securities law applicable to such Class A Common Stock.

Section 14 - Governing Law

All determinations made and actions taken pursuant to the Plan shall be governed by the laws of the State of Delaware and construed in accordance therewith to the extent not preempted by the laws of the United States.

Section 15 - Plan Administration

The Plan shall be administered by the Board, except that the Board may delegate administration of the Plan to the Corporate Governance and Nominating Committee or other committee (the "Committee") to the extent that the Committee is comprised of at least two members of the Board who satisfy the "non-employee director" definition set forth in Rule 16b-3. For purposes of the Plan, the term Board shall refer to the Board or, to the extent such authority has been delegated to the Committee by the Board, the Committee.

RETIREMENT AGREEMENT

This Retirement Agreement (this "Agreement") is made and entered into as of October 8, 2012 (the "Effective Date"), by and between Daniel T. Lis ("Executive") and Kelly Services, Inc. (the "Company"). The Company and Executive are sometimes collectively referred to herein as the Parties and individually as a Party.

WHEREAS, Executive and the Company have determined to provide for the termination of Executive's employment with the Company on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:

1. Termination of Employment. Executive agrees to continue performing services for the Company in his capacity as Senior Vice President, General Counsel and Corporate Secretary of the Company from the Effective Date through December 31, 2012 (the "Retirement Date") in consideration of the Company paying to Executive his base salary at the level in effect as of the Effective Date and providing Executive all of the benefits available to similarly situated executives of the Company. Effective as of the Retirement Date, Executive's employment with the Company and its affiliates shall terminate and Executive shall cease to be an employee and officer of any and all of the foregoing. In addition, as of the Retirement Date, Executive shall resign from any and all directorships Executive may hold with the Company or any of its affiliates. Executive hereby agrees to execute any and all documentation to effectuate such resignations upon request by the Company, but he shall be treated for all purposes as having so resigned upon the Retirement Date, regardless of when or whether he executes any such documentation. As used in this Agreement, the term "affiliate" shall mean any entity controlled by, controlling, or under common control with, the Company.

2. Accrued Benefits. The Company shall pay or provide to Executive the following payments and benefits:

(a) Salary and Vacation Pay. On the Retirement Date, the Company shall issue to Executive his final paycheck, reflecting (i) his earned but unpaid base salary through the Retirement Date, and (ii) his accrued but unused vacation pay through the Retirement Date.

(b) Expense Reimbursements. The Company, within 30 calendar days after the Retirement Date, shall reimburse Executive for any and all reasonable business expenses incurred by Executive in connection with the performance of his duties prior to the Retirement Date, which expenses shall be submitted by Executive to the Company with supporting receipts and/or documentation no later than 15 calendar days after the Retirement Date.

3. Retirement Benefits. In consideration of, and subject to and conditioned upon Executive's execution and non-revocation of the release attached as Exhibit A to this Agreement (the "Release") and as provided in Section 4 of this Agreement, and provided that Executive has fully complied with his obligations set forth in Sections 1, 5 and 6 of this Agreement, the Company shall pay or provide to Executive the following payments and benefits, which Executive acknowledges and agrees constitute adequate and valuable consideration, in and of themselves, for the promises contained in this Agreement:

(a) Short-Term Incentive. Executive will be eligible to receive a short-term incentive under the Company's Short-Term Incentive Plan for the 2012 fiscal year based on actual Company performance during the entire fiscal year and without regard to any discretionary adjustments that have the effect of reducing the amount of the annual incentive (other than discretionary adjustments applicable to all senior executives who did not terminate employment), payable in a single lump sum at the same time that payments are made to other participants in the Short-Term Incentive Plan for the 2012 fiscal year (pursuant to the terms of the Short-Term Incentive Plan but in no event later than March 15, 2013), unless the short-term incentive is subject to a valid deferral election under the Company's Management Retirement Plan.

(b) Equity Awards. The Parties acknowledge that Exhibit B provides a complete and accurate listing of all outstanding and unvested restricted shares held by Executive as of the Retirement Date (the "Restricted Shares"), along with the applicable vesting dates for the Restricted Shares. As of the Retirement Date, Executive shall vest in that portion of the Restricted Shares that otherwise would have vested had he remained employed with the Company through December 31, 2013 (the "Vested Restricted Shares"), which the Parties agree equals 9,000 total Restricted Shares. The Parties acknowledge that pursuant to the terms of the applicable equity plan, Executive hereby elects to have the minimum required tax withholding obligation related to the vesting of the Vested Restricted Shares satisfied via a net share withholding method authorized by the applicable equity plan. The portion of the Restricted Shares that remain unvested after the application of this Section 3(b) (which includes, for the avoidance of doubt, the Restricted Shares that would have otherwise vested after December 31, 2013), along with any outstanding Company stock options held by Executive as of the Retirement Date, shall automatically be forfeited without further action by the Parties, and shall be of no further force or effect, as of the Retirement Date.

(c) Medical. The Company shall provide Executive with medical (including prescription drug), dental, vision and hospitalization benefits under Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"), at no cost to Executive (except as hereafter described), pursuant to the Company's then-current benefit plans and at the level of coverage in effect for Executive (*e.g.*, employee only or family coverage) immediately prior to the Retirement Date for the period commencing on the Retirement Date and ending on the first anniversary thereof; provided that such benefits shall cease on the date on which Executive becomes eligible for such coverage from a third party; provided, further, that during the period the Company provides Executive with this coverage, an amount equal to the applicable COBRA premiums (or such other amounts as may be required by law) will be included in Executive's income for tax purposes to the extent required by applicable law and the Company may withhold taxes from Executive's other compensation for this purpose.

(d) Consulting Agreement. The Company and Executive shall enter into a Consulting Services Agreement in the form attached as Exhibit C (the "Consulting Services Agreement").

4. Release of Claims. Executive agrees that, as a condition to Executive's right to receive the payments and benefits set forth in Section 3, within 21 calendar days following the Retirement Date (the "Release Period"), Executive shall execute and deliver the Release to the Company. If Executive fails to execute and deliver the Release to the Company during the Release Period, or if the Release is revoked by Executive or otherwise does not become effective and irrevocable in accordance with its terms, then Executive will not be entitled to any payment or benefit under Section 3 of this Agreement.

5. Executive Severance Plan. Executive acknowledges that the payments and arrangements contained in this Agreement shall constitute full and complete satisfaction of any and all amounts properly due and owing to Executive as a result of his employment with the Company and the termination thereof. Executive agrees that, as of the Effective Date, this Agreement supersedes and replaces the severance terms of any and all agreements in place between the Company and Executive prior to the Effective Date including but not limited to the Kelly Services, Inc. Executive Severance Plan (the "Severance Plan") and the Company and its affiliates have no further obligations to Executive under the terms of the Severance Plan or any other agreements, policies or procedures, except as specifically provided in this Agreement. Notwithstanding the preceding sentence, Executive acknowledges and agrees that he remains obligated to comply with the provisions of Sections 4(d) (Confidentiality), (e) (Noncompetition), (f) (Non-Solicitation of Employees), (g) (Non-Disparagement), and (i) (Remedies), and Section 5(f) (Severability; Reformation) of the Severance Plan, which provisions shall continue to apply, in accordance with their terms, on and after the Effective Date, notwithstanding any subsequent termination of Executive's employment.

6. Non-Solicitation of Customers. Executive shall not, directly or indirectly, during his employment with the Company and for a period of 1 year after the Retirement Date solicit, divert, or attempt to solicit or divert from the Company and its affiliates, 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 competitive with the Company and its affiliates, from any client or customer, or potential client or customer, of the Company and its affiliates for either Executive or any other entity that may employ, engage or associate with Executive 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 affiliates for either Executive or any other entity that may employ, engage or associate with Executive 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 affiliates for work or business related to the Company's Business. For the purposes of this Section 6, "client(s)" or "customer(s)" of the Company and its affiliates, shall mean any individual, corporation, limited liability company, partnership, proprietorship, firm, association, or any other entity that the Company or its affiliates has invoiced during the preceding 1 year, 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 Company or its affiliates has contacted, orally, in writing or in person to solicit, sell and/or deliver services to, or to which Executive had any exposure through Company meetings or marketing efforts, during the preceding 1 year. Executive agrees that the Company's remedies at law for any violation of this Section 6 are inadequate and that the Company has the right to seek injunctive relief in addition to any other remedies available to it. Therefore, if Executive breaches this Section 6, the Company has the right to, and may seek issuance of a court ordered temporary restraining order, preliminary injunction and permanent injunction, as well as any and all other remedies and damages, including monetary damages. If a court having competent jurisdiction finds the provisions of this Section 6 to be invalid or unreasonable because too broad in any extent, then the restrictions contained herein shall nevertheless remain effective, but shall be deemed amended as may be considered to be reasonable by such court, and as so amended shall be enforced.

7. Return of Property. In connection with Executive's role as a consultant following the Retirement Date, during the "Consulting Period" (as defined in the Consulting Services Agreement), Executive may keep in his possession items of Company property that are identified by the Company as appropriate for such role, including without limitation, keys, credit cards, telephone calling cards, computer hardware and software, cellular and portable telephone equipment, manuals, books, notebooks, financial statements, reports and other documents.

8. Compensation Recovery Policy. Executive acknowledges that he shall remain subject to the provisions of the Incentive Compensation Recovery (Clawback) Policy, as amended from time-to-time, which Policy shall survive and continue in full force and effect notwithstanding the termination of Executive's employment.

9. Miscellaneous.

(a) Section 409A. The intent of the Parties is that payments and benefits under this Agreement comply with Section 409A of the Code ("Section 409A") or are exempt therefrom and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Executive notifies the Company (with specificity as to the reason therefor) that Executive believes that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the Company shall, after consulting with Executive, reform such provision in a manner that is economically neutral to the Company to attempt to comply with Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A. The Parties hereby acknowledge and agree that (i) the payments and benefits due to Executive under Section 3 above are payable or provided on account of Executive's "separation from service" within the meaning of Section 409A, (ii) the payments and benefits under this Agreement are intended to be treated as separate payments for purposes of Section 409A, and (iii) Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code. Notwithstanding any provision of this Agreement to the contrary, any payment under this Agreement that is considered nonqualified deferred compensation subject to Section 409A shall be paid no earlier than (1) the date that is six months after the date of the Executive's separation from service for any reason other than death, or (2) the date of the Executive's death. In no event may the Executive, directly or indirectly, designate the calendar year of any payment under this Agreement.

(b) Withholding. The Company or its affiliates, as applicable, may withhold from any amounts payable or benefits provided under this Agreement such Federal, state, local, foreign or other taxes as shall be required to be withheld pursuant to any applicable law or regulation. Notwithstanding the foregoing, Executive shall be solely responsible and liable for the satisfaction of all taxes, interest and penalties that may be imposed on Executive in connection with this Agreement (including any taxes, interest and penalties under Section 409A of the Code), and neither the Company nor its affiliates shall have any obligation to indemnify or otherwise hold Executive harmless from any or all of such taxes, interest or penalties.

(c) Severability. In construing this Agreement, if any portion of this Agreement shall be found to be invalid or unenforceable, the remaining terms and provisions of this Agreement shall be given effect to the maximum extent permitted without considering the void, invalid or unenforceable provision.

(d) Successors. This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's surviving spouse, heirs, and legal representatives. This Agreement shall inure to the benefit of and be binding upon the Company and its affiliates, and their respective successors and assigns. Except as provided in the next sentence, the Company may not assign this Agreement or delegate any of its obligations hereunder without the prior written consent of Executive. The Company, however, shall cause any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all or a substantial portion of its business and/or assets to assume this Agreement expressly in writing and to expressly agree to perform this Agreement immediately upon such succession in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(e) Final and Entire Agreement; Amendment. Except with respect to the provisions of the Severance Plan expressly referenced herein, this Agreement (including Exhibit A), together with the Release and Consulting Services Agreement, represents the final and entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, negotiations and discussions between the Parties hereto and/or their respective counsel with respect to the subject matter hereof. Any amendment to this Agreement must be in writing, signed by duly authorized representatives of the Parties, and stating the intent of the Parties to amend this Agreement.

(f) Representation By Counsel. Each of the Parties acknowledges that it or he has had the opportunity to consult with legal counsel of its or his choice prior to the execution of this Agreement and the Release. Without limiting the generality of the foregoing, Executive acknowledges that he has had the opportunity to consult with his own independent legal counsel to review this Agreement for purposes of compliance with the requirements of Section 409A or an exemption therefrom, and that he is relying solely on the advice of his independent legal counsel for such purposes. Moreover, the Parties acknowledge that they have participated jointly in the negotiation and drafting of this Agreement and the Release. If any ambiguity or question of intent or interpretation arises, this Agreement and the Release shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(g) Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, without reference to conflict of laws principles. Each Party (i) agrees that any action arising out of or relating to this Agreement or the transaction provided for herein shall be brought exclusively in the courts of the State of Michigan or of the United States of America for the Eastern District of Michigan, (ii) accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts, and (iii) irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of *forum non conveniens*, which it may now or hereafter have to the bringing of any action in those jurisdictions. EACH PARTY WAIVES ITS OR HIS RIGHT TO TRIAL BY JURY AS TO ALL CLAIMS REGARDING, OR ARISING UNDER, THE TERMS OF THIS AGREEMENT. The Parties further agree that the prevailing party (by judgment, court order or negotiated private settlement) in any action to enforce its or his rights under this Agreement shall be entitled to recover payment from the non-prevailing party of the prevailing party's reasonable costs, expenses and attorneys' fees, as well as expert witness fees and expenses, incurred in connection with any such action.

(h) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other Party or by registered or certified mail, return receipt requested, postage prepaid, or by overnight courier, addressed as follows:

If to Executive: at Executive's most recent address on the records of the Company;

If to the Company: Kelly Services, Inc., 999 West Big Beaver Road, Troy, Michigan, 48084-4782, Attn: Nina M. Ramsey ;

or to such other address as either Party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective on the date of delivery if delivered by hand, on the first business day following the date of dispatch if delivered utilizing overnight courier, or three business days after having been mailed, if sent by registered or certified mail.

(i) Counterparts. This Agreement may be executed in one or more counterparts (including by means of facsimile or other electronic transmission), each of which shall be deemed an original, but all of which taken together shall constitute one original instrument.

(Signatures are on the following page)

IN WITNESS WHEREOF, the Parties hereto have each executed this Agreement as of the date first above written.

KELLY SERVICES, INC.

By: /s/Nina Ramsey

Its: Senior Vice President, HR

EXECUTIVE

/s/D. T. Lis
Daniel T. Lis

EXHIBIT A
GENERAL RELEASE

This General Release (this "Release") is entered into by and between Daniel T. Lis (the "Executive") and Kelly Services, Inc. (the "Company") as of the 1st day of January, 2013.

1. **Employment Status**. Executive's employment with the Company and its affiliates terminated effective as of December 31, 2012.

2. **Payments and Benefits**. Upon the effectiveness of the terms set forth herein, the Company shall provide Executive with the benefits set forth in Section 3 of the Retirement Agreement between Executive and the Company dated as of October 8, 2012 (the "Retirement Agreement"), upon the terms, and subject to the conditions, of the Retirement Agreement. Executive agrees that he is not entitled to receive any additional payments as wages, vacation or bonuses except as otherwise provided under Sections 2 and 3 of the Retirement Agreement.

3. **No Liability**. This Release does not constitute an admission by the Company or its affiliates or their respective officers, directors, partners, agents, or employees, or by Executive, of any unlawful acts or of any violation of federal, state or local laws.

4. **Claims Released by Executive**. In consideration of the payments and benefits set forth in Section 2 of this Release, Executive for himself, his heirs, administrators, representatives, executors, successors and assigns (collectively, "Releasors") does hereby irrevocably and unconditionally release, acquit and forever discharge the Company, its respective affiliates and their respective successors and assigns (the "Kelly Services Group") and each of its officers, directors, partners, agents, and former and current employees, including without limitation all persons acting by, through, under or in concert with any of them (collectively, "Releasees"), and each of them, from any and all claims, demands, actions, causes of action, costs, expenses, attorney fees, and all liability whatsoever, whether known or unknown, fixed or contingent, which Executive has, had, or may ever have against the Releasees relating to or arising out of Executive's employment or separation from employment with the Kelly Services Group, from the beginning of time and up to and including the date Executive executes this Release. This Release includes, without limitation, (a) law or equity claims; (b) contract (express or implied) or tort claims; (c) claims for wrongful discharge, retaliatory discharge, whistle blowing, libel, slander, defamation, unpaid compensation, wage and hour violations, intentional infliction of emotional distress, fraud, public policy contract or tort, and implied covenant of good faith and fair dealing, whether based in common law or any federal, state or local statute; (d) claims under or associated with any of the Company's equity compensation plans or arrangements; (e) claims arising under any federal, state, or local laws of any jurisdiction that prohibit age, sex, race, national origin, color, disability, religion, veteran, military status, sexual orientation, or any other form of discrimination, harassment, or retaliation (including without limitation under the Age Discrimination in Employment Act of 1967 as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964 as amended by the Civil Rights Act of 1991, the Equal Pay Act of 1962, and the Americans with Disabilities Act of 1990, the Rehabilitation Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act, the Employee Polygraph Protection Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Equal Pay Act, the Lilly Ledbetter Fair Pay Act or any other foreign, federal, state or local law or judicial decision); (f) claims arising under the Employee Retirement Income Security Act; and (g) any other statutory or common law claims related to Executive's employment with the Kelly Services Group or the separation of Executive's employment with the Kelly Services Group.

Without limiting the foregoing paragraph, Executive represents that he understands that this Release specifically releases and waives any claims of age discrimination, known or unknown, that Executive may have against the Kelly Services Group as of the date he signs this Release. This Release specifically includes a waiver of rights and claims under the Age Discrimination in Employment Act of 1967, as amended, and the Older Workers Benefit Protection Act. Executive acknowledges that as of the date he signs this Release, he may have certain rights or claims under the Age Discrimination in Employment Act, 29 U.S.C. §626 and he voluntarily relinquishes any such rights or claims by signing this Release.

Notwithstanding the foregoing provisions of this Section 4, nothing herein shall release the Kelly Services Group from (i) any obligation under the Retirement Agreement, including without limitation Section 3 of the Retirement Agreement; (ii) any obligation under the Consulting Services Agreement attached as Exhibit C to the Retirement Agreement (the "Consulting Services Agreement"); (iii) any obligation to provide all benefit entitlements under any Company benefit or welfare plan, including the Company's 401(k) plan and Management Retirement Plan, in each case that were vested as of the Retirement Date; and (iv) any rights or claims that relate to events or circumstances that occur after the date that Executive executes this Release. In addition, nothing in this Release is intended to interfere with Executive's right to file a charge with the Equal Employment Opportunity Commission or any state or local human rights commission in connection with any claim Executive believes he may have against the Releasees. However, by executing this Release, Executive hereby waives the right to recover any remuneration, damages, compensation or relief of any type whatsoever from the Company in any proceeding that Executive may bring before the Equal Employment Opportunity Commission or any similar state commission or in any proceeding brought by the Equal Employment Opportunity Commission or any similar state commission on Executive's behalf.

5. **Bar**. Executive acknowledges and agrees that if he should hereafter make any claim or demand or commence or threaten to commence any action, claim or proceeding against the Releasees with respect to any cause, matter or thing which is the subject of the release under Section 4 of this Release, this Release may be raised as a complete bar to any such action, claim or proceeding, and the applicable Releasee may recover from Executive all costs incurred in connection with such action, claim or proceeding, including attorneys' fees, along with the benefits set forth in Section 3 of the Retirement Agreement.

6. **Governing Law**. This Release shall be governed by and construed in accordance with the laws of the State of Michigan, without regard to conflicts of laws principles.

7. **Acknowledgment**. Executive has read this Release, understands it, and voluntarily accepts its terms, and Executive acknowledges that he has been advised by the Company to seek the advice of legal counsel before entering into this Release. Executive acknowledges that he was given a period of 21 calendar days within which to consider and execute this Release, and to the extent that he executes this Release before the expiration of the 21 day period, he does so knowingly and voluntarily and only after consulting his attorney. Executive acknowledges and agrees that the promises made by the Company hereunder represent substantial value over and above that to which Executive would otherwise be entitled.

8. **Revocation**. Executive has a period of 7 calendar days following the execution of this Release during which Executive may revoke this Release by delivering written notice to the Company pursuant to Section 9(h) of the Retirement Agreement, and this Release shall not become effective or enforceable until such revocation period has expired. Executive understands that if he revokes this Agreement, it will be null and void in its entirety, and he will not be entitled to any payments or benefits provided in this Release, including without limitation under Section 2 of the Release.

9. **Miscellaneous**. This Release is the complete understanding between Executive and Kelly Services Group in respect of the subject matter of this Release and supersedes all prior agreements relating to Executive's employment with the Kelly Services Group, except as specifically excluded by this Release. Executive has not relied upon any representations, promises or agreements of any kind except those set forth herein in signing this Release. In the event that any provision of this Release should be held to be invalid or unenforceable, each and all of the other provisions of this Release shall remain in full force and effect. If any provision of this Release is found to be invalid or unenforceable, such provision shall be modified as necessary to permit this Release to be upheld and enforced to the maximum extent permitted by law. Executive agrees to execute such other documents and take such further actions as reasonably may be required by the Kelly Services Group to carry out the provisions of this Release.

10. **Counterparts**. This Release may be executed by the parties hereto in counterparts (including by means of facsimile or other electronic transmission), each of which shall be deemed an original, but all of which taken together shall constitute one original instrument.

IN WITNESS WHEREOF, the parties have executed this Release on the date first set forth above.

KELLY SERVICES, INC.

By:______________________________

Its:______________________________

EXECUTIVE

[To be signed on or after Retirement Date and during the Release Period]

____
Daniel T. Lis.

EXHIBIT B
RESTRICTED SHARES

Date of Grant	Number of Restricted Shares	Vesting Date
December 1, 2010	3,000	December 1, 2013
	3,000	December 1, 2014
July 1, 2011	3,000	July 1, 2013
	3,000	July 1, 2014
	3,000	July 1, 2015
July 1, 2012	3,000	July 1, 2013
	3,000	July 1, 2014
	3,000	July 1, 2015
	3,000	July 1, 2016

EXHIBIT C
CONSULTING SERVICES AGREEMENT

This Consulting Services Agreement (this "Agreement") is made and entered into as of January 1, 2013, by and between Daniel T. Lis ("Consultant") and Kelly Services, Inc. (the "Company"). The Company and Consultant are sometimes collectively referred to herein as the Parties and individually as a Party.

WHEREAS, Consultant is a highly experienced executive and a former Senior Vice President, General Counsel and Corporate Secretary of the Company, with unique knowledge and expertise concerning the assets, business strategy and management of the Company;

WHEREAS, the Company and Consultant have entered into that certain Retirement Agreement, dated as of October 8, 2012 (the "Retirement Agreement"), pursuant to which Consultant's employment with the Company and its affiliates terminated effective as of the date thereof; and

WHEREAS, the Company and Consultant desire that Consultant provide the Company with certain consulting services relating to the Company's business and operations.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

1. **Engagement**. The Company hereby engages Consultant, and Consultant agrees to provide certain consulting services to the Company, in accordance with the terms, and subject to the conditions, of this Agreement.

2. **Consulting Period**. During the period commencing on the date that the release described in the Retirement Agreement (the "Release") becomes effective and irrevocable in accordance with its terms (the "Effective Date") and ending on December 31, 2013, or such earlier date on which Consultant's consulting relationship with the Company is terminated as provided herein (the "Consulting Period"), Consultant shall, at the Company's request, provide consulting services to the Company and its affiliates as set forth in Section 3 below (the "Consulting Services"). It is expressly understood that upon expiration or termination of the Consulting Period, the consulting relationship between the Parties shall come to an end unless otherwise provided by the Parties in writing. As used in this Agreement, the term "affiliate" shall mean any entity controlled by, controlling, or under common control with, the Company.

3. **Services To Be Provided**. During the Consulting Period, Consultant agrees to serve the Company in such capacity or capacities (and to perform such duties) as may be specified from time-to-time by the Company's President and Chief Executive Officer or Board of Directors. In particular, Consultant agrees that, to the extent reasonably requested by the Company's President and Chief Executive Officer or Board of Directors, he shall (a) facilitate the successful transition of the individual who succeeds Consultant as the Company's General Counsel, (b) facilitate the filing of the Company's proxy statement, Form 10-K and Annual Report for the 2012 calendar year, (c) oversee outstanding litigation, and (d) provide counsel on legal matters. In connection therewith, Consultant shall make himself available (by telephone or otherwise) at reasonable times during normal business hours and on reasonable notice to consult with the Company's President and Chief Executive Officer and Board of Directors; *provided, however*, that the Consulting Services rendered by Consultant during the Consulting Period shall not exceed 40 hours each calendar month, on average. In addition, Consultant shall make himself available to travel within the United States (and internationally but only if the Executive consents to such travel) in connection with his services hereunder if reasonably requested by the Company's President and Chief Executive Officer or Board of Directors and any travel expenses associated therewith shall be reimbursed to the extent provided by Section 6.

4. **Non-Exclusive Relationship**. The Consulting Services being provided by Consultant are on a non-exclusive basis, and Consultant shall be entitled to perform or engage in any activity not inconsistent with this Agreement or otherwise prohibited by Section 11 of this Agreement. Moreover, the Company shall be permitted to engage any other individual or firm as an investment banker, broker, consultant or other professional advisor during the Consulting Period.

5. **Compensation**. The Company shall pay Consultant the following compensation for the Consulting Services provided hereunder:

(a) Consulting Fee. During the Consulting Period, the Company shall pay Consultant a monthly retainer of $36,666.67 for Consulting Services to be performed by Consultant (the "Consulting Fee"). The Company shall pay Consultant the Consulting Fee for such services promptly, but in no event later than 15 calendar days following the last day of the month with respect to which such services are performed.

(b) Tax Obligations. Consultant shall be responsible for the payment of all taxes, interest and penalties owed on all amounts paid to Consultant by the Company hereunder (including any taxes, interest and penalties under Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A")), and neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold Consultant harmless from any or all of such taxes, interest or penalties.

6. Reimbursable Costs. The Company shall reimburse Consultant in accordance with general policies and practices of the Company for actual and reasonable expenses incurred in performing the Consulting Services during the Consulting Period, payable within 30 calendar days of receipt of an invoice; *provided* that the invoice is provided to the Company no later than two months after the expense was incurred.

7. Duties of the Company. The Company shall (a) grant Consultant access to records, files, office space, employees and consultants as reasonably required for Consultant to perform the Consulting Services contemplated herein; (b) provide Consultant with computer equipment, software, internet access, and communication devices reasonably required for Consultant to perform the Consulting Services contemplated herein; and (c) pay to Consultant the amounts due to Consultant within the time periods specified herein.

8. Duties of Consultant. Subject to Section 3 and Section 11 of this Agreement, Consultant shall (a) dedicate such time commitment to the Consulting Services as is reasonably necessary to perform such Consulting Services, (b) comply with all applicable federal, state and municipal laws and regulations required to enable Consultant to render to the Company the Consulting Services called for herein; and (c) upon termination of the Consulting Period, return to the Company all Company property in Consultant's possession, including without limitation, keys, credit cards, telephone calling cards, computer hardware and software, cellular and portable telephone equipment, manuals, books, notebooks, financial statements, and reports.

9. Retention of Authority. Throughout the Consulting Period, the Company shall retain all authority and control over the business, policies, operations and assets of the Company and its affiliates. Consultant shall not knowingly violate any rules or policies of the Company applicable to Consultant or violate any applicable law in connection with the performance of the Consulting Services. The Company does not, by virtue of the Agreement, delegate to Consultant any of the powers, duties or responsibilities vested in the Company or its affiliates by law or under the organizational documents of the Company or its affiliates. Consultant shall have no authority to enter into contracts or agreements on behalf of the Company or its affiliates during or after the Consulting Period.

10. Independent Consultant Status. In performing the Consulting Services herein, the Company and Consultant agree that Consultant shall at all times be acting solely as an independent contractor and not as an employee of the Company. The Parties acknowledge that Consultant was, prior to January 1, 2013, an employee of the Company, serving as Senior Vice President, General Counsel and Secretary of the Company, but that such employment relationship has terminated prior to the effectiveness of this Agreement. The Company and Consultant agree that Consultant will not be an employee of the Company or its affiliates during the Consulting Period in any matter under any circumstances or for any purposes whatsoever, and that Consultant and not the Company shall have the authority to direct and control Consultant's performance of his activities hereunder. The Company shall not pay, on the account of Consultant or any principal, employee or contractor of Consultant, any unemployment tax or other taxes, required under the law to be paid with respect to employees; nor shall the Company withhold any monies from the fees of Consultant for income or employment tax purposes; nor shall the Company provide Consultant, in his capacity as such, or any principal, employee or contractor of Consultant with any benefits, including pension, retirement, or any kind of insurance benefits, including workers compensation insurance. Consultant and the Company hereby agree and acknowledge that this Agreement does not impose any obligation on the Company to offer employment to Consultant at any time. Nothing contained in this Agreement shall be construed to create a partnership or joint venture between the Company and Consultant, nor to authorize either Party to act as general or special agent of the other Party in any respect.

11. Restrictive Covenants. Consultant acknowledges and agrees that he remains obligated to comply with the provisions of Sections 4(d) (Confidentiality), (e) (Noncompetition), (f) (Non-Solicitation of Employees), (g) (Non-Disparagement), and (i) (Remedies) and Section 5(f) (Severability; Reformation) of the Company's Executive Severance Plan (the "Severance Plan"), and Section 6 of the Retirement Agreement, which provisions shall continue to apply, in accordance with their terms, on and after the Effective Date, notwithstanding the termination of Consultant's employment. The Parties acknowledge that the provisions of Section 4(d) (Confidentiality) of the Severance Plan shall apply to "Protected Information", as that term is defined in the Severance Plan, acquired, conceived, developed contributed to, or made by Consultant during the Consulting Period.

12. **Termination**. Either Party may terminate this Agreement and Consultant's services hereunder at any time and for any reason prior to the end of the Consulting Period by providing at least 30 calendar days prior written notice to the other Party in accordance with Section 13(h) below. In the event of such termination, Consultant shall be entitled to receive all earned but unpaid Consulting Fees through the date of termination, including a pro rata portion of the Consulting Fee for the partial month in which the termination date occurs, and except as set forth in the following sentence, shall have no further rights to payment of any consulting fees or other compensation hereunder. Notwithstanding the foregoing, in the event of a termination of Consultant's services by the Company without Cause (as defined below) during the Consulting Period, Consultant shall be entitled to continue to receive the monthly Consulting Fees through December 31, 2013, in accordance with the payment schedule set forth in Section 5(a) hereof. For purposes of this Section 12, Cause shall mean (i) Consultant's conviction of a felony or an act of fraud or dishonesty resulting in material injury to business or reputation of the Company or its affiliates; or (ii) Consultant's material breach of any of his obligations under this Agreement, including without limitation, Section 11 hereof.

13. **Miscellaneous**.

(a) Final and Entire Agreement; Amendment. Except with respect to the provisions of the Severance Plan expressly referenced herein, this Agreement, together with the Retirement Agreement (including Exhibit B) and Release, represents the final and entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, negotiations and discussions between the Parties hereto and/or their respective counsel with respect to the subject matter hereof. Any amendment to this Agreement must be in writing, signed by duly authorized representatives of the Parties, and stating the intent of the Parties to amend this Agreement.

(b) Amendments. No provision of this Agreement may be amended, modified or waived except by a written instrument signed by each of the Parties hereto (or, in the case of a waiver, by the Party against whom enforcement of the waiver is sought).

(c) Successors. This Agreement is personal to Consultant and without the prior written consent of the Company shall not be assignable by Consultant other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Consultant's surviving spouse, heirs, and legal representatives. This Agreement shall inure to the benefit of and be binding upon the Company and its affiliates, and their respective successors and assigns. Except as provided in the next sentence, the Company may not assign this Agreement or delegate any of its obligations hereunder without the prior written consent of Consultant. The Company shall cause any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all or a substantial portion of the Company's business and/or assets to assume this Agreement expressly in writing and to expressly agree to perform this Agreement immediately upon such succession in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(d) Choice of Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, without reference to conflict of laws principles. Each Party (i) agrees that any action arising out of or relating to this Agreement or the transaction provided for herein shall be brought exclusively in the courts of the State of Michigan or of the United States of America for the Eastern District of Michigan, (ii) accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts, and (iii) irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of *forum non conveniens*, which it may now or hereafter have to the bringing of any action in those jurisdictions. EACH PARTY WAIVES ITS OR HIS RIGHT TO TRIAL BY JURY AS TO ALL CLAIMS REGARDING, OR ARISING UNDER, THE TERMS OF THIS AGREEMENT. The Parties further agree that the prevailing party (by judgment, court order or negotiated private settlement) in any action to enforce its or his rights under this Agreement shall be entitled to recover payment from the non-prevailing party of the prevailing party's reasonable costs, expenses and attorneys' fees, as well as expert witness fees and expenses, incurred in connection with any such action.

(e) Effect of Waivers and Consents. No waiver of any default or breach by any Party hereto shall be implied from any omission by a Party to take any action on account of such default or breach if such default or breach persists or is repeated and no express waiver shall affect any default or breach other than the default or breach specified in the express waiver, and that only for the time and to the extent therein stated. One or more waivers of any covenant, term or condition of this Agreement by a Party shall not be construed to be a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by any Party shall not be deemed to waive or render unnecessary the consent to or approval of said Party of any subsequent or similar acts by a Party.

(f) Counterparts. This Agreement may be executed in one or more counterparts (including by means of facsimile or other electronic transmission), each of which shall be deemed an original, but all of which taken together shall constitute one original instrument.

(g) Severability. In construing this Agreement, if any portion of this Agreement shall be found to be invalid or unenforceable, the remaining terms and provisions of this Agreement shall be given effect to the maximum extent permitted without considering the void, invalid or unenforceable provision.

(h) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other Party or by registered or certified mail, return receipt requested, postage prepaid, or by overnight courier, addressed as follows:

If to Consultant: at Consultant's most recent address on the records of the Company;

If to the Company: Kelly Services, Inc., 999 West Big Beaver Road, Troy, Michigan, 48084-4782, Attn: Nina M. Ramsey;

or to such other address as either Party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective on the date of delivery if delivered by hand, on the first business day following the date of dispatch if delivered utilizing overnight courier, or three business days after having been mailed, if sent by registered or certified mail.

(i) Representation By Counsel. Each of the Parties acknowledges that it or he has had the opportunity to consult with legal counsel of his or its choice prior to the execution of this Agreement. Without limiting the generality of the foregoing, Consultant acknowledges that he has had the opportunity to consult with his own independent legal counsel to review this Agreement for purposes of compliance with the requirements of Section 409A or an exemption therefrom, and that he is relying solely on the advice of his independent legal counsel for such purposes. Moreover, the Parties acknowledge that they have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(j) Section 409A. The intent of the Parties is that payments and benefits under this Agreement comply with Section 409A or are exempt therefrom and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Consultant notifies the Company (with specificity as to the reason therefor) that Consultant believes that any provision of this Agreement would cause Consultant to incur any additional tax or interest under Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the Company shall, after consulting with Consultant, reform such provision in a manner that is economically neutral to the Company to attempt to comply with Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A. The Parties acknowledge and agree that (i) the payments in Section 5(a) of this Agreement are intended to be treated as separate payments for purposes of Section 409A, and (ii) the Company intends to require Consultant to, and Consultant intends to, perform services during the Consulting Period at a level equal to or less than 20% of the average level of service Consultant previously performed for the Company during the 36-month period immediately preceding the Effective Date.

(Signatures are on the following page)

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first set forth above.

KELLY SERVICES INC.

By: /s/Nina Ramsey

Its: Senior Vice President, HR

CONSULTANT

/s/D. T. Lis
Daniel T. Lis

SUBSIDIARIES OF REGISTRANT

Exhibit 21

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services (Canada), Ltd.	Canada	Kelly Services
Kelly Properties, LLC	Delaware	Kelly Properties
Kelly Receivables Funding, LLC	Delaware	Kelly Receivables Funding
Kelly Receivables Services, LLC (a subsidiary of Kelly Properties, LLC)	Delaware	Kelly Receivables Services
Kelly Services (Ireland), Ltd. (a subsidiary of Kelly Properties, LLC)	Delaware	Kelly Services
Kelly Services (UK) Ltd. (a subsidiary of Kelly Services Management S.a.r.l.)	United Kingdom	Kelly Services, Ltd.
Kelly Payroll Services Limited (a subsidiary of Kelly Services (UK) Ltd.)	United Kingdom	Kelly Services, Ltd.
Kelly Services (Australia), Ltd.	Delaware	Kelly Services
Kelly Services (New Zealand), Ltd.	Delaware	Kelly Services
Kelly Services of Denmark, Inc.	Delaware	Kelly Services
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 S.a.r.l.)	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
Outsourcing de Servicios y Manufactura, S.A. (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 (Suisse), SA	Switzerland	Kelly Services

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services Management S.a.r.l. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Switzerland	Kelly Services
Kelly Services Management SCS (a subsidiary of Kelly Services Management S.a.r.l. and Kelly Services (Suisse), SA)	France	Kelly Services
Kelly Services France, S.A.S. (a subsidiary of Kelly Services Management SCS)	France	Kelly Services
Kelly Services, S.A.S. (a subsidiary of Kelly Services France, S.A.S.)	France	Kelly Services
Competences RH, S.a.r.l. (a subsidiary of Kelly Services France, S.A.S.)	France	Competences RH
Kelly Services Luxembourg, S.a.r.l.	Luxembourg	Kelly Services
Kelly Outsourcing & Consulting Group, S.a.r.l. (a subsidiary of Kelly Services Luxembourg, S.a.r.l.)	Luxembourg	Kelly Services
Kelly Services S.p.A. (a subsidiary of Kelly Services, Inc. and Kelly Properties LLC)	Italy	Kelly Services
Kelly Management Services, S.r.l. (a subsidiary of Kelly Services S.p.A.)	Italy	Kelly Management Services
Kelly Services Seleccion y Formacion, S.L.	Spain	Kelly Services
Kelly Services CIS, Inc.	Delaware	Kelly 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 Services Deutschland GmbH	Germany	Kelly Services
Kelly Services GmbH (a subsidiary of Kelly Services Deutschland GmbH)	Germany	Kelly Services
access KellyOCG GmbH (a subsidiary of Kelly Services Deutschland GmbH)	Germany	access
access Recruiting Services GmbH (a subsidiary of access KellyOCG GmbH)	Austria	access

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services Interim (Belgium) SPRL (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Belgium	Kelly Services
Kelly Services Outsourcing and Consulting Group SA/NV (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Belgium	Kelly Services
Kelly Services Sverige AB	Sweden	Kelly Services
Kelly Services AB (a subsidiary of Kelly Services Sverige AB)	Sweden	Kelly Services
Kelly Services – Empressa De Trabalho Temporario, Unipessoal, Lda.	Portugal	Kelly Services
Kelly Services – Gestao De Processos, Lda. (a subsidiary of Kelly Services – Empressa De Trabalho Temporario, Unipessoal, Lda. and Kelly Services, Inc.)	Portugal	Kelly Services
Kelly Services Hungary Staffing, LLC (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Hungary	Kelly Services
LLC Kelly Services Ukraine	Ukraine	Kelly Services
Kelly Services Poland Sp.zo.o.	Poland	Talents
Toner Graham Limited (a subsidiary of Kelly Services (UK) Ltd.)	United Kingdom	Toner Graham
Kelly Services (Singapore) Pte. Ltd.	Singapore	Kelly Services
BTI Consultants Pte. Ltd. (a subsidiary of Kelly Services (Singapore) Pte. Ltd.)	Singapore	BTI Consultants
P-Serv Pte. Ltd. (a subsidiary of Kelly Services (Singapore) Pte. Ltd.)	Singapore	P-Serv
P-Serv (Hong Kong) Ltd. (a subsidiary of P-Serv Pte. Ltd.)	Hong Kong	Kelly Services
Eradekad SDN. BHD.	Malaysia	Kelly Services
Kelly Services (Malaysia), SDN. BHD. (a subsidiary of Eradekad SDN. BHD. and Kelly Services, Inc.)	Malaysia	Kelly Services

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Business Trends Staffing Services, SDN. BHD (a subsidiary of Kelly Services (Malaysia), SDN. BHD	Malaysia	Kelly Services
Agensi Pekerjaan BTI Consultants SDN. BHD. (a subsidiary of Eradekad SDN. BHD. and Kelly Services, Inc.)	Malaysia	BTI Consultants
Era Tenage Sdn. Bhd	Malaysia	Kelly Services
Agensi Pekerjaan Kerjaya Sukses Sdn. Bhd	Malaysia	Kelly Services
BTI Consultants (India) Private Limited (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	India	BTI Consultants
Kelly Services (India) Pvt. Ltd. (a subsidiary of BTI Consultants (India) Pvt. Ltd.)	India	Kelly Services
Kelly Services Holding (Thailand) Co. Ltd. (a subsidiary of Kelly Services, Inc., Kelly Properties, LLC, Kelly Services of Denmark, Inc., Kelly Services (New Zealand), Ltd., Kelly Services (Ireland), Ltd., Kelly Services (Australia), Ltd., and Chayamitra Capital Company Limited)	Thailand	Kelly Services
BTI Executive Placement (Thailand) Co. Ltd. (a subsidiary of Kelly Services Holding (Thailand) Co. Ltd., Denmark, Inc., Kelly Services (New Zealand), Ltd., Kelly Services (Ireland), Ltd., and Kelly Services (Australia), Ltd.)	Thailand	BTI Consultants
Kelly Services Staffing & Recruitment (Thailand) Co., Ltd. (a subsidiary of Kelly Services Holding (Thailand) Co. Ltd., Kelly Services, Inc., Kelly Properties, LLC, Kelly Services of Denmark, Inc., Kelly Services (New Zealand), Ltd., Kelly Services (Ireland), Ltd., and Kelly Services (Australia), Ltd.)	Thailand	Kelly Services
PT Kelly Services Indonesia Ltd. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Indonesia	BTI Consultants
Kelly Services Japan, Inc.	Japan	Kelly Services

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Investment and Consulting (Shanghai) Co., Ltd.	China	Kelly Investment and Consulting
Kelly Services Brasil Investimentos E Participacoes Ltda. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Brazil	Kelly Services
Kelly Services Brasil Investimentos E Participacoes II Ltda. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Brazil	Kelly Services
Tradição Planejamento e Tecnologia de Serviços S.A. (a subsidiary of Kelly Services Brazil Investimentos E Participacoes II Ltda. and Kelly Services Brasil Investimentos E Participacoes Ltda.)	Brazil	Tradição
Tradição Tecnologia e Servicos Ltda. (a subsidiary of Tradição Planejamento e Tecnologia de Serviços S.A. and Kelly Services Brasil Investimentos E Participacoes II Ltda.)	Brazil	Tradição

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 (Nos. 333-162215 and 333-140196) and Form S-8 (Nos. 333-114837, 333-125091 and 333-166798) of Kelly Services, Inc. of our report dated February 14, 2013 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

PricewaterhouseCoopers LLP
Detroit, Michigan
February 14, 2013

POWER OF ATTORNEY

Each of the undersigned directors of Kelly Services, Inc. does hereby appoint Patricia Little and Peter W. Quigley, 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 December 30, 2012, 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 14th day of February, 2013.

/s/ Terence E. Adderley
Terence E. Adderley

/s/ Carl T. Camden
Carl T. Camden

/s/ Carol M. Adderley
Carol M. Adderley

/s/ Jane E. Dutton
Jane E. Dutton

/s/ Maureen A. Fay, O.P.
Maureen A. Fay, O.P.

/s/ Terrence B. Larkin
Terrence B. Larkin

/s/ Conrad L. Mallett, Jr.
Conrad L. Mallett, Jr.

/s/ Leslie A. Murphy
Leslie A. Murphy

/s/ Donald R. Parfet
Donald R. Parfet

/s/ Toshio Saburi
Toshio Saburi

/s/ B. Joseph White
B. Joseph White

Exhibit 31.1

CERTIFICATIONS

I, Carl T. Camden, 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 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 14, 2013

/s/ Carl T. Camden
Carl T. Camden

President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Patricia Little, certify that:

1. I have reviewed this 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 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 14, 2013

/s/ Patricia Little
Patricia Little

Executive Vice President and
Chief Financial Officer

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 December 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Carl T. Camden, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 14, 2013

/s/ Carl T. Camden
Carl T. Camden

President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Kelly Services, Inc. and will be retained by Kelly Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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 December 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patricia Little, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 14, 2013

/s/ Patricia Little
Patricia Little

Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Kelly Services, Inc. and will be retained by Kelly Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.