MICHIGAN EC OMIC DEVELOPMENT CORPO ATION

MEMORANDUM

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DATE: August 19, 2008

TO: Michigan Economic Growth Authority

FROM: Val Hoag, Director
Portfolio Management & Packaging

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Portfolio Management & Packaging

SUBJECT: Briefing Memo – Kelly Services, Inc.
Standard Credit

COMPANY NAME:

Kelly Services, Inc.
999 West Big Beaver Road
Troy, Michigan 48084

HISTORY OF COMPANY:

Kelly Services was founded in Detroit in 1946 and has grown rapidly as more clients saw the value. Over the 62 year history, Kelly has only had three CEOs showing a very consistent leadership, which is very unique in the staffing industry. Management includes the most seasoned group of professionals in the staffing industry and embodies a breadth of experience and expertise across commercial, professional, and technical staffing as well as outsourcing and consulting services.

Since its inception, Kelly's range of solutions and geographic coverage has grown steadily to anticipate and meet the needs of its customers. Kelly is now the second largest staffing company in the United States and the fourth largest in the world. The company has a substantial presence in the Americas, Europe, and Asia-Pacific regions, and will continue a strategy of global growth.

The company currently employs 1,464 people in Michigan.

PROJECT DESCRIPTION:

Kelly Services provides a staffing solution to support customer call centers, called Kelly Connect. In response to current and forecasted workforce trends that companies and employees demand more flexible workforce choices, Kelly Connect is launching a staffing solution allowing call center staff to efficiently work from home. The solution allows Kelly Connect to employ call center workers who work from home to service its customers (i.e., the companies with call center needs). To support this significant new service offering, Kelly Services anticipates that 400 new jobs will be needed over the next five years to support Kelly Connect.

Additionally, Kelly Services is working to bring greater efficiency to its business and is considering expanding and centralizing the management and transactional functions of several business units to a single location. These business units are Kelly Educational Staffing, Kelly Scientific Resources and Central Operations and Businesses. Expanding and centralizing these business units would better align Kelly with best practices within the staffing industry and is forecast to create 172 new jobs over the next five years.

Kelly Services is proposing to combine these operations into one central location and has identified a facility in Troy that meets their needs. The combined project would account for 572 new jobs in Michigan, paying an average weekly wage of $705 and would include a capital investment of approximately $7.8 million, of which $4.3 is capitalized lease costs. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 815 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of $8.8 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Currently each business unit is considering locations outside of Michigan. Kelly Connect, the source of the largest number of new jobs, is strongly considering Utah as the most optimal location. The other business units would separately consider Florida, New Jersey, California and Pennsylvania as alternative locations. However, as part of an overall centralization of the operations of the business units, many of the jobs from these other units could potentially be located in Utah as well.

There are multiple factors that place Michigan at a competitive disadvantage when considering the location of this project. Kelly Connect is a global business unit and as such, language skills are of paramount importance. A Utah location for Kelly Connect would allow for access to a well-trained workforce with diverse language skills. Proximity to this workforce would reduce recruiting and training costs that Kelly would incur.

The other business units, absent the proposed centralization plan, would also consider locations that would place Michigan at a competitive disadvantage. Kelly Educational Staffing currently has large operations in Florida and the company has vacant space that could be occupied immediately at no additional cost. Kelly Scientific Resources currently has recruiters in five locations outside of Michigan. A location in California or Pennsylvania would provide greater access to its targeted talent pools and lower travel and recruiting costs. Central Operations and Businesses is a new model for more efficiently delivering services to Kelly's largest clients. Designed in cooperation with one of its largest clients, the model will be used with other large clients as contracts are signed or renewed. Michigan has a competitive disadvantage because the customer for which the model is first intended is headquartered in and has a large presence in New Jersey.

STATE AND OTHER LOCAL ASSISTANCE:

The City of Troy is supportive of this expansion and has indicated that they will offer the company a combination of services valued at $20,000. The company and community will work together to finalize the details of the support.

Oakland County is also in support of this project and is offering the company employee recruitment, screening and assessment services, and, provided that the company is eligible for them, $50,000 in Workforce Investment Act training funds.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 572 net new employees, provided that the company creates a minimum of 350 new jobs by the end of the fifth year (2013). Failure to create the minimum of 350 by the end of the fifth year will result in the forfeiture of the final two years of the MEGA tax credit.