

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2006

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-05707

GENERAL EMPLOYMENT ENTERPRISES, INC.
(Exact name of small business issuer as specified in its charter)

Illinois 36-6097429
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

One Tower Lane, Suite 2200, Oakbrook Terrace, Illinois 60181
(Address of principal executive offices)

(630) 954-0400
(Issuer's telephone number)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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

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

The number of shares outstanding of the issuer's common stock as of December 31, 2006 was 5,148,265.

Transitional small business disclosure format: Yes No

PART I - FINANCIAL INFORMATION

Item 1, Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET

	December 31 2006	September 30 2006
(In Thousands)		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$5,656	\$5,904
Accounts receivable, less allowances (Dec. 2006--\$273; Sept. 2006--\$280)	1,954	1,978

Other current assets	575	592
Total current assets	8,185	8,474
Property and equipment, net	916	801
Total assets	\$9,101	\$9,275

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Dividends payable	\$ 515	\$ --
Accrued compensation	1,422	1,791
Other current liabilities	520	632
Total current liabilities	2,457	2,423

Shareholders' equity:

Preferred stock, authorized -- 100 shares; issued and outstanding -- none	--	--
Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 5,148 shares	4,850	4,839
Retained earnings	1,794	2,013
Total shareholders' equity	6,644	6,852
Total liabilities and shareholders' equity	\$9,101	\$9,275

See notes to consolidated financial statements.

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GENERAL EMPLOYMENT ENTERPRISES, INC. CONSOLIDATED STATEMENT OF INCOME (Unaudited)

Three Months
Ended December 31

(In Thousands, Except Per Share) 2006 2005

Net revenues:

Contract services	\$2,200	\$2,638
Placement services	2,644	2,075

Net revenues	4,844	4,713
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Operating expenses:

Cost of contract services	1,476	1,856
Selling	1,604	1,270
General and administrative	1,551	1,502

Total operating expenses	4,631	4,628
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Income from operations	213	85
Investment income	83	43

Net income	\$ 296	\$ 128
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Average number of shares:

Basic	5,148	5,148
Diluted	5,334	5,369

Net income per share - basic and diluted	\$.06	\$.02
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Cash dividends declared per share	\$.10	\$ --
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See notes to consolidated financial statements.

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GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Three Months
Ended December 31

(In Thousands)	2006	2005
Operating activities:		
Net income	\$ 296	\$ 128
Depreciation and other noncurrent items	67	43
Accounts receivable	24	237
Accrued compensation and payroll taxes	(369)	(659)
Other current items, net	(95)	(147)
Net cash used by operating activities	(77)	(398)
Investing activities:		
Acquisition of property and equipment	(171)	(24)
Decrease in cash and cash equivalents	(248)	(422)
Cash and cash equivalents at beginning of period	5,904	5,236
Cash and cash equivalents at end of period	\$5,656	\$4,814

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. This financial information should be read in conjunction with the financial statements included in the Company's annual report on Form 10-KSB for the year ended September 30, 2006.

Income Taxes

There was no provision for income taxes in either year, because of the availability of operating losses carried forward from prior years.

Shareholders' Equity

During the quarter ended December 31, 2006, the board of directors declared a cash dividend in the amount of \$.10 per common share, payable in January 2007. Changes in shareholders' equity for the three months ended December 31, 2006 and 2005 were as follows:

(In Thousands)	2006	2005
Common stock:		
Balance at beginning of period	\$4,839	\$4,839
Stock option expense	11	--
Balance at end of period	\$4,850	\$4,839
Retained earnings:		
Balance at beginning of period	\$2,013	\$1,011
Net income	296	128
Dividends declared	(515)	--

Balance at end of period \$1,794 \$1,139

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

Overview

The Company provides contract and placement staffing services for business and industry, specializing in the placement of information technology, engineering and accounting professionals. As of December 31, 2006, the Company operated 20 offices located in 10 states.

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The Company's business is highly dependent on national employment trends in general and on the demand for professional staff in particular. As an indicator of employment conditions, the national unemployment rate was 4.5% in December 2006 and 4.9% in December 2005. The change indicates a trend toward fuller employment over the last twelve months.

During the three months ended December 31, 2006, the Company experienced stronger demand for its placement services, compared with the same period of the prior year. Because of the stronger demand, and because placement services have a higher profit margin than contract services, the Company focused its marketing efforts on the placement business this year. As a result, the Company achieved increases in both the number of placements and the average placement fee, while the number of billable contract hours declined.

Consolidated net revenues for the three months ended December 31, 2006 increased 3% compared with the prior year. Placement service revenues were up 27%, while contract service revenues were down 17%. Due to the growth in placement service revenues, income from operations rose 151% from the same period last year.

The Company had net cash outflow of \$248,000 for the three-month period, due to seasonal working capital requirements, and the balance of cash and cash equivalents decreased to \$5,656,000 as of December 31, 2006.

Because long-term contracts are not a significant part of the Company's business, future results cannot be reliably predicted by considering past trends or by extrapolating past results. While it is difficult to accurately predict future hiring patterns or the demand for staffing services, management believes that the Company is well positioned for growth of its operations. Existing branch offices have the capacity to accommodate additional consulting staff and a higher volume of business.

Results of Operations

A summary of operating data, expressed as a percentage of consolidated net revenues, is presented below.

	Three Months Ended December 31	
	2006	2005
Net revenues:		
Contract services	45.4%	56.0%
Placement services	54.6	44.0
Net revenues	100.0	100.0
Operating expenses:		
Cost of contract services	30.5	39.4
Selling	33.1	26.9

General and administrative	32.0	31.9
Total operating expenses	95.6	98.2
Income from operations	4.4%	1.8%

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Net Revenues

Consolidated net revenues for the three months ended December 31, 2006 were up \$131,000 (3%) from the prior year. Placement service revenues increased \$569,000 (27%), while contract service revenues decreased \$438,000 (17%).

National employment levels during the first three months of this year were higher than for the same period last year, and the Company experienced stronger demand for its placement services. As a result, the number of placements grew by 10% and the average placement fee was up 17% over the same period last year.

Because of a shift in the Company's marketing focus toward the placement business, the contract service business declined. The decrease in contract service revenues reflects a 20% decrease in the number of billable hours, which was partially offset by a 2% increase in the average hourly billing rate.

Operating Expenses

Total operating expenses for the three months ended December 31, 2006 were up \$3,000 compared with the prior year.

The cost of contract services was down \$380,000 (20%) as a result of the lower volume of contract business. The gross profit margin on contract business was 32.9% for the three months ended December 31, 2006, which was 3.3 points higher than 29.6% for the prior year. There are no direct costs associated with placement service revenues.

Selling expenses increased \$334,000 (26%) for the period. Commission expense was up 26% and recruitment advertising expense was up 42% because of the higher volume of placement business. Selling expenses represented 33.1% of consolidated net revenues, which was up 6.2 points from the prior year because of the change in revenue mix.

General and administrative expenses increased \$49,000 (3%) for the three months ended December 31, 2006. The change was primarily due to a 14% increase in administrative compensation, while all other expense categories together were down 1%. General and administrative expenses represented 32.0% of consolidated revenues, about the same as the prior year.

There was no provision for income taxes in either year, because of the availability of operating losses carried forward from prior years.

Financial Condition

As of December 31, 2006, the Company had cash and cash equivalents of \$5,656,000, which was a decrease of \$248,000 from September 30, 2006. Net working capital at December 31, 2006 was \$5,728,000, which was a decrease of \$323,000 from September 30, 2006, and the current ratio was 3.3 to 1. The Company had no long-term debt. Shareholders' equity as of December 31, 2006 was \$6,644,000, which represented 73% of total assets.

During the three months ended December 31, 2006, the net cash used by operating activities was \$77,000. Net income for the period, together with depreciation and other non-cash charges, provided \$363,000. A seasonal reduction of payroll liabilities required the use of \$369,000, while all other working capital items used \$71,000.

Expenditures for the acquisition of property and equipment were \$171,000 for the three months ended December 31, 2006. The major expenditures were for

computer equipment and software purchased in connection with a program to upgrade the Company's computer systems.

All of the Company's office facilities are leased. Information about future minimum lease payments and other commitments is presented in the notes to consolidated financial statements on Form 10-KSB for the fiscal year ended September 30, 2006.

The Company's primary source of liquidity is from its operating activities. The Company's philosophy regarding the maintenance of cash balances reflects management's views on potential future needs for liquidity. Management believes that funds generated by operations, together with existing cash balances, will be adequate to finance current operations and capital expenditures for the foreseeable future.

Off-Balance Sheet Arrangements

As of December 31, 2006, and during the three months then ended, there were no transactions, agreements or other contractual arrangements to which an unconsolidated entity was a party, under which the Company (a) had any direct or contingent obligation under a guarantee contract, derivative instrument or variable interest in the unconsolidated entity, or (b) had a retained or contingent interest in assets transferred to the unconsolidated entity.

Forward-Looking Statements

As a matter of policy, the Company does not provide forecasts of future financial performance. However, the Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in press announcements, reports to shareholders and filings with the Securities and Exchange Commission. All statements which address expectations about future operating performance and cash flows, future events and business developments, and future economic conditions are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's then-current expectations and assumptions. Actual outcomes could differ significantly. The Company and its representatives do not assume any obligation to provide updated information.

Some of the factors that could affect the Company's future performance include, but are not limited to, general business conditions, the demand for the Company's services, competitive market pressures, the ability of the Company to attract and retain qualified personnel for regular full-time placement and contract assignments, the possibility of incurring liability for the Company's business activities, including the activities of its contract employees and events affecting its contract employees on client premises, and the ability to attract and retain qualified corporate and branch management.

Item 3, Controls and Procedures.

As of December 31, 2006, the Company's management evaluated, with the participation of its principal executive officer and its principal financial officer, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, the Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were adequate

as of December 31, 2006 to ensure that information required to be disclosed in reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the

Securities and Exchange Commission's rules and forms.

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6, Exhibits.

The following exhibits are filed as a part of Part I of this report:

No. Description of Exhibit

10.01 Chief Executive Officer Bonus Plan Amendment 1, effective for fiscal years beginning on or after October 1, 2006.

31.01 Certification of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.

31.02 Certification of the principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.

32.01 Certifications required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GENERAL EMPLOYMENT ENTERPRISES, INC.
(Registrant)

Date: February 5, 2007 By: /s/ Kent M. Yauch
Kent M. Yauch
Vice President, Chief Financial Officer
and Treasurer (Principal financial and
accounting officer and duly authorized
officer)

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GENERAL EMPLOYMENT ENTERPRISES, INC.
CHIEF EXECUTIVE OFFICER BONUS PLAN
AMENDMENT 1

The Chief Executive Officer Bonus Plan, adopted by the Company's Board of Directors on September 24, 2001, is amended for fiscal years beginning on or after October 1, 2006, as follows:

The following paragraph is removed:

For purposes of these calculations, the pre-bonus income of the Company means the consolidated, fiscal year income before deduction of income taxes and before deduction of the CEO bonus itself. Improvement means the amount of increase in pre-bonus income for the bonus year compared with the immediately preceding year. In calculating the bonus rates, pre-bonus losses and negative improvement amounts shall be treated as "zero."

The following is added in its place:

For purposes of these calculations, consolidated pre-bonus income means the consolidated, fiscal year income of the Company before deduction of income taxes and before deduction of the CEO bonus itself, less an annual threshold amount. The Compensation and Stock Option Committee of the Company's Board of Directors (the "Committee") shall establish the annual threshold amount at the beginning of the bonus year. If the consolidated pre-bonus income for the bonus year is less than zero, it shall be treated as "zero" for that bonus year.

For purposes of calculating the income improvement bonus rate, improvement means the amount of increase in consolidated pre-bonus income for the bonus year compared with the consolidated pre-bonus income for the immediately preceding bonus year. If the consolidated pre-bonus income for either bonus year is less than zero, consolidated pre-bonus income shall be treated as "zero" for that bonus year. A decrease in consolidated pre-bonus income shall be treated as "zero improvement" for that bonus year.

For purposes of calculating the income improvement bonus rate for the first year that this Amendment 1 is effective, the consolidated pre-bonus income for the preceding year shall be calculated on a pro forma basis using the first year's threshold amount.

The Company intends that the payment will be made within 2 1/2 months of the close of the Company's fiscal year, but in no event later than the subsequent calendar year. In the event that payments are not made within 2 1/2 months of the close of the Company's fiscal year, it is the Company's intent that this Plan be construed in a manner consistent with Section 409A of the Internal Revenue Code of 1986, as amended.

The Company's Chief Financial Officer shall perform the annual bonus calculations under this plan. The Chairman of the Committee shall advise the Chief Executive Officer in writing of the terms of the plan, including the annual threshold amount, at the beginning of the bonus year, shall approve the annual bonus calculations, and shall provide the Chief Executive Officer with a written statement documenting the annual bonus calculations at the end of the bonus year. The Committee shall have the authority to interpret the plan and to resolve disputes.

CERTIFICATION

I, Herbert F. Imhoff, Jr., certify that:

1. I have reviewed this Form 10-QSB quarterly report for the period ended December 31, 2006 of General Employment Enterprises, 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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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
 - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: February 5, 2007 /s/ Herbert F. Imhoff, Jr.
Herbert F. Imhoff, Jr.
Chairman of the Board, Chief
Executive Officer, and President

(Principal executive officer)

CERTIFICATION

I, Kent M. Yauch, certify that:

1. I have reviewed this Form 10-QSB quarterly report for the period ended December 31, 2006 of General Employment Enterprises, 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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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
 - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: February 5, 2007 /s/ Kent M. Yauch
Kent M. Yauch
Vice President, Chief Financial
Officer and Treasurer

(Principal financial officer)

CERTIFICATIONS PURSUANT TO SECTION 1350
OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

In connection with the Quarterly Report of General Employment Enterprises, Inc. (the "Company") on Form 10-QSB for the quarter ended December 31, 2006 filed with the Securities and Exchange Commission (the "Report"), each of the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (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 the operations of the Company.

Date: February 5, 2007 By: /s/ Herbert F. Imhoff, Jr.
Herbert F. Imhoff, Jr.
Chairman of the Board, Chief
Executive Officer and President
(Chief executive officer)

Date: February 5, 2007 By: /s/ Kent M. Yauch
Kent M. Yauch
Vice President, Chief Financial
Officer and Treasurer
(Chief financial officer)