UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 1998

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: 1-5707

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

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

One Tower Lane, Suite 2100, Oakbrook Terrace, Illinois 60181
(Address of principal executive offices)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 X No __

As of July 31, 1998, there were 4,021,859 shares of common stock outstanding.

PART I. FINANCIAL INFORMATION

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

(In Thousands)	June 30 1998	September 30 1997
ASSETS		
Current assets:		
Cash and short-term investments	$ 9,395	$ 7,747
Accounts receivable, less allowances		
(Jun. 1998 --$539; Sept. 1997--$466)	4,018	3,412
Total current assets	13,413	11,159
Property and equipment:		
Furniture, fixtures and equipment	3,062	2,911
Accumulated depreciation	(2,361)	(2,325)
Net property and equipment	701	586

Other assets	713	578
Total assets	$14,827	$12,323
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued compensation and payroll taxes	$ 4,408	$ 3,939
Other current liabilities	461	802
Total current liabilities	4,869	4,741
Long-term obligations	454	433
Shareholders' equity:		
Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 4,022 shares in June 1998 and 3,987 shares in September 1997	40	40
Capital in excess of stated value of shares	4,581	4,280
Retained earnings	4,883	2,829
Total shareholders' equity	9,504	7,149
Total liabilities and shareholders' equity	$14,827	$12,323

See notes to condensed consolidated financial statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
(In Thousands, Except Per Share)	1998	1997	1998	1997
Net revenues:				
Placement services	$6,228	$5,259	$18,924	$14,652
Contract services	2,908	2,213	8,531	6,050
Net revenues	9,136	7,472	27,455	20,702
Cost of services	6,906	5,496	20,397	14,980
General and administrative expenses	1,182	1,012	3,618	3,054
Income from operations	1,048	964	3,440	2,668
Interest income	112	70	310	195
Income before income taxes	1,160	1,034	3,750	2,863
Provision for income taxes	460	415	1,495	1,145
Net income	$ 700	$ 619	$ 2,255	$ 1,718
Net income per common share	$ .17	$ .16	$ .56	$ .43
Diluted net income per share	$ .17	$ .15	$ .54	$ .43
Average number of shares used in per share calculations:				
Net income per common share	4,022	3,977	4,015	3,977
Diluted net income per share	4,175	4,029	4,202	4,018

See notes to condensed consolidated financial statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Nine Months Ended June 30	
(In Thousands)	1998	1997
Operating activities:		
Net income	$2,255	$1,718
Noncash costs and expenses	197	155
Changes in current assets and current liabilities -		
Accounts receivable	(606)	(727)
Accrued compensation and payroll taxes	469	(93)

Other current liabilities	(341)	(250)
Net cash provided by operating activities	1,974	803
Investing activities:		
Short-term investments	(2,401)	(3,080)
Other investing activities	(426)	(342)
Net cash used by investing activities	(2,827)	(3,422)
Financing activities:		
Exercises of stock options	301	--
Cash dividend declared	(201)	(159)
Net cash provided (used) by financing activities	100	(159)
Decrease in cash and cash equivalents	(753)	(2,778)
Cash and cash equivalents at beginning of period	3,188	5,564
Cash and cash equivalents at end of period	2,435	2,786
Short-term investments at end of period	6,960	3,580
Cash and short-term investments	$9,395	$6,366

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Interim Financial Statements

The accompanying unaudited condensed 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, 1997.

Net Income Per Share

Beginning in calendar year 1998, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share." Under the new pronouncement, companies are required to report basic and diluted earnings per share. The Company's net income per common share is based on the average number of common shares outstanding. Diluted net income per share is based on the average number of common shares and dilutive stock option shares outstanding. All per share amounts have been restated to conform with the new pronouncement.

Common Stock

The Company declared a 3-for-2 stock split effective on October 31, 1997. All per share amounts have been restated.

The Company declared special cash dividends of $.05 per common share on November 17, 1997 and $ .04 per share on November 18, 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company provides placement and contract staffing services for business and industry, specializing in the placement of professional information technology, engineering and accounting personnel. For the year ended September 30, 1997, the Company derived 70% of its revenues from placement services and 30% of its revenues from contract services. As of June 30, 1998, the Company operated 43 offices located in major metropolitan and business centers in 15 states.

The demand for the Company's services has been strong in recent years. For the three fiscal years ended September 30, 1997, the Company's average annual rate of revenue growth was 27%. Management believes that this growth is attributable to three factors. First, the Company specializes in the fast-growing information technology field. Second, the Company's services fill a growing need in the workplace for contract staffing. And third, the Company offers its clients the alternative of either temporary or full-time staffing assistance.

The Company's business is affected by the U.S. economy and national hiring levels. The last two years were characterized by relatively low, but stable, economic growth and historically low levels of unemployment. These economic conditions have contributed to the strong demand for the Company's services.

To accommodate the demand for its services, the Company opened six new branch offices during fiscal 1996, nine new branch offices during fiscal 1997 and an additional five new branch offices during the first nine months of fiscal 1998. Generally, the Company has entered into short-term leases for new locations, initially using shared office facilities whenever possible; this approach minimizes costs during the start-up period.

Third Quarter Results of Operations

For the three months ended June 30, 1998, consolidated revenues were $9,136,000, up $1,664,000 (22%) from last year's $7,472,000. Placement service revenues increased $969,000 (18%), primarily due to a 13% higher average placement fee. Contract service revenues increased $695,000 (31%), due to a 17% increase in billable hours and a 10% increase in the average hourly billing rate.

The consolidated cost of services for the three months ended June 30, 1998 was $6,906,000, up $1,410,000 (26%) from $5,496,000 last year. Compensation expense for branch office personnel increased 23% due to the combined effects of higher commissions associated with the higher placement service revenues, together with higher salaries and wages associated with the increased number of branch offices. The payroll for contract service workers increased 30% as a result of the higher volume of contract business this year. Payroll taxes and employee benefits were 22% higher for the quarter, due to higher payrolls. Occupancy costs increased 29% and recruitment advertising expenses increased 24% as a result of opening new branch offices. The cost of services as a percent of service revenues increased 2.0 points, from 73.6% last year to 75.6% this year.

General and administrative expenses for the three months ended June 30, 1998 were $1,182,000, which was a $170,000 (17%) increase from $1,012,000 last year. Administrative compensation increased 24% and all other general and administrative expenses increased 8% for the quarter.

Income from operations was $1,048,000 for the three months ended June 30, 1998, which was an $84,000 (9%) increase from $964,000 last year. The operating profit margin was 11.5% this year, compared with 12.9% last year.

Interest income this year was $112,000, compared with $70,000 last year. The $42,000 (60%) increase was due to higher investable funds.

Pretax income was $1,160,000 for the 1998 period, a $126,000 (12%) increase from $1,034,000 last year. The effective income tax rate was 40% in both periods.

After taxes, net income was $700,000 for the three months ended June 30, 1998, an $81,000 (13%) improvement compared with net income of $619,000 for the same period last year. Diluted net income per share was $ .17 this year, compared with $ .15 last year.

Nine Months Results of Operations

For the nine months ended June 30, 1998, consolidated revenues were $27,455,000, up $6,753,000 (33%) from last year's $20,702,000. Placement service revenues increased $4,272,000 (29%), on 7% more placements and a 20% higher average placement fee. Contract service revenues increased $2,481,000 (41%), due to a 34% increase in billable hours and a 4% increase in the average hourly billing rate.

The consolidated cost of services for the nine months ended June 30, 1998 was $20,397,000, up $5,417,000 (36%) from $14,980,000 last year. Compensation expense for branch office personnel increased 37% due to the combined effects of higher commissions associated with the higher placement service revenues, together with higher salaries and wages associated with the increased number of branch offices. The payroll for contract service workers increased 39% as a result of the higher volume of contract business this year. Payroll taxes and employee benefits were 29% higher for the nine month period, due to higher payrolls. Occupancy costs increased 27% and recruitment advertising expenses increased 27% as a result of opening new branch offices. The cost of services as a percent of service revenues increased 1.9 points, from 72.4% last year to 74.3% this year.

General and administrative expenses for the nine months ended June 30, 1998 were $3,618,000, which was a $564,000 (18%) increase from $3,054,000 last year. Administrative compensation increased 23% and all other general and administrative expenses increased 11% for the period.

Income from operations was $3,440,000 for the nine months ended June 30, 1998, which was a $772,000 (29%) increase from $2,668,000 last year. The operating profit margin was 12.5% this year, compared with 12.9% last year.

Interest income this year was $310,000, compared with $195,000 last year. The $115,000 (59%) increase was due to higher investable funds.

Pretax income was $3,750,000 for the 1998 period, an $887,000 (31%) increase from $2,863,000 last year. The effective income tax rate was 40% in both periods.

After taxes, net income was $2,255,000 for the nine months ended June 30, 1998, a $537,000 (31%) improvement compared with net income of $1,718,000 for the same period last year. Diluted net income per share was $.54 this year, compared with $ .43 last year.

Financial Condition

During the nine months ended June 30, 1998, the Company's cash and short-term investments increased by $1,648,000 to a balance of $9,395,000. Net income for the period provided $2,255,000. However, $606,000 was used for an increase in accounts receivable. Other operating items provided $325,000, so that the net cash provided by operating activities was $1,974,000. During the period, $426,000 was used by other investing activities,

$201,000 was used by the declaration of a cash dividend, and $301,000 was provided by exercises of stock options.

The Company's net working capital was $8,544,000 as of June 30, 1998, compared with $6,418,000 at September 30, 1997, and shareholders' equity was $9,504,000 at June 30, 1998, compared with $7,149,000 last September.

As of June 30, 1998, the Company had no commitments for the acquisition of property and equipment. All of its facilities are leased, and information about future minimum lease payments is presented in the notes to consolidated financial statements contained in the Company's annual report on Form 10-KSB for the year ended September 30, 1997.

As of June 30, the Company had no debt outstanding, and it had a $1,000,000 line of credit available for working capital purposes.

Forward Looking Information

The Company's business, particularly placement services, can be volatile and may fluctuate from quarter to quarter. Operating results for interim periods are not necessarily indicative of results that may be expected for the entire year.

Management is optimistic about the Company's growth prospects for the future. The Company has announced plans to open a total of 12 new branch offices during fiscal 1998 and an additional 16 branch offices during fiscal 1999. Management believes that existing financial resources are adequate to meet these needs.

This forward looking information is based on management's current expectations and is subject to risks and uncertainties. Actual results could differ significantly. 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, and the ability of the Company to attract and retain qualified personnel for regular full-time placement and contract project assignments. The Company's internal expansion growth plan for opening new branch offices is contingent upon the Company's ability to identify, hire and train candidates for new branch management assignments.

PART II - OTHER INFORMATION

Item 6 Exhibits and Reports on Form 8-K

The following exhibit is filed as part of this report:

No. Description of Exhibit

27 Financial Data Schedule for the nine months ended June 30, 1998.

There were no reports on Form 8-K filed during the quarter.

SIGNATURES

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

GENERAL EMPLOYMENT ENTERPRISES, INC.

(Registrant)

Date: August 5, 1998 By: /s/ Herbert F. Imhoff
Herbert F. Imhoff
Chairman of the Board
and Chief Executive Officer

Date: August 5, 1998 By: /s/ Kent M. Yauch
Kent M. Yauch
Chief Financial Officer
and Treasurer

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