

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, 2007

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 (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  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, 2007 was 5,165,265.

Transitional small business disclosure format: Yes  No

PART I - FINANCIAL INFORMATION

Item 1, Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.  
CONSOLIDATED BALANCE SHEET

	December 31 2007	September 30 2007
(In Thousands)		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$5,759	\$6,344
Accounts receivable, less allowances (Dec. 2007--\$207; Sept. 2007--\$248)	1,563	1,915
Other current assets	219	252
Total current assets	7,541	8,511
Property and equipment, net	914	929
Other assets	446	436
Total assets	\$8,901	\$9,876

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Dividends payable	\$ 517	\$ --
Accrued compensation	956	1,602
Other current liabilities	376	514

Total current liabilities 1,849 2,116

Other liabilities 446 436

Shareholders' equity:

Preferred stock, authorized -- 100 shares; issued and outstanding -- none	--	--
Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 5,165 shares in December 2007 and 5,153 shares in September 2007	4,938	4,912
Retained earnings	1,668	2,412

Total shareholders' equity 6,606 7,324

Total liabilities and shareholders' equity \$8,901 \$9,876

See notes to consolidated financial statements.

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GENERAL EMPLOYMENT ENTERPRISES, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)  
Three Months  
Ended December 31

(In Thousands, Except Per Share) 2007 2006

Net revenues:

Contract services	\$1,802	\$2,200
Placement services	2,162	2,644

Net revenues 3,964 4,844

Operating expenses:

Cost of contract services	1,235	1,476
Selling	1,375	1,604
General and administrative	1,631	1,551

Total operating expenses 4,241 4,631

Income (loss) from operations (277) 213

Investment income 50 83

Net income (loss) \$ (227) \$ 296

Average number of shares:

Basic	5,159	5,148
Diluted	5,159	5,334

Net income (loss) per share -  
basic and diluted \$ (.04) \$ .06

Cash dividends declared per share \$ .10 \$ .10

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) 2007 2006

Operating activities:

Net income (loss)	\$ (227)	\$ 296
Depreciation and other noncurrent items	80	67
Accounts receivable	352	24
Accrued compensation	(646)	(369)
Other current items, net	(105)	(95)
Net cash used by operating activities	(546)	(77)
Investing activities:		
Acquisition of property and equipment	(49)	(171)
Financing activities:		
Exercises of stock options	10	--
Decrease in cash and cash equivalents	(585)	(248)
Cash and cash equivalents at beginning of period	6,344	5,904
Cash and cash equivalents at end of period	\$5,759	\$5,656

See notes to consolidated financial statements.

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

Three Months  
Ended December 31

(In Thousands)	2007	2006
Common shares outstanding:		
Number at beginning of period	5,153	5,148
Exercises of stock options	12	--
Number at end of period	5,165	5,148
Common stock:		
Balance at beginning of period	\$4,912	\$4,839
Stock compensation expense	16	11
Exercises of stock options	10	--
Balance at end of period	\$4,938	\$4,850
Retained earnings:		
Balance at beginning of period	\$2,412	\$2,013
Net income (loss)	(227)	296
Cash dividends declared	(517)	(515)
Balance at end of period	\$1,668	\$1,794

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Basis of Presentation

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and the rules of the United States Securities and Exchange Commission. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. Interim results are not necessarily indicative of results for a full year. These financial statements 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, 2007.

## Recent Accounting Pronouncements

The Company adopted the requirements of Financial Accounting Standards Board Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," as of October 1, 2007. The interpretation specifies how a position taken on a tax return is to be measured, recognized and disclosed in the financial statements. The adoption of it did not have a material effect on the Company's financial statements.

## Income Taxes

There was no credit for income taxes as a result of the pretax losses in the 2007 period, because there was not sufficient assurance that a future tax benefit would be realized. There was no provision for income taxes in the 2006 period, because of the availability of operating losses carried forward from prior years.

## Purchase Commitments

As of December 31, 2007, the Company had contractual obligations to purchase approximately \$1,390,000 of recruitment advertising through December 31, 2009.

## 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, 2007, the Company operated 20 offices located in 9 states.

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 5.0% in December 2007 and 4.4% in December 2006. The change indicates a trend toward a lower level of employment in the United States during the last twelve months.

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During the three months ended December 31, 2007, the U.S. economy experienced a period of uncertainty stemming from problems in the housing and credit markets, and the rate of growth in national payroll employment slowed. Management believes that employers became cautious about hiring during the period. As a result, the Company experienced declines in both the number of placements and the number of billable contract hours.

Consolidated net revenues for the three months ended December 31, 2007 decreased 18% compared with the prior year. Placement service revenues were down 18%, and contract service revenues were down 18%. The effects of lower consolidated net revenues resulted in a \$277,000 loss from operations this year, compared with \$213,000 of income from operations last year.

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.

### Results of Operations

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

	2007	2006
Net revenues:		
Contract services	45.5%	45.4%
Placement services	54.5	54.6
Net revenues	100.0	100.0
Operating expenses:		
Cost of contract services	31.2	30.5
Selling	34.7	33.1
General and administrative	41.1	32.0
Total operating expenses	107.0	95.6
Income (loss) from operations	(7.0)%	4.4%

#### Net Revenues

Consolidated net revenues for the three months ended December 31, 2007 were down \$880,000 (18%) from the prior year. Placement service revenues decreased \$482,000 (18%), and contract service revenues decreased \$398,000 (18%).

As a result of the weaker economic conditions that prevailed during the 2007 quarter, the Company experienced less demand for its services. The decline in consolidated net revenues was the result of 19% fewer placements and an 18% decrease in the number of billable contract hours.

#### Operating Expenses

Total operating expenses for the three months ended December 31, 2007 were down \$390,000 (8%) compared with the prior year.

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The cost of contract services was down \$241,000 (16%) as a result of the lower volume of contract business. The gross profit margin on contract business was 31.5% for the three months ended December 31, 2007, which was 1.4 points lower than 32.9% for the prior year. There are no direct costs associated with placement service revenues.

Selling expenses decreased \$229,000 (14%) for the period. Commission expense was down 19% because of the lower volume of placement business, while other selling expenses remained about the same as last year. Selling expenses represented 34.7% of consolidated net revenues, which was up 1.6 points from the prior year.

General and administrative expenses increased \$80,000 (5%) for the three months ended December 31, 2007. The change was primarily due to a 13% increase in compensation costs in the operating divisions, which resulted from an increase in the number of employment consultants. All other general and administrative expenses together increased 2%. As a result, general and administrative expenses represented 41.1% of consolidated net revenues, which was up 9.1 points from the prior year.

#### Other

Investment income for the three months ended December 31, 2007 was down \$33,000 (40%), primarily due to a lower average rate of return on investments.

There was no credit for income taxes as a result of the pretax losses in the 2007 period, because there was not sufficient assurance that a future tax benefit would be realized. There was no provision for income taxes in the 2006 period, because of the availability of operating losses carried forward from prior years.

#### Financial Condition

As of December 31, 2007, the Company had cash and cash equivalents of \$5,759,000, which was a decrease of \$585,000 from September 30, 2007. Net working capital at December 31, 2007 was \$5,692,000, which was a decrease of \$703,000 from September 30, 2007, and the current ratio was 4.1 to 1.

Shareholders' equity as of December 31, 2007 was \$6,606,000, which represented 74% of total assets.

During the three months ended December 31, 2007, the net cash used by operating activities was \$546,000. The net loss for the period, adjusted for depreciation and other non-cash charges, used \$147,000. A seasonal reduction of payroll liabilities required the use of \$646,000, while all other working capital items provided \$247,000.

In November 2007, the Company's board of directors declared a cash dividend in the amount of \$.10 per common share, which resulted in a total payment of \$517,000 in January 2008.

All of the Company's office facilities are leased. Information about future minimum lease payments is presented in the notes to consolidated financial statements on Form 10-KSB for the fiscal year ended September 30, 2007. Information about purchase commitments is contained in the notes to consolidated financial statements in this quarterly report on Form 10-QSB.

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

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believes that funds generated by operations, together with existing cash balances, will be adequate to finance current operations for the foreseeable future.

#### Off-Balance Sheet Arrangements

As of December 31, 2007, 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, 2007, 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, 2007 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.

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## 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

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 4, 2008 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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CERTIFICATION

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

1. I have reviewed this Form 10-QSB quarterly report for the period ended December 31, 2007 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 4, 2008                      /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, 2007 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 4, 2008                      /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, 2007 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 4, 2008                      By: /s/ Herbert F. Imhoff, Jr.  
Herbert F. Imhoff, Jr.  
Chairman of the Board, Chief  
Executive Officer and President  
(Chief executive officer)

Date: February 4, 2008                      By: /s/ Kent M. Yauch  
Kent M. Yauch  
Vice President, Chief Financial  
Officer and Treasurer  
(Chief financial officer)