

UNITED STATES
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 June 30, 1996

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 (I.R.S. Employer
incorporation or organization) Identification Number)

One Tower Lane, 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

As of July 31, 1996, there were 2,294,872 shares of common
stock outstanding.

PART I. FINANCIAL INFORMATION

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET

June 30 September 30
1996 1995

(Dollars in Thousands)

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$ 4,667	\$ 3,225
Accounts receivable, less allowances (Jun. 1996--\$373; Sept. 1995--\$290)	2,818	1,803
Other current assets	45	57
Total current assets	7,530	5,085

Property and equipment:

Property and equipment, at cost	2,558	2,473
Accumulated depreciation and amortization	(2,198)	(2,141)
Net property and equipment	360	332

Other assets	365	408
Total assets	\$ 8,255	\$ 5,825

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accrued compensation and payroll taxes	\$ 3,123	\$ 2,169
Other current liabilities	586	670
Total current liabilities	3,709	2,839

Long-term obligations	364	443
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Shareholders' equity:

Common stock, no-par value; authorized -- 20,000,000 shares; issued and outstanding -- 2,294,872 shares in June 1996 and 2,195,985 shares in September 1995	23	22
Capital in excess of stated value of shares	4,145	3,494
Retained earnings (accumulated deficit)	14	(973)
Total shareholders' equity	4,182	2,543

Total liabilities and shareholders' equity \$ 8,255 \$ 5,825

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	1996	1995
(In Thousands, Except Per Share)	1996	1995	1996	1995

Net revenues:

Permanent placement services	\$ 4,225	\$ 3,025	\$ 11,791	\$ 8,464
Contract services	1,829	1,437	5,064	3,709
Net revenues	6,054	4,462	16,855	12,173

Costs and expenses:

Cost of services	4,431	3,337	12,182	9,340
General and administrative	996	724	2,866	2,037

Income before income taxes	627	401	1,807	796
Provision for income taxes	245	75	710	95

Net income \$ 382 \$ 326 \$ 1,097 \$ 701

Net income per share \$.17 \$.15 \$.49 \$.31
Cash dividends per share -- -- .05 --

Average number of shares 2,275 2,237 2,243 2,229

See notes to condensed consolidated financial statements.

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

	Nine Months Ended June 30	1996	1995
(In Thousands)	1996	1995	

Operating activities:

Net income	\$1,097	\$ 701
Noncash costs and expenses	76	(91)
Changes in current assets and current liabilities -		
Accounts receivable	(1,015)	(398)
Accrued compensation and payroll taxes	954	294
Other, net	(72)	(15)
Net cash provided by operating activities	1,040	491

Net cash used by investing activities (140) (124)

Financing activities:			
Cash dividends declared	(110)	--	
Exercises of stock options	652	188	
Net cash provided by financing activities	542	188	
Increase in cash and cash equivalents	1,442	555	
Cash and cash equivalents at beginning of period	3,225	1,843	
Cash and cash equivalents at end of period	\$4,667	\$2,398	
Supplementary information:			
Income tax payments	\$ 374	\$ 30	
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, 1995. Operating results for interim periods are not necessarily indicative of the results that may be expected for the entire year.

Lease Obligations

Effective February 1, 1996, the Company entered into a new, 10-year lease agreement covering its corporate headquarters office space. The previous lease was scheduled to expire in November 1997. As a result, the Company wrote off a deferred rent liability associated with the previous lease and recorded a \$144,000 credit to rent expense during the second quarter of fiscal 1996.

Although the new lease results in about the same amount of annual rent expense as under the previous lease, the new lease results in improved cash flow of approximately \$120,000 per year.

Income Taxes

The effective income tax rates for the 1995 fiscal periods differ from the "expected" rates because of reversals of a previously-recorded deferred income tax valuation allowance.

Net Income Per Share

The number of shares and per-share amounts for the 1995 fiscal periods have been adjusted to reflect a 15% stock dividend paid on November 3, 1995.

Common Stock

On February 26, 1996, the Company's shareholders approved an amendment to the Articles of Incorporation to increase the number of authorized common shares from 5,000,000 to 20,000,000.

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

Corporate Strategies and Economic Factors

The Company provides permanent placement and contract temporary staffing services for business and industry, specializing in the placement of information technology, engineering, technical and accounting personnel. For the nine months ended June 30, 1996, the Company derived 70% of its revenues from permanent placements and 30% of its revenues from contract services. As of June 30, 1996, the Company operated 29 offices located in major metropolitan and business centers in 12 states.

The demand for the Company's services has been strong in recent years. For the three fiscal years ended September 30, 1995, the Company's annual rate of revenue growth was 56% for contract services and 10% for permanent placement services. Management believes that this growth is attributable to three factors.

First, it specializes in the fast-growing information technology field. Second, it fills a growing need in the workplace for temporary help. And third, the Company offers its clients the alternative of either temporary or full-time staffing assistance.

The Company's business is also 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 growing demand for the Company's services.

Management expects that this growth trend will continue and that contract services will become the greater portion of the Company's overall business in the future. To accommodate this growth, the Company opened six new employment offices during the first nine months of fiscal 1996. Generally, the Company enters into short-term leases for new locations, initially using shared office facilities whenever possible; this approach minimizes costs during the start-up period.

Results of Operations

For the nine months ended June 30, 1996, consolidated revenues were \$16,855,000, up \$4,682,000 (38%) from last year's \$12,173,000. Permanent placement revenues increased \$3,327,000 (39%), on 18% more placements and a 16% higher average placement fee. Contract service revenues increased \$1,355,000 (37%), due to a 24% increase in billable hours and a 6% higher average hourly billing rate.

The consolidated cost of services for the nine months ended June 30, 1996 was \$12,182,000, up \$2,842,000 (30%) from 1995. Agency manager and consultant compensation increased 37%, and wages of contract service workers increased 29%, as a result of the higher volume of business this year. Payroll taxes and benefits increased 29%, and advertising expenses increased 49%. All other operating costs increased by 4%, which is net of a nonrecurring gain of \$144,000 that resulted from the negotiation of a new corporate headquarters office lease during fiscal 1996. As a result, the cost of services as a percent of service revenues decreased 4.4 points, from 76.7% last year to 72.3% this year.

General and administrative expenses for the nine months ended June 30, 1996 were \$2,866,000, which was an \$829,000 (41%) increase from 1995. Administrative salaries and benefits increased 49%, travel and personnel costs increased 81%; and all other general and administrative expenses were up 11% for the period.

There was a \$710,000 provision for income taxes in the 1996 period, compared with a \$95,000 provision last year. The effective income tax rate for the 1995 period differs from the

statutory rate because of the reversal of a previously-recorded deferred income tax valuation allowance.

Net income was \$1,097,000, or \$.49 per share, in the nine months ended June 30, 1996, a \$396,000 improvement compared with net income of \$701,000, or \$.31 per share, for the same period last year.

Financial Condition

During the nine months ended June 30, 1996, the Company's cash and cash equivalents increased by \$1,442,000 to a balance of \$4,667,000. Net income provided \$1,097,000 during the period and an increase in accrued payroll liabilities provided \$954,000. However, an increase in accounts receivable required \$1,015,000. As a result, the net cash provided by operating activities was \$1,040,000. During the period, the Company used \$140,000 in investing activities, primarily for the acquisition of property and equipment. The issuance of common stock in connection with stock option exercises provided \$652,000, and \$110,000 was used for the payment of cash dividends. The Company's net working capital was \$3,821,000 as of June 30, 1996, compared with \$2,246,000 at September 30, 1995, and shareholders' equity was \$4,182,000 at June 30, 1996, compared with \$2,543,000 last September.

As of June 30, 1996, the Company had no debt outstanding, and it had a \$1,000,000 line of credit available for working capital purposes. Management believes that existing resources are adequate to meet the Company's current operating needs.

As of June 30, 1996, 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, 1995.

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, 1996.

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 13, 1996 By: /s/ Herbert F. Imhoff
Herbert F. Imhoff
Chairman of the Board

and President

Date: August 13, 1996 By: /s/ Kent M. Yauch
Kent M. Yauch
Chief Financial Officer
and Treasurer

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