

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 March 31, 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 (I.R.S. Employer
incorporation or organization) 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 No

As of April 24, 1998, there were 4,021,859 shares of common
stock outstanding.

PART I. FINANCIAL INFORMATION

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

	March 31	September 30
(In Thousands)	1998	1997
ASSETS		
Current assets:		
Cash and short-term investments	\$ 8,781	\$ 7,747
Accounts receivable, less allowances (Mar. 1998 --\$526; Sept. 1997--\$466)	3,862	3,412
Total current assets	12,643	11,159
Property and equipment:		
Furniture, fixtures and equipment	3,032	2,911
Accumulated depreciation	(2,355)	(2,325)
Net property and equipment	677	586
Other assets	669	578

Total assets	\$13,989	\$12,323
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accrued compensation and payroll taxes	\$ 4,310	\$ 3,939
Other current liabilities	426	802
Total current liabilities	4,736	4,741

Long-term obligations	449	433
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Shareholders' equity:

Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 4,022 shares in March 1998 and 3,987 shares in September 1997	40	40
Capital in excess of stated value of shares	4,581	4,280
Retained earnings	4,183	2,829
Total shareholders' equity	8,804	7,149

Total liabilities and shareholders' equity	\$13,989	\$12,323
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See notes to condensed consolidated financial statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Three Months		Six Months	
	Ended March 31		Ended March 31	
(In Thousands, Except Per Share)	1998	1997	1998	1997

Net revenues:

Placement services	\$6,047	\$5,134	\$12,696	\$ 9,393
Contract services	2,794	2,192	5,623	3,837
Net revenues	8,841	7,326	18,319	13,230

Cost of services	6,621	5,202	13,491	9,484
General and administrative expenses	1,116	1,055	2,436	2,042

Income from operations	1,104	1,069	2,392	1,704
Interest income	99	56	198	125

Income before income taxes	1,203	1,125	2,590	1,829
Provision for income taxes	480	450	1,035	730

Net income	\$ 723	\$ 675	\$ 1,555	\$ 1,099
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Net income per common share	\$.18	\$.17	\$.39	\$.28
Diluted net income per share	.17	.17	.37	.27

Average number of shares used in per share calculations:

Net income per common share	4,022	3,977	4,012	3,977
Diluted net income per share	4,234	4,013	4,213	4,014

See notes to condensed consolidated financial statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Six Months	
	Ended March 31	
(In Thousands)	1998	1997

Operating activities:

Net income	\$1,555	\$1,099
Noncash costs and expenses	133	109
Changes in current assets and current liabilities -		
Accounts receivable	(450)	(599)
Accrued compensation and payroll taxes	371	(408)
Other current liabilities	(376)	(341)

Net cash provided (used) by operating activities 1,233 (140)

Investing activities:

Short-term investments 657 (2,500)

Other investing activities (299) (206)

Net cash provided (used) by investing activities 358 (2,706)

Financing activities:

Exercises of stock options 301 --

Cash dividend declared (201) (159)

Net cash provided (used) by financing activities 100 (159)

Increase (decrease) in cash and cash equivalents 1,691 (3,005)

Cash and cash equivalents at beginning of period 3,188 5,564

Cash and cash equivalents at end of period 4,879 2,559

Short-term investments at end of period 3,902 3,000

Cash and short-term investments \$8,781 \$5,559

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 March 31, 1998, the Company operated 42 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 temporary 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 four new branch offices during the first six 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.

Second Quarter Results of Operations

For the three months ended March 31, 1998, consolidated revenues were \$8,841,000, up \$1,515,000 (21%) from last year's \$7,326,000. Placement service revenues increased \$913,000 (18%), primarily due to an 18% higher average placement fee. Contract service revenues increased \$602,000 (27%), primarily due to a 29% increase in billable hours.

The consolidated cost of services for the three months ended March 31, 1998 was \$6,621,000, up \$1,419,000 (27%) from \$5,202,000 last year. Compensation expense for branch office personnel increased 26% 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 26% as a result of the higher volume of contract business this year. Payroll taxes and employee benefits were 23% higher for the quarter, due to higher payrolls. Occupancy costs increased 22% 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 3.9 points, from 71.0% last year to 74.9% this year.

General and administrative expenses for the three months ended March 31, 1998 were \$1,116,000, which was a \$61,000 (6%) increase from \$1,055,000 last year.

Income from operations was \$1,104,000 for the three months ended March 31, 1998, which was a \$35,000 (3%) increase from \$1,069,000 last year. The operating profit margin was 12.5% this year, compared with 14.6% last year.

Interest income this year was \$99,000, compared with \$56,000 last year. The \$43,000 (77%) increase was due to higher investable funds.

Pretax income was \$1,203,000 for the 1998 period, a \$78,000 (7%) increase from \$1,125,000 last year. The effective income tax rate was 40% in both periods.

After taxes, net income was \$723,000 for the three months ended March 31, 1998, a \$48,000 (7%) improvement compared with net

income of \$675,000 for the same period last year. Diluted net income per share was \$.17 this year, the same as last year.

Six Months Results of Operations

For the six months ended March 31, 1998, consolidated revenues were \$18,319,000, up \$5,089,000 (38%) from last year's \$13,230,000. Placement service revenues increased \$3,303,000 (35%), on 10% more placements and a 24% higher average placement fee. Contract service revenues increased \$1,786,000 (47%), primarily due to a 43% increase in billable hours.

The consolidated cost of services for the six months ended March 31, 1998 was \$13,491,000, up \$4,007,000 (42%) from \$9,484,000 last year. Compensation expense for branch office personnel increased 45% 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 45%, as a result of the higher volume of contract business this year. Payroll taxes and employee benefits were 33% higher for the six month period, due to higher payrolls. Occupancy costs increased 26% and recruitment advertising expenses increased 29% as a result of opening new branch offices. The cost of services as a percent of service revenues increased 1.9 points, from 71.7% last year to 73.6% this year.

General and administrative expenses for the six months ended March 31, 1998 were \$2,436,000, which was a \$394,000 (19%) increase from \$2,042,000 last year. Administrative compensation increased 23% and all other general and administrative expenses increased 13% for the period.

Income from operations was \$2,392,000 for the six months ended March 31, 1998, which was a \$688,000 (40%) increase from \$1,704,000 last year. The operating profit margin was 13.1% this year, compared with 12.9% last year.

Interest income this year was \$198,000, compared with \$125,000 last year. The \$73,000 (58%) increase was due to higher investable funds.

Pretax income was \$2,590,000 for the 1998 period, a \$761,000 (42%) increase from \$1,829,000 last year. The effective income tax rate was 40% in both periods.

After taxes, net income was \$1,555,000 for the six months ended March 31, 1998, a \$456,000 (41%) improvement compared with net income of \$1,099,000 for the same period last year. Diluted net income per share was \$.37 this year, compared with \$.27 last year.

Financial Condition

During the six months ended March 31, 1998, the Company's cash and short-term investments increased by \$1,034,000 to a balance of \$8,781,000. Net income for the period provided \$1,555,000. However, \$450,000 was used for an increase in accounts receivable. Other operating items provided \$128,000, so that the net funds provided by operating activities was \$1,233,000. During the period, \$299,000 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 \$7,907,000 as of March 31, 1998, compared with \$6,418,000 at September 30, 1997, and shareholders' equity was \$8,804,000 at March 31, 1998, compared with \$7,149,000 last September.

As of March 31, 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 March 31, 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.

The Company does not make financial forecasts. However, 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. Some of the factors that could affect the Company's future performance include general business conditions, the demand for the Company's services, 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 4 Submission of Matters to a Vote of Security Holders

At the annual meeting of shareholders on February 23, 1998, the shareholders elected all of the nominees for election as directors. The name of each director elected, together with the number of votes cast for election and the number of votes withheld, are presented below:

Nominees	Votes For	Votes Withheld
Sheldon Brottman	3,697,435	19,831
Leonard Chavin	3,688,435	28,831
Delain G. Danehey	3,700,137	17,129
Herbert F. Imhoff	3,697,874	19,392
Herbert F. Imhoff, Jr.	3,699,823	17,443
Walter T. Kerwin, Jr.	3,696,033	21,233
Howard S. Wilcox	3,697,295	19,871

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 six months ended March 31, 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: May 1, 1998 By: /s/ Herbert F. Imhoff
Herbert F. Imhoff
Chairman of the Board
and Chief Executive Officer

Date: May 1, 1998 By: /s/ Kent M. Yauch
Kent M. Yauch
Chief Financial Officer
and Treasurer

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