UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1999

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 registrant 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) (Zip Code)

(630) 954-0400
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 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 __

The number of shares outstanding of the issuer's common stock as of July 30, 1999 was 4,423,566.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

(In Thousands)	June 30 1999	September 30 1998
ASSETS		
Current assets:		
Cash and short-term investments	$10,899	$10,459
Accounts receivable, less allowances (June 1999--$738; Sept. 1998--$565)	4,177	3,639
Total current assets	15,076	14,098

Property and equipment:		
Furniture, fixtures and equipment	3,657	3,089
Accumulated depreciation	(2,541)	(2,391)
Net property and equipment	1,116	698
Other assets	1,053	836
Total assets	$17,245	$15,632

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued compensation and payroll taxes	$ 3,820	$ 4,041
Other current liabilities	679	796
Total current liabilities	4,499	4,837
Long-term obligations	479	460
Shareholders' equity:		
Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 4,424 shares	44	44
Capital in excess of stated value of shares	4,576	4,576
Retained earnings	7,647	5,715
Total shareholders' equity	12,267	10,335
Total liabilities and shareholders' equity	$17,245	$15,632

See notes to consolidated financial statements.

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

	Three Months Ended June 30		Nine Months Ended June 30	
(In Thousands, Except Per Share)	1999	1998	1999	1998
Net revenues:				
Placement services	$ 5,859	$6,228	$17,420	$18,924
Contract services	4,611	2,908	12,202	8,531
Net revenues	10,470	9,136	29,622	27,455
Operating expenses:				
Direct costs of contract services	2,942	1,846	7,967	5,482
Selling	3,576	3,884	10,835	11,665
General and administrative	2,544	2,358	7,579	6,868
Total operating expenses	9,062	8,088	26,381	24,015
Income from operations	1,408	1,048	3,241	3,440
Interest income	123	112	357	310
Income before income taxes	1,531	1,160	3,598	3,750
Provision for income taxes	620	460	1,445	1,495
Net income	$ 911	$ 700	$ 2,153	$ 2,255
Net income per share:				
Basic	$ .21	$ .16	$ .49	$ .51
Diluted	$ .20	$ .15	$ .48	$ .49
Average number of shares:				
Basic	4,424	4,424	4,424	4,416
Diluted	4,450	4,593	4,454	4,622

See notes to consolidated financial statements.

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

(In Thousands)	Nine Months Ended June 30 1999	1998
Operating activities:		
Net income	$ 2,153	$ 2,255
Depreciation and other noncurrent items	222	197
Accounts receivable	(538)	(606)
Accrued compensation and payroll taxes	(221)	469
Other current liabilities	(117)	(341)
Net cash provided by operating activities	1,499	1,974
Investing activities:		
Acquisition of property and equipment and other noncurrent items	(838)	(426)
Short-term investments	918	(2,401)
Net cash provided (used) by investing activities	80	(2,827)
Financing activities:		
Exercises of stock options	--	301
Cash dividend declared	(221)	(201)
Net cash provided (used) by financing activities	(221)	100
Increase (decrease) in cash and cash equivalents	1,358	(753)
Cash and cash equivalents at beginning of period	4,500	3,188
Cash and cash equivalents at end of period	5,858	2,435
Short-term investments at end of period	5,041	6,960
Cash and short-term investments	$10,899	$ 9,395

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Interim Financial Statements

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-Q. 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, 1998.

Common Stock

The Company issued a 10% stock dividend on October 30,1998. All per share amounts for fiscal 1998 have been restated.

The Company declared cash dividends of $.05 per common share on November 16, 1998 and $ .05 per share on November 17, 1997.

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

Description 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. As of June 30, 1999, the Company operated 43 offices located in major metropolitan and business centers in 14 states.

The strong demand for information technology professionals in recent years has had a favorable impact on the Company's results of operations. This demand has resulted in increased contract hours billed to clients, and the average placement fee has risen as the average base salary of individuals placed has grown. For the five fiscal years ended September 30, 1998, the Company's average annual rate of revenue growth was 28%. To accommodate the demand for its services, the Company opened 25 new branch offices since October 1995, including one new office in fiscal 1999 and nine new offices in fiscal 1998.

Although the Company's contract service division continued to grow during the first nine months of the 1999 fiscal year, the Company experienced a decline in placement service revenues. Management attributes this decline to several factors, including client employers' decisions for increased utilization of contract employees in lieu of full-time employment staffing, more employer emphasis on retention of new hires by increased scrutiny and screening of full-time employee candidates, therefore lengthening the hiring process time, and lower productivity with inexperienced branch office staff at some of the Company's newer locations.

The Company has deferred any new branch office openings, while it addresses issues related to the changing marketplace, under-performing branch operations and staff development. During the 1999 third quarter, it closed five marginally performing branch offices.

Third Quarter Results of Operations

For the three months ended June 30, 1999, consolidated revenues of $10,470,000 were up $1,334,000 (15%) from the third quarter last year. Placement service revenues decreased $369,000 (6%), as a result of an 8% decrease in the number of placements, partially offset by a 3% higher average placement fee. Contract service revenues increased $1,703,000 (59%) due to a 50% increase in billable hours and a 5% higher average hourly billing rate. Contract service revenues represented 44% of the Company's consolidated revenues for the quarter, while placement service revenues accounted for 56% of the consolidated total.

The direct costs of contract services increased $1,096,000 (59%) over last year. The gross profit on contract services was $1,669,000 this year, compared with $1,062,000 last year, and the gross profit margin on contract services was 36.2% this year, compared with 36.5% last year. Consistent with staffing industry practices, the direct costs of contract services are considered to be the wages and the related payroll taxes and benefits of contract workers. Selling expenses for the third quarter decreased $308,000 (8%) from last year's third quarter. Commission expense decreased 7% due to the lower placement revenues, while recruitment advertising expense decreased 16%. General and administrative expenses for the quarter increased $186,000 (8%) from last year. Branch office salaries and wages increased 21%, and occupancy costs increased 17%, while all other general and administrative expenses decreased 7%. As a result, total operating expenses increased $974,000 (12%) for the quarter.

The Company had income from operations of $1,408,000, which was a $360,000 (34%) increase from $1,048,000 in the prior year's third quarter. The operating profit margin of 13.4% this year increased 1.9 points from 11.5% last year.

Interest income for the third quarter increased $11,000 (10%) due to higher investable funds.

The Company had pretax income of $1,531,000 for the quarter, which was an increase of $371,000 (32%) from last year. The effective income tax rate was 40.5% this year and 39.7% last year.

After taxes, net income was $911,000 for the quarter ended June 30, 1999, which was a $211,000 (30%) increase compared with net income of $700,000 last year. Diluted net income per share was $ .20 this year, compared with $ .15 last year.

Nine Months Results of Operations

For the nine months ended June 30, 1999, consolidated revenues of $29,622,000 were up $2,167,000 (8%) from last year's nine month period. Placement service revenues decreased $1,504,000 (8%), as a result of a 13% decrease in the number of placements, partially offset by a 6% higher average placement fee. Contract service revenues increased $3,671,000 (43%) due to a 34% increase in billable hours and a 7% higher average hourly billing rate. Contract service revenues represented 41% of consolidated revenues for the nine-month period, while placement service revenues represented 59% of the total.

The direct costs of contract services increased $2,485,000 (45%) over last year. The gross profit on contract services was $4,235,000 this year, compared with $3,049,000 last year, and the gross profit margin on contract services was 34.7% this year compared with 35.7% last year. Selling expenses for the nine months decreased $830,000 (7%) from the same period last year. Commission expense decreased 9% due to the lower placement revenues, while recruitment advertising expense increased 4%. General and administrative expenses for the nine months increased $711,000 (10%) from last year. This was largely associated with the effects of opening new branch offices during the 1998 fiscal year. Branch office salaries and wages increased 26% and occupancy costs increased 19% for the period, while all other general and administrative expenses decreased 5%. As a result, total operating expenses increased $2,366,000 (10%) for the nine month period.

The Company had income from operations of $3,241,000, which was a $199,000 (6%) decrease from $3,440,000 in the prior year's nine month period. The operating profit margin of 10.9% this year decreased 1.6 points from 12.5% last year, due to the effects of lower contract margins and higher general and administrative expenses.

Interest income for the nine months increased $47,000 (15%) due to higher investable funds.

The Company had pretax income of $3,598,000 for the first nine months, which was a decrease of $152,000 (4%) from last year. The effective income tax rate was 40.2% this year and 39.9% last year.

After taxes, net income was $2,153,000 for the nine month period ended June 30, 1999, which was a $102,000 (5%) decline compared with net income of $2,255,000 last year. Diluted net income per share was $ .48 this year, compared with $ .49 last year.

Financial Condition

During the nine months ended June 30, 1999, the Company's cash and short-term investments increased by $440,000 to a balance of $10,899,000. Net cash provided by operating activities was $1,499,000 for the period. Net income provided $2,153,000, while an increase in accounts receivable required $538,000, a reduction of accrued compensation and payroll tax liabilities required $221,000, and other operating activities provided $105,000. The Company used $838,000 during the period for investments in property and equipment and other assets, and the payment of a cash dividend required $221,000.

The Company's net working capital was $10,577,000 as of June 30, 1999, compared with $9,261,000 at September 30, 1998, and shareholders' equity was $12,267,000 at June 30, 1999, compared with $10,335,000 last September.

During fiscal 1999 the Company initiated a program to spend approximately $1,000,000 for the acquisition of additional computer equipment, applicant retrieval software and new office furniture. As of June 30, 1999, there was approximately $500,000 remaining to be spent under this program, of which approximately $280,000 was committed. Approximately $250,000 is expected to be spent during the fourth quarter of fiscal 1999, and $250,000 is expected to be spent in fiscal 2000. All of the Company's 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, 1998.

As of June 30, 1999, 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 anticipated operating needs.

Year 2000 Issues

Issues surrounding the year 2000 are the result of older computer programs being written using two digits rather than four digits to define a year. As a result, date-sensitive computer software or hardware containing this defect could be susceptible to miscalculations or system failures if not corrected or replaced.

As of October 1998, all of the Company's internal software and computer hardware were compliant with the year 2000, and the Company does not anticipate any difficulty in processing transactions or conducting business in the next millennium.

The Company is in the process of identifying what effect, if any, that the year 2000 will have on the operations of third parties that could materially affect the operations of the Company. Management is in the process of identifying potentially significant third parties, and expects to complete an assessment of their readiness by September 1999. The potential effect on the Company of non-compliance by third parties is not determinable at this time. However, due to the service nature of the Company's business, management believes that it would be able to readily find alternate suppliers in the event that existing providers might fail.

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. 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.

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, 1999.

The Company filed no reports on Form 8-K during the quarter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, 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 12, 1999 By: /s/ Herbert F. Imhoff
Herbert F. Imhoff
Chairman of the Board
and Chief Executive Officer

Date: August 12, 1999 By: /s/ Kent M. Yauch
Kent M. Yauch
Chief Financial Officer
and Treasurer

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