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 March 31, 2001

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: 001-05707

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 April 30, 2001 was 5,086,656.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET

(In Thousands)	March 31 2001 (Unaudited)	September 30 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,718	$ 7,236
Short-term investments	1,480	5,470

Accounts receivable, less allowances (March 2001--$420; Sept. 2000--$512)	4,037	4,430
Income tax refunds receivable	568	-
Total current assets	14,803	17,136
Property and equipment:		
Furniture, fixtures and equipment	6,605	6,058
Accumulated depreciation	(3,589)	(3,215)
Net property and equipment	3,016	2,843
Total assets	$17,819	$19,979

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Dividends payable	$ -	$ 1,272
Accrued compensation and payroll taxes	3,093	3,769
Other current liabilities	687	795
Total current liabilities	3,780	5,836
Shareholders' equity:		
Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 5,087 shares	51	51
Capital in excess of stated value of shares	4,569	4,569
Retained earnings	9,419	9,523
Total shareholders' equity	14,039	14,143
Total liabilities and shareholders' equity	$17,819	$19,979

See notes to consolidated financial statements.

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

	Three Months Ended March 31		Six Months Ended March 31	
(In Thousands, Except Per Share)	2001	2000	2001	2000
Net revenues:				
Placement services	$ 4,810	$ 5,988	$10,374	$11,309
Contract services	3,439	4,034	6,787	8,602
Net revenues	8,249	10,022	17,161	19,911
Operating expenses:				
Cost of contract services	2,248	2,693	4,396	5,665
Selling	2,966	3,625	6,424	6,838
General and administrative	3,586	2,913	6,833	5,723
Total operating expenses	8,800	9,231	17,653	18,226
Income (loss) from operations	(551)	791	(492)	1,685
Interest income	149	140	343	289
Income (loss) before income taxes	(402)	931	(149)	1,974
Provision (credit) for income taxes	(150)	375	(45)	795
Net income (loss)	$ (252)	$ 556	$ (104)	$ 1,179
Net income (loss) per share:				
Basic	$ (.05)	$ .11	$ (.02)	$ .23
Diluted	$ (.05)	$ .11	$ (.02)	$ .23
Average number of shares:				
Basic	5,087	5,087	5,087	5,087

Diluted	5,087	5,123	5,087	5,123

See notes to consolidated financial statements.

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

	Six Months Ended March 31	
(In Thousands)	2001	2000
Operating activities:		
Net income (loss)	$ (104)	$ 1,179
Depreciation and other noncurrent items	403	325
Accounts receivable	393	(965)
Income tax refunds receivable	(568)	-
Accrued compensation and payroll taxes	(676)	93
Other current liabilities	(108)	(318)
Net cash provided (used) by operating activities	(660)	314
Investing activities:		
Acquisition of property and equipment	(586)	(765)
Purchases of short-term investments	-	(975)
Maturities of short-term investments	4,000	3,800
Net cash provided by investing activities	3,414	2,060
Financing activities:		
Cash dividend paid	(1,272)	(254)
Increase in cash and cash equivalents	1,482	2,120
Cash and cash equivalents at beginning of period	7,236	5,025
Cash and cash equivalents at end of period	$ 8,718	$ 7,145

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-K for the year ended September 30, 2000.

Cash and Short-Term Investments

The balance of cash and cash equivalents as of March 31, 2000 on the consolidated statement of cash flows has been adjusted to include $1,786,000 of securities previously classified as short-term investments.

Subsequent Event

On April 10, 2001, the Company completed a transaction to purchase substantially all of the assets and business operations of Generation Technologies, Inc. (Gen Tech) in accordance with an

Asset Purchase Agreement. Gen Tech operates a staffing business in Pittsburgh, Pennsylvania, specializing in the placement of information technology professionals, and the Company intends to operate the business in substantially the same manner in the future. The assets acquired include the business operations, company name, customer lists, interests in office space and equipment, accounts receivable and goodwill.

The purchase price was established as an initial cash payment of $1,432,000 and three annual cash payments to be equal to a multiple of the respective year's annual earnings, as defined. The initial cash payment on April 10, 2001 was paid out of the Company's existing cash resources, and the Company expects that similar cash resources will be available to fund the future cash payments.

This transaction will be accounted for as a purchase and will be reflected in the Company's financial statements for periods subsequent to the date of acquisition. The pro forma results of operations presented below assume that the acquisition had occurred at the beginning of fiscal 2000:

	Six Months Ended March 31	
(In Thousands, Except per Share)	2001	2000
Net revenues	$18,982	$20,906
Net income	15	1,219
Net income per share	.00	.24

This information is presented for informational purposes only. It is not necessarily indicative of the results that would have been achieved had the acquisition taken place at the beginning of fiscal 2000 or of future results of operations.

Item 2. 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 professionals. As of March 31, 2001, the Company operated 42 offices located in major metropolitan business centers in 14 states.

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

	Three Months Ended March 31		Six Months Ended March 31	
	2001	2000	2001	2000
Net revenues:				
Placement services	58.3%	59.7%	60.5%	56.8%
Contract services	41.7	40.3	39.5	43.2
Net revenues	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of contract services	27.2	26.8	25.6	28.5
Selling	36.0	36.2	37.5	34.3
General and administrative	43.5	29.1	39.8	28.7
Total operating expenses	106.7	92.1	102.9	91.5
Income (loss) from operations	(6.7)%	7.9%	(2.9)%	8.5%

Second Quarter Results of Operations

Net Revenues

For the three months ended March 31, 2001, consolidated net revenues were down $1,773,000 (18%) from the same period last year. This was due to the combination of a $1,178,000 (20%) decrease in placement service revenues and a $595,000 (15%) decrease in contract service revenues. Placement services represented 58.3% of consolidated net revenues for the period, and contract services represented 41.7% of the total.

Placement service revenues were down for the quarter because of a 27% decline in the number of placements, partially offset by a 5% increase in the average placement fee. The decrease in contract service revenues was the result of a 15% decline in billable hours.

The Company attributes the decline in revenues to the effects of the slowdown in the U.S. economy that has caused customers to slow down or reduce their hiring and contract staffing activities, particularly those customers operating in the computer and information technology field. As an indication of the national slowdown, the U.S. Gross Domestic Product grew at a 2.0% annual rate during the quarter ended March 31, 2001, compared with 4.8% for the quarter ended March 31, 2000.

It is uncertain how long this trend might last, but management expects it to continue in the near future. Because of this, the Company broadened the scope of its placement services from information technology and technical specialties to include emphasis on the placement of accounting and engineering professionals.

Operating Expenses

Total operating expenses for the quarter were down $431,000 (5%) compared with the same quarter last year.

The cost of contract services was down $445,000 (17%), as a result of the lower contract service revenues and an improvement in the profit margin. The gross profit margin on contract services was 34.6% this quarter, compared with 33.2% the prior year.

Selling expenses decreased $659,000 (18%) this quarter, and they represented 36.0% of consolidated net revenues, which was about the same as the prior year. Commission expense was down 23% due to the lower placement service revenues and lower average commission rates, while recruitment advertising expense was about the same as last year.

General and administrative expenses increased $673,000 (23%) for the quarter, and they represented 43.5% of consolidated net revenues. This was up 14.4 points from the same quarter last year. Compensation in the operating division increased 26% for the quarter, due to an increase in the number of employment consultants, together with the effect of new consultant compensation arrangements in some branch offices that place greater emphasis on fixed compensation, while reducing commission rates. The Company also incurred higher expenses for office rents due to higher lease rates, higher depreciation costs associated with computer systems and office furniture acquired last year, and increased bad debt expense resulting from the downturn in the technology industry. All other general and administrative expenses were up 1%.

The Company continually monitors and evaluates the performance of all of its branch offices. To control general and administrative expenses, the Company's primary initiative is to rehabilitate or close under-performing branch offices. One office was closed during the quarter, and three other closings are expected by the end of the third quarter.

Income from Operations and Other Items

The combined effect of revenues declining 18% while general and administrative expenses increased by 23% resulted in a $1,342,000 (170%) decrease in income from operations for the quarter.

The effective income tax rate was 37% this quarter, down slightly from the 40% rate the prior year.

As a result, net income for the quarter was down $808,000 (145%) from the prior year.

Six Months Results of Operations

Net Revenues

For the six months ended March 31, 2001, consolidated net revenues were adversely affected by the same U.S. economic conditions that affected the second quarter, and they were down $2,750,000 (14%) from the same period last year. This was due to the combination of a $935,000 (8%) decrease in placement service revenues and a $1,815,000 (21%) decrease in contract service revenues. Placement services represented 60.5% of consolidated net revenues for the period, and contract services represented 39.5% of the total.

Placement service revenues were down for the period because of an 18% decline in the number of placements, partially offset by a 7% increase in the average placement fee. The decrease in contract service revenues was the result of a 21% decline in billable hours.

Operating Expenses

Total operating expenses for the year to date were down $573,000 (3%) compared with the same period last year.

The cost of contract services was down $1,269,000 (22%), as a result of the lower contract service revenues and an improvement in the profit margin. The gross profit margin on contract services was 35.2% for the year to date, compared with 34.1% the prior year.

Selling expenses decreased $414,000 (6%) for the six-month period, and they represented 37.5% of consolidated net revenues, which was 3.2 points higher than the prior year. Commission expense was down 12% due to the lower placement service revenues and lower average commission rates, while recruitment advertising expense was up 24% due to higher spending on the Internet. Selling expenses were a higher percentage of consolidated net revenues because of the shift in mix of revenues toward placement services.

General and administrative expenses increased $1,110,000 (19%) for the year to date, and they represented 39.8% of consolidated net revenues. This was up 11.1 points from the same period last year. Compensation in the operating division increased 29% for the year to date, due to an increase in the number of employment consultants, together with the effect of new consultant compensation arrangements in some branch offices that place greater emphasis on fixed compensation, while reducing commission rates. The Company also incurred higher expenses for office rents, depreciation and bad debt expense. All other general and administrative expenses were up 3%.

Income from Operations and Other Items

The combined effect of revenues declining 14% while general and administrative expenses increased by 19% resulted in a $2,177,000 (129%) decrease in income from operations for the year to date.

Interest income increased $54,000 (19%) in the period, primarily due to higher average interest rates.

The effective income tax rate of 30% for the year to date was less than the 40% rate last year because certain non-deductible items affect the rate differently in a loss period than in a profitable period.

As a result, net income for the year to date was down $1,283,000 (109%) from the prior year.

Financial Condition

As of March 31, 2001, the Company had cash and short-term investments of $10,198,000. This was a decrease of $2,508,000 from September 30, 2000. Net working capital at March 31, 2001 was $11,023,000, which was a decrease of $277,000 compared with last September, and the current ratio was 3.9 to 1.

During the six months ended March 31, 2001, net cash used by operating activities was $660,000, and the Company spent $586,000 for the acquisition of property and equipment. A cash dividend on common stock of $1,272,000 ($.25 per share) was paid in January 2001.

All of the Company's office facilities are leased, and information about future minimum lease payments is presented in the notes to the consolidated financial statements contained in the Company's annual report on Form 10-K for the year ended September 30, 2000.

As of March 31, 2001, the Company had no debt outstanding, and it had a $1,000,000 unused line of credit available. Shareholders' equity at that date was $14,039,000, which represented 79% of total assets.

Management believes that existing cash and short-term investments, together with funds generated by operations, will be adequate to meet the Company's anticipated needs.

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. This includes statements relating to business expansion plans, expectations about revenue and earnings growth, and general statements of optimism about the future. 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 project assignments, and the ability to attract and retain qualified corporate and branch management.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

At the annual meeting of shareholders on February 28, 2001, 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
Dennis W. Baker	4,408,982	208,291
Sheldon Brottman	4,408,098	209,175
Delain G. Danehey	4,409,482	207,791
Herbert F. Imhoff	4,384,522	232,751
Herbert F. Imhoff, Jr.	4,384,695	232,578
Joseph F. Lizzadro	4,409,482	207,791

Item 6. Exhibits and Reports on Form 8-K.

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: May 8, 2001 By: /s/ Herbert F. Imhoff, Jr.
Herbert F. Imhoff, Jr.
President
and Chief Operating Officer

Date: May 8, 2001 By: /s/ Kent M. Yauch
Kent M. Yauch
Chief Financial Officer
and Treasurer