UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2001
Commission File No. 0-21886

BARRETT BUSINESS SERVICES, INC.
(Exact name of registrant as specified in its charter)

Maryland	52-0812977
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
4724 SW Macadam Avenue Portland, Oregon	97201
(Address of principal executive offices)	(Zip Code)

(503) 220-0988
(Registrant's telephone number, including area code)

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 of 1934 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 [ ]

Number of shares of Common Stock, $.01 par value, outstanding at April 30, 2001 was 6,260,898 shares.

BARRETT BUSINESS SERVICES, INC.

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Part I - Financial Information

Item 1. Financial Statements

BARRETT BUSINESS SERVICES, INC.
Balance Sheets
(Unaudited)
(In thousands, except per share amounts)

	March 31, 2001	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 318	$ 516
Trade accounts receivable, net	16,850	20,660
Prepaid expenses and other	2,099	1,222
Deferred tax assets	2,278	2,702
Total current assets	21,545	25,100
Intangibles, net	20,444	20,982
Property and equipment, net	6,778	7,177
Restricted marketable securities and workers' compensation deposits	4,284	4,254
Unrestricted marketable securities	1,326	1,386
Deferred tax assets	1,048	839
Other assets	1,390	1,374
	$ 56,815	$ 61,112
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 2,713	$ 2,939
Line of credit	1,637	2,628
Accounts payable	619	1,013
Accrued payroll, payroll taxes and related benefits	8,018	7,893
Workers' compensation claims and safety incentive liabilities	4,848	5,274
Other accrued liabilities	420	1,622
Total current liabilities	18,255	21,369
Long-term debt, net of current portion	1,051	1,508
Customer deposits	534	614
Long-term workers' compensation claims liabilities	678	682
Other long-term liabilities	2,070	2,022
	22,588	26,195
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 6,321 and 6,451 shares issued and outstanding	63	64
Additional paid-in capital	4,909	5,387
Retained earnings	29,255	29,466
	34,227	34,917
	$ 56,815	$ 61,112

The accompanying notes are an integral part of these financial statements

BARRETT BUSINESS SERVICES, INC.
Statements of Operations
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Revenues:		
Staffing services	$ 31,272	$ 47,767
Professional employer services	23,881	39,355

	55,153	87,122
Cost of revenues:		
Direct payroll costs	42,760	68,004
Payroll taxes and benefits	4,874	7,918
Workers' compensation	2,177	2,597
	49,811	78,519
Gross margin	5,342	8,603
Selling, general and administrative expenses	4,876	6,485
Depreciation and amortization	829	731
(Loss) income from operations	(363)	1,387
Other (expense) income:		
Interest expense	(121)	(221)
Interest income	81	86
Other, net	47	3
	7	(132)
(Loss) income before provision for income taxes	(356)	1,255
(Benefit from) provision for income taxes	(145)	511
Net (loss) income	$ (211)	$ 744
Basic (loss) earnings per share	$ (.03)	$ .10
Weighted average number of basic shares outstanding	6,400	7,459
Diluted (loss) earnings per share	$ (.03)	$ .10
Weighted average number of diluted shares outstanding	6,400	7,509

The accompanying notes are an integral part of these financial statements.

BARRETT BUSINESS SERVICES, INC.
Statements of Cash Flows
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2001	2000
Cash flows from operating activities:		
Net (loss) income	$ (211)	$ 744
Reconciliations of net (loss) income to cash from operations:		
Depreciation and amortization	829	731
Gain on sale of property	(46)	-
Changes in certain assets and liabilities:		
Trade accounts receivable, net	3,810	(1,352)
Prepaid expenses and other	(877)	24
Deferred tax assets	215	(8)
Accounts payable	(394)	26
Accrued payroll, payroll taxes and related benefits	125	(200)
Workers' compensation claims and safety incentive liabilities	(426)	(242)
Income taxes payable	-	282
Other accrued liabilities	(1,202)	150
Customer deposits and long-term workers' compensation liabilities and other assets, net	(100)	(300)
Other long-term liabilities	48	190
Net cash provided by operating activities	1,771	45
Cash flows from investing activities:		
Cash paid for acquisitions, including other direct costs	-	(67)
Proceeds from sale of property	266	-
Purchase of fixed assets	(112)	(700)
Proceeds from maturities of marketable securities	135	-
Purchase of marketable securities	(105)	(36)

Net cash provided by (used in) investing activities	184	(803)
Cash flows from financing activities:		
Net (payments on) proceeds from credit-line borrowings	(991)	1,123
Payments on long-term debt	(683)	(698)
Repurchase of common stock	(479)	(19)
Net cash (used in) provided by financing activities	(2,153)	406
Net decrease in cash and cash equivalents	(198)	(352)
Cash and cash equivalents, beginning of period	516	550
Cash and cash equivalents, end of period	$ 318	$ 198

The accompanying notes are an integral part of these financial statements.

BARRETT BUSINESS SERVICES, INC.
Notes to Financial Statements

Note 1 - Basis Of Presentation Of Interim Period Statements:

The accompanying financial statements are unaudited and have been prepared by Barrett Business Services, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures typically included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from such estimates and assumptions. The financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2000 Annual Report on Form 10-K at pages F1-F20. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

Note 2 - Provision For Income Taxes:

Deferred tax assets (liabilities) are comprised of the following components (in thousands):

	March 31, 2001	December 31, 2000
Gross deferred tax assets:		
Workers' compensation claims and safety incentive liabilities	$ 2,115	$ 2,206
Allowance for doubtful accounts	101	205
Amortization of intangibles	548	519
Deferred compensation	422	408
Other	240	289
	3,426	3,627
Gross deferred tax liabilities:		
Tax depreciation in excess of book depreciation	(100)	(86)
Net deferred tax assets	$ 3,326	$ 3,541

BARRETT BUSINESS SERVICES, INC.
Notes to Financial Statements (Continued)

Note 2 - Provision For Income Taxes (Continued):

The provision for income taxes for the three months ended March 31, 2001 and 2000 is as follows (in thousands):

	Three Months Ended March 31, 2001	2000
Current:		
Federal	$ (351)	$ 383
State	(9)	120
	(360)	503
Deferred:		
Federal	182	9
State	33	(1)
	215	8
(Benefit from) provision for income taxes	$ (145)	$ 511

Note 3 - Stock Incentive Plan:

The Company has a Stock Incentive Plan (the "Plan") which provides for stock-based awards to the Company's employees, directors and outside consultants or advisers. The number of shares of common stock reserved for issuance under the Plan is 1,550,000.

The following table summarizes options granted under the Plan in 2000:

Outstanding at December 31, 2000	955,662	$1.93	to	$17.94
Options granted	82,173	$1.45	to	$ 3.75
Options exercised	-			
Options canceled or expired	(13,325)	$6.50	to	$ 8.91
Outstanding at March 31, 2001	1,024,510	$1.45	to	$17.94
Exercisable at March 31, 2001	677,742			
Available for grant at March 31, 2001	301,056			

The options listed in the table generally become exercisable in four equal annual installments beginning one year after the date of grant.

Note 3 - Stock Incentive Plan (Continued):

Certain of the Company's zone and branch management employees elect to receive a portion of their quarterly cash profit sharing distribution in the form of nonqualified deferred compensation stock options. Such options are awarded at a sixty percent discount from the then-fair market value of the Company's stock and are fully vested and immediately exercisable upon grant. Such discounts are recorded as compensation expense. The amount of the grantee's deferred compensation (discount from fair market value) is subject to market risk. During the first quarter of 2001, the Company awarded deferred compensation stock options for 7,811 shares at an exercise price of $1.45 per share.

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

Results of Operations

The following table sets forth the percentages of total revenues represented by selected items in the Company's Statements of Operations for the three months ended March 31, 2001 and 2000.

	Percentage of Total Revenues Three Months Ended March 31,	
	2001	2000
Revenues:		
Staffing services	56.7 %	54.8 %
Professional employer services	43.3	45.2
	100.0	100.0
Cost of revenues:		
Direct payroll costs	77.5	78.0
Payroll taxes and benefits	8.8	9.1
Workers' compensation	4.0	3.0
Total cost of revenues	90.3	90.1
Gross margin	9.7	9.9
Selling, general and administrative expenses	8.9	7.4
Depreciation and amortization	1.5	0.9
(Loss) income from operations	(0.7)	1.6
Other income (expense)	-	(0.1)
(Loss) income before provision for income taxes	(0.7)	1.5
(Benefit from) provision for income taxes	(0.3)	0.6
Net (loss) income	(0.4)%	0.9 %

Three months ended March 31, 2001 and 2000

Net loss for the first quarter of 2001 was $211,000, a decline of $955,000 from net income of $744,000 for the first quarter of 2000. The decline for the first quarter of 2001 was attributable to lower gross margin dollars as a result of a 36.7% decrease in revenue, offset in part by lower selling, general and administrative expenses. Basic and diluted loss per share for the first quarter of 2001 were $(.03), as compared to basic and diluted earnings per share of $.10 for the first quarter of 2000.

Results of Operations (Continued)

Revenues for the first quarter of 2001 totaled approximately $55.2 million, a decrease of approximately $31.9 million or 36.7% from the first quarter of 2000. The decrease in revenues reflects the general softening of business conditions in the Company's market areas, particularly in the Company's Northern California operations, which accounted for nearly 50% of the decline in total revenues. The Company's Northern California operations have been adversely affected by the significant downturn in the "high-tech" industry and related sectors.

Staffing services revenue decreased approximately $16.5 million or 34.5% primarily due to a decline in demand for personnel in the majority of areas in which the Company does business. Professional employer ("PEO") services revenue decreased approximately $15.5 million or 39.3%, which was primarily due to a 65.5% decline in the Company's Northern California region. The decline in PEO revenues for Northern California from a year ago was due in large part to management's decision to discontinue its services to a few high volume, low margin customers. The decrease in PEO services revenue resulted in an increase in the share of staffing services from 54.8% of total revenues for the first quarter of 2000 to 56.7% for the first quarter of 2001. The share of revenues for PEO services had a corresponding decrease from 45.2% of total revenues for the first quarter of 2000 to 43.3% for the first quarter of 2001.

Gross margin for the first quarter of 2001 totaled approximately $5.3 million, which represented a decrease of $3.3 million or 37.9% from the first quarter of 2000 primarily resulting from the 36.7% decline in revenues experienced in the first quarter of 2001. The gross margin percent decreased from 9.9% of revenues for the first quarter of 2000 to 9.7% for the first quarter of 2001. The decrease in the gross margin percentage was due to higher workers' compensation expense, offset in part by lower direct payroll costs and lower payroll taxes and benefits. Workers' compensation expense for the first quarter of 2001 totaled $2.2 million or 4.0% of revenues, which compares to $2.6 million or 3.0% of revenues for the first quarter of 2000. The increase in the percentage of revenues for workers' compensation expense was primarily attributable to higher estimates for the cost of claims. The decrease in direct payroll costs, as a percentage of revenues, for the first quarter of 2001 was primarily due to substantial decreases in contract staffing, on-site management and PEO business, which generally have a lower mark-up rate (and thus higher direct payroll costs as a percentage of revenues) relative to other services provided by the Company. The decline in payroll taxes and benefits, as a percentage of revenues for the first quarter of 2001, was primarily due to a reduction in state unemployment tax rates in various states in which the Company operates.

Selling, general and administrative ("SG&A") expenses for the 2001 first quarter amounted to approximately $4.9 million, a decrease of $1.6 million or 24.8% from the comparable period in 2000. SG&A expenses, expressed as a percentage of revenues, increased from 7.4% for the first quarter of 2000 to 8.9% for the first quarter of 2001. The decrease in total dollars from 2000 was primarily attributable to branch office reductions in management personnel and related expenses.

Depreciation and amortization totaled $829,000 or 1.5% of revenues for the first quarter of 2001, which compares to $731,000 or 0.9% of revenues for the same period in 2000. The increased expense was primarily due to recognizing a full quarter of expense in the 2001 first quarter as a result of the March 1, 2000 implementation of the Company's new information system.

Results of Operations (Continued)

Other income totaled $7,000 for the first quarter of 2001, which compares to $132,000 of other expense for the first quarter of 2000. The increase in other income was primarily attributable to a reduction in net interest expense due to lower debt levels during the first quarter of 2001 as compared to the same quarter of 2000.

The Company offers various qualified employee benefit plans to its employees, including its worksite employees. These qualified employee benefit plans include a savings plan under Section 401(k) of the Internal Revenue Code (the "Code"), a cafeteria plan under Code Section 125, a group health plan, a group life insurance plan, a group disability insurance plan and an employee assistance plan. Generally, qualified employee benefit plans are subject to provisions of both the Code and the Employee Retirement Income Security Act ("ERISA"). In order to qualify for favorable tax treatment under the Code, qualified plans must be established and maintained by an employer for the exclusive benefit of its employees. In the event the tax exempt status of the Company's benefit plans were to be discontinued and the benefit plans were to be disqualified, such actions could have a material adverse effect on the Company's business, financial condition and results of operations. Reference is made to pages 18-19 of the Company's 2000 Annual Report on Form 10-K for a more detailed discussion of this issue.

Fluctuations in Quarterly Operating Results

The Company has historically experienced significant fluctuations in its quarterly operating results and expects such fluctuations to continue in the future. The Company's operating results may fluctuate due to a number of factors such as seasonality, wage limits on payroll taxes, claims experience for workers' compensation, demand and competition for the Company's services and the effect of acquisitions. The Company's revenue levels fluctuate from quarter to quarter primarily due to the impact of seasonality on its staffing services business and on certain of its PEO clients in the agriculture and forest products-related industries. As a result, the Company may have greater revenues and net income in the third and fourth quarters of its fiscal year. Payroll taxes and benefits fluctuate with the level of direct payroll costs, but tend to represent a smaller percentage of revenues and direct payroll later in the Company's fiscal year as federal and state statutory wage limits for unemployment and social security taxes are exceeded by some employees. Workers' compensation expense varies with both the frequency and severity of workplace injury claims reported during a quarter, as well as adverse loss development of prior period claims during a subsequent quarter.

Liquidity and Capital Resources

The Company's cash position of $318,000 at March 31, 2001 decreased by

$198,000 from December 31, 2000, which compares to a decrease of $352,000 for the comparable period in 2000. The decrease in cash at March 31, 2001, as compared to December 31, 2000, was primarily attributable to cash used for payments on credit-line borrowings, payments on long-term debt and for repurchases of the Company's common stock, partially offset by cash provided by operating activities.

Liquidity and Capital Resources (Continued)

Net cash provided by operating activities for the three months ended March 31, 2001 amounted to $1,771,000, as compared to $45,000 for the comparable 2000 period. For the 2001 period, cash flow was generated by a $3,810,000 decrease in trade accounts receivable, together with depreciation and amortization, offset in part by a decrease in other accrued liabilities and an increase in prepaid expenses and other.

Net cash provided by investing activities totaled $184,000 for the three months ended March 31, 2001, as compared to $803,000 net cash used in investing activities for the similar 2000 period. For the 2001 period, the principal source of cash provided by investing activities was from net proceeds of $266,000 associated with the sale of a Company-owned office condominium, offset in part by purchases of office equipment. The Company presently has no material long-term capital commitments.

Net cash used in financing activities for the three-month period ended March 31, 2001 was $2,153,000 which compared to $406,000 net cash provided by financing activities for the similar 2000 period. For the 2001 period, the principal use of cash for financing activities was $991,000 of net payments on credit-line borrowings, $683,000 of payments made on long-term debt, primarily the $8,000,000 three-year term loan in connection with the Company's acquisition of TSU in 1999, and $479,000 used to repurchase the Company's common stock.

The Company's business strategy continues to focus on growth through the expansion of operations at existing offices, together with the selective acquisition of additional personnel-related businesses, both in its existing markets and other strategic geographic areas. The Company actively explores proposals for various acquisition opportunities on an ongoing basis, but there can be no assurance that any additional transactions will be consummated.

The Company maintains a credit arrangement (the "Agreement") with its principal bank. Effective March 12, 2001, the principal terms and conditions of this Agreement, which expires May 31, 2001, was amended to include (1) a reduction in the total amount available under the revolving credit facility from $15 million to the lesser of (i) $13 million or (ii) 65 percent of total trade accounts receivable at the end of any fiscal quarter, and (2) a security interest in all trade accounts receivable. This Agreement also includes a subfeature for standby letters of credit in connection with certain workers' compensation surety arrangements, as to which approximately [$2.6 million] were outstanding as of March 31, 2001. Due to the bank's secured position, the bank agreed to reduce the restrictiveness of certain financial covenants. The Company was in compliance with the financial covenants of the Agreement, as amended, at March 31, 2001. Management expects that the funds anticipated to be generated from operations, together with the bank-provided credit facility and other potential sources of financing, will be sufficient in the aggregate to fund the Company's working capital needs for the foreseeable future. Manage-ment expects this arrangement to be renewed with its current principal bank on terms and conditions that are not materially less favorable to the Company than the present terms. If, however, the terms and conditions for renewal are unacceptable to the Company, management will seek the most favorable terms available in the market.

Liquidity and Capital Resources (Continued)

In February 1999, the Company's Board of Directors authorized a stock repurchase program to repurchase common shares from time to time in open market purchases. Since inception, the Board of Directors has approved five increases in the total number of shares or dollars authorized to be repurchased under the program. As of March 31, 2001, the repurchase program had authorized availability of $1,104,000 for the repurchase of additional shares. During the first quarter of 2001, the Company repurchased 129,800 shares at an aggregate price of $479,000. Since the inception of the repurchase program through May 10, 2001, the Company has repurchased 1,426,200 shares for an aggregate price of

$6,760,000. Management anticipates that the capital necessary to execute this program will be provided by existing cash balances and other available resources.

Inflation

Inflation generally has not been a significant factor in the Company's operations during the periods discussed above. The Company has taken into account the impact of escalating medical and other costs in establishing reserves for future expenses for self-insured workers' compensation claims.

Forward-Looking Information

Statements in this report which are not historical in nature, including discussion of economic conditions in the Company's market areas, the potential for and effect of recent and future acquisitions, the effect of changes in the Company's mix of services on gross margin, the adequacy of the Company's workers' compensation reserves and allowance for doubtful accounts, the effectiveness of the Company's management information systems, the tax-qualified status of the Company's 401(k) savings plan and the availability of financing and working capital to meet the Company's funding requirements, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors with respect to the Company include difficulties associated with integrating acquired businesses and clients into the Company's operations, economic trends in the Company's service areas, the effect of power shortages in California and the Pacific Northwest on the Company's customers, uncertainties regarding government regulation of PEOs, including the possible adoption by the IRS of an unfavorable position as to the tax-qualified status of employee benefit plans maintained by PEOs, future workers' compensation claims experience, and the availability of and costs associated with potential sources of financing. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk for changes in interest rates primarily relates to the Company's short-term and long-term debt obligations. As of March 31, 2001, the Company had interest-bearing debt obligations of approximately $6.6 million, of which approximately $5.0 million bears interest at a variable rate and approximately $1.6 million at a fixed rate of interest. The variable rate debt is comprised of approximately $1.6 million outstanding under a secured revolving credit facility, which bears interest at the prime rate less 1.70%. The Company also has a secured three-year term note with its principal bank, which bears interest at LIBOR plus 1.35%. Based on the Company's overall interest exposure at March 31, 2001, a 10 percent change in market interest rates would not have a material effect on the fair value of the Company's long-term debt or its results of operations. As of March 31, 2001, the Company had not entered into any interest rate instruments to reduce its exposure to interest rate risk.

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits filed herewith are listed in the Exhibit Index following the signature page of this report.

(b) No Current Reports on Form 8-K were filed by the Registrant during the quarter ended March 31, 2001.

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.

BARRETT BUSINESS SERVICES, INC.
(Registrant)

Date: May 14, 2001

By: /s/ Michael D. Mulholland

Michael D. Mulholland
Vice President - Finance
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit

11 Statement of Calculation of Basic and Diluted Common Shares Outstanding

EXHIBIT 11

BARRETT BUSINESS SERVICES, INC.
STATEMENT OF CALCULATION OF BASIC
AND DILUTED COMMON SHARES OUTSTANDING

<TABLE>

	Three Months Ended March 31, 2001
<S>	<C>
Weighted average number of basic shares outstanding	6,399,685
Stock option plan shares to be issued at prices ranging from $1.45 to $17.94 per share	-
Less: Assumed purchase at average market price during the period using proceeds received upon exercise of options and purchase of stock, and using tax benefits of compensation due to premature dispositions	-
Weighted average number of diluted shares outstanding	6,399,685

</TABLE>

As a result of the net loss reported for the three months ended March 31, 2001, 20,806 of potential common shares have been excluded from the calculation of diluted loss per share because their effect would be anti-dilutive.