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, 1998

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 report), 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, 1998 was 6,780,813 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)

Assets	March 31, 1998	December 31, 1997
Current assets:		
Cash and cash equivalents	$ 3,435	$ 3,380
Trade accounts receivable, net	20,551	19,366
Prepaid expenses and other	1,476	1,080
Deferred tax assets (Note 2)	2,002	1,926
Total current assets	27,464	25,752
Intangibles, net	11,753	12,094
Property and equipment, net	4,489	4,263
Restricted marketable securities and workers' compensation deposits	6,013	6,095
Other assets	200	206
	$49,919	$48,410

Liabilities and Stockholders' Equity	March 31, 1998	December 31, 1997
Current liabilities:		
Current portion of long-term debt	$ 312	$ 323
Income taxes payable (Note 2)	54	--
Accounts payable	846	801
Accrued payroll, payroll taxes and related benefits	10,505	9,403
Accrued workers' compensation claim liabilities	3,094	3,140
Customer safety incentives payable	1,070	1,073
Other accrued liabilities	378	399
Total current liabilities	16,259	15,139
Long-term debt, net of current portion	520	531
Customer deposits	882	934
Long-term workers' compensation liabilities	728	632
Other long-term liabilities	1,038	1,030
	19,427	18,266
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 6,747 and 6,743 shares issued and outstanding, respectively	67	67
Additional paid-in capital	11,710	11,685
Retained earnings	18,715	18,392
	30,492	30,144
	$49,919	$48,410

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

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

	Three Months Ended March 31, 1998	1997
Revenues:		
Staffing services	$34,511	$32,436
Professional employer services	28,254	29,650
	62,765	62,086

Cost of revenues:		
Direct payroll costs	48,926	47,807
Payroll taxes and benefits	5,808	5,997
Workers' compensation	1,866	1,855
Safety incentives	364	323
	56,964	55,982
Gross margin	5,801	6,104
Selling, general and administrative expenses	5,021	4,515
Amortization of intangibles	341	317
Income from operations	439	1,272
Other income (expense):		
Interest expense	(27)	(25)
Interest income	125	103
Other, net	1	--
	99	78
Income before provision for income taxes	538	1,350
Provision for income taxes	215	520
Net income	$ 323	$ 830
Basic earnings per share (Note 4)	$ .05	$ .12
Weighted average number of basic shares outstanding	6,744	6,800
Diluted earnings per share (Note 4)	$ .05	$ .12
Weighted average number of diluted shares outstanding	6,798	6,997

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, 1998	1997
Cash flows from operating activities:		
Net income	$ 323	$ 830
Reconciliation of net income to cash from operations:		
Depreciation and amortization	447	404
Changes in certain assets and liabilities, net of acquisition:		
Trade accounts receivable, net	(1,185)	(1,734)
Note receivable	-	324
Prepaid expenses and other	(396)	(385)
Deferred tax asset	(76)	(84)
Accounts payable	45	29
Accrued payroll, payroll taxes and related benefits	1,102	1,946
Accrued workers' compensation claims liabilities	(46)	183
Customer safety incentives payable	(3)	14
Income taxes payable	54	504
Other accrued liabilities and other assets	(15)	(214)
Customer deposits and long-term workers' compensation liabilities	44	(4)
Other long-term liabilities	8	5

Net cash provided by operating activities	302	1,818
Cash flows from investing activities:		
Cash paid for acquisition, including other direct costs	-	(2,095)
Purchases of fixed assets, net of amounts purchased in acquisition	(332)	(106)
Proceeds from maturities of marketable securities	2,839	1,556
Purchases of marketable securities	(2,757)	(1,548)
Net cash used in investing activities	(250)	(2,193)
Cash flows from financing activities:		
Payment of credit line assumed in acquisition	-	(401)
Payments on long-term debt	(22)	(15)
Proceeds from exercise of stock options and warrants	25	505
Net cash provided by financing activities	3	89
Net increase (decrease) in cash and cash equivalents	55	(286)
Cash and cash equivalents, beginning of period	3,380	1,901
Cash and cash equivalents, end of period	$ 3,435	$ 1,615
Supplemental schedule of noncash activities:		
Acquisition of other business:		
Cost of acquisition in excess of fair market value of net assets acquired	-	$ 3,030
Tangible assets acquired	-	672
Liabilities issued or assumed	-	1,607

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 generally accepted accounting principles 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 financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 1997 Annual Report on Form 10-K at pages F1-F21. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

Certain prior year amounts have been reclassified to conform with the 1998 presentation. Such reclassifications had no impact on gross margin, net income or stockholders' equity.

NOTE 2 - PROVISION FOR INCOME TAXES:

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

	March 31, 1998	December 31, 1997
Accrued workers' compensation claims liabilities	$1,489	$1,469
Allowance for doubtful accounts	236	236
Tax depreciation in excess of book depreciation	(161)	(165)
Safety incentives	308	276

Book amortization of intangibles in excess of tax amortization	130	110
	$2,002	$1,926

The provision for income taxes for the three months ended March 31, 1998 and 1997, is as follows (in thousands):

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
Current:		
Federal	$ 235	$ 488
State	56	116
	291	604
Deferred:		
Federal	(67)	(70)
State	(9)	(14)
	(76)	(84)
Provision for income taxes	$ 215	$ 520

NOTE 3 - STOCK INCENTIVE PLAN:

In 1993, the Company adopted 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 1,300,000.

The following table summarizes options granted under the Plan in 1998:

Outstanding at December 31, 1997	595,119	$ 3.50 to $18.00
Options granted	50,331	$ 4.60 to $11.44
Options exercised	(3,750)	$ 3.50 to $ 9.50
Options canceled or expired	(54,071)	$ 11.44 to $17.94
Outstanding at March 31, 1998	587,629	$ 3.50 to $18.00
Exercisable at March 31, 1998	276,855	
Available for grant at March 31, 1998	507,496	

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

Certain of the Company's highly compensated zone and branch management employees had previously elected to receive a portion of their quarterly cash bonus 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 exerciseable upon grant. The amount of the grantee's deferred compensation (discount from fair market value) is subject to market risk. During the first quarter of 1998, the Company awarded deferred compensation stock options for 7,735 shares at an exercise price of $4.60 per share.

NOTE 4 - NET INCOME PER SHARE:

The Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share," for the year ended December 31, 1997. SFAS No. 128 requires disclosure of basic and diluted earnings per share. The 1997 period has been restated to reflect the adoption of SFAS No. 128. Basic earnings per share are computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential effects of the exercise of outstanding stock options and warrants.

NOTE 5 - SUBSEQUENT EVENTS:

Effective April 13, 1998, the Company acquired certain assets of BOLT Staffing Service, Inc., a provider of staffing services located in Pocatello, Idaho. BOLT Staffing had revenues of approximately $2.4 million (unaudited) for the year ended December 31, 1997. The Company paid $675,000 in cash for the assets, assumed a $6,000 office lease liability and incurred approximately $10,000 in acquisition related costs. The transaction was accounted for under the purchase method of accounting, which resulted in $675,000 of intangible assets and $10,000 of fixed assets.

On April 15, 1998, the Company announced that it had reached an agreement in principle to acquire Western Industrial Management, Inc., pursuant to a stock-for-stock merger. The transaction will be accounted for as a pooling-of-interests. The transaction is valued at approximately $11.1 million and provides that the Company will issue approximately 975,000 shares of its common stock in exchange for all the stock of Western. The acquisition is expected to close on June 1, 1998. Western, a privately-held staffing services company headquartered in San Bernardino, California, operates six branch offices in Southern California. Western's revenues for the year ended December 31, 1997 were approximately $24.5 million (unaudited).

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, 1998 and 1997.

	Percentage of Total Revenues Three Months Ended March 31,	
	1998	1997
Revenues:		
Staffing services	55.0%	52.2%
Professional employer services	45.0	47.8
Total revenues	100.0	100.0
Cost of revenues:		
Direct payroll costs	78.0	77.0
Payroll taxes and benefits	9.2	9.7
Workers' compensation	3.0	3.0
Safety incentives	.6	.5
Total cost of revenues	90.8	90.2
Gross margin	9.2	9.8
Selling, general and administrative expenses	8.0	7.3
Amortization of intangibles	.5	.5
Income from operations	.7	2.0
Other income (expense)	.2	.1
Pretax income	.9	2.1
Provision for income taxes	.4	.8
Net income	.5	1.3

Three months ended March 31, 1998 and 1997

Net income for the first quarter of 1998 was $323,000, a decrease of $507,000 from the same period in 1997. The decrease in net income from 1997 was attributable to a lower gross margin percent owing primarily to higher direct payroll costs, expressed as a percentage of revenues, coupled with higher selling, general and administrative expenses both in terms of a percentage of revenues and total dollars. Basic and diluted earnings per share for the first quarter of 1998 were $.05, as compared to $.12 for both basic and diluted earnings per share for the first quarter of 1997.

Revenues for the first quarter of 1998 totaled approximately $62.8 million, an increase of approximately $679,000 or 1.1% over the first quarter of 1997. The quarter-over-quarter internal growth rate of revenues was .5%. The percentage increase in total revenues exceeded the internal growth rate of revenues primarily due to the HR Only acquisition effective February 1, 1997.

Staffing services revenue increased approximately $2.1 million or 6.4%, while professional employer services revenue decreased approximately $1.4 million or 4.7%, which resulted in a decrease in the mix of professional employer services to 45.0% of total revenues for the first quarter of 1998, as compared to 47.8% for the first quarter of 1997. The mix of staffing services had a corresponding increase from 52.2% of total revenues for the first quarter of 1997 to 55.0% for the first quarter of 1998.

The decrease in PEO revenues was primarily concentrated in Oregon and was largely due to a culling of customers who were (i) not generating an acceptable profit, (ii) a poor credit risk, or (iii) not complying with the Company's workplace safety policies.

Gross margin for the first quarter of 1998 totaled approximately $5.8 million, which represented a decrease of $303,000 or 5.0% from the first quarter of 1997. The gross margin percent decreased to 9.2% of revenues for the first quarter of 1998, as compared to 9.8% for the same period of 1997. The decline in the gross margin percentage was due to higher direct payroll costs, offset in part by a decrease in payroll taxes and benefits, both in terms of total dollars and as a percentage of revenues. The increase in the percentage of direct payroll costs from 77.0% for the first quarter of 1997 to 78.0% for the first quarter of 1998 was primarily attributable to increased business activity in contract staffing and on-site management arrangements, which are typically higher volume, lower margin accounts.

Workers' compensation expense for the first quarter of 1998 totaled $1,866,000 or 3.0% of revenues which compares to $1,855,000 or 3.0% of revenues for the same period in 1997. Management believes it has continued to increase the Company's accruals for future adverse loss development of open claims and potential future catastrophic workers' compensation claims.

The following table summarizes certain indicators of performance regarding the Company's self-insured workers' compensation program for the first quarters of 1998 and 1997.

Self-Insured Workers' Compensation Profile

	No. of Injury Claims		Total Workers' Comp Expense (in thousands)		Total Workers' Comp Expense as a % of Total Payroll	
	1998	1997	1998	1997	1998	1997
Q1	289	321	$1,866	$1,855	3.8%	3.9%

Selling, general and administrative expenses for the 1998 first quarter amounted to approximately $5.0 million, an increase of $506,000 or 11.2% over the comparable period in 1997. Selling, general and administrative expenses, expressed as a percentage of revenues, increased from 7.3% for the first quarter of 1997 to 8.0% for the first quarter of 1998. The increase in total dollars over 1997 was primarily attributable to higher branch management payroll and profit sharing and related taxes, coupled with a full quarter of operating expenses from the HR Only acquisition. During the first quarter of 1998, management implemented specific performance criteria for all branches to align operating expenses more closely with growth in gross margin dollars rather than growth in revenues.

Amortization of intangibles totaled $341,000 or .5% of revenues for the first quarter of 1998, which compares to $317,000 or .5% of revenues for the same period in 1997. The increased amortization expense was primarily due to a full quarter of amortization from the HR Only acquisition, which was effective February 1, 1997.

The Company offers various qualified employee benefit plans to its employees, including its worksite employees. These qualified employee benefit plans include a savings plan (the "401(k) 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 19-20 of the Company's 1997 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 in 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 may tend to represent a smaller percentage of revenues 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 the current or subsequent quarters.

Liquidity and Capital Resources
- -------------------------------

The Company's cash position of $3,435,000 at March 31, 1998 increased by $55,000 from December 31, 1997, which compares to a decrease of $286,000 for the comparable period in 1997. The slight increase in cash at March 31, 1998 as compared to December 31, 1997, was primarily attributable to cash provided by operating activities, largely offset by additions to fixed assets.

Net cash provided by operating activities for the three months ended March 31, 1998 amounted to $302,000, as compared to $1,818,000 for the comparable 1997 period. For the 1998 period, cash flow generated by net income, together with an increase of $1,102,000 in accrued payroll and benefits, was offset in part by a $1,185,000 increase in trade accounts receivable.

Net cash used in investing activities totaled $250,000 for the three months ended March 31, 1998, as compared to $2,193,000 for the similar 1997 period. For the 1998 period, the principal use of cash for investing activities was for purchases of fixed assets of $332,000. For the 1997 period, the principal use of cash for investing activities was the acquisition of HR Only. The Company presently has no material long-term capital commitments.

Net cash provided by financing activities for the three-month period ended March 31, 1998 was $3,000, which compared to $89,000 for the similar 1997 period. For the 1998 period, the principal source of cash provided by financing activities arose from the exercise of employee stock options at exercise prices ranging from $3.50 to $9.50 per share, offset in part by payments totaling $22,000 on long-term debt.

The Company's business strategy continues to focus on growth through the acquisition of additional personnel-related businesses, both in its existing markets and other strategic geographic areas, together with the expansion of operations at existing offices. As disclosed in Note 5 to the financial statements included herein, the Company purchased in April 1998, certain assets of a staffing services company located in Pocatello, Idaho for $685,000 in cash. Also as disclosed in Note 5 herein, the Company has reached an agreement in principle to acquire Western Industrial Management, Inc., a staffing services company headquartered in San Bernardino, California, in exchange for 975,000 shares of the Company's common stock. The transaction is valued at approximately $11.1 million and is expected to close on June 1, 1998. 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 presently has an unsecured $4.0 million revolving credit facility which expires May 31, 1998. There was no outstanding balance at March 31, 1998. Management expects that the renewal of such credit facility will be in an amount and on such terms and conditions as will be not less favorable than the current credit arrangement. Management also believes the funds anticipated to be generated from operations, together with the renewed 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.

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 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 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, 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.

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) Reports on Form 8-K

Subsequent to quarter end, on April 17, 1998, the Company filed a Current Report on Form 8-K dated April 13, 1998, to report that the Company had acquired, effective April 13, 1998, certain assets of BOLT Staffing Service, Inc., located in Pocatello, Idaho for $675,000 in cash. The Company also reported that it had reached an agreement in principle to acquire Western Industrial Management, Inc., headquartered in San Bernardino, California, in exchange for approximately 975,000 shares of the Company's common stock. The transaction, which is valued at approximately $11.1 million, will be effected as a stock-for-stock merger and will be accounted for as a pooling-of-interests. The transaction is expected to close on June 1, 1998.

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 13, 1998

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 Shares Outstanding

27 Financial Data Schedule

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

	Three Months Ended March 31, 1998
Weighted average number of basic shares outstanding	6,744,280
Stock option plan shares to be issued at prices ranging from $3.50 to $18.00 per share	585,026
Warrants issued at a price of $4.20 per share	30,000
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	(561,037)
Weighted average number of diluted shares outstanding	6,798,269

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EXHIBIT 27

BARRETT BUSINESS SERVICES, INC.
FINANCIAL DATA SCHEDULE

This schedule contains summary financial information extracted from the Company's balance sheet and related statement of operations for the period ended March 31, 1998 and is qualified in its entirety by reference to such financial statements.
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