

The Number and Size of Firms: Why So Big a Difference?

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The number of firms and their size are analysed for the Slovenian manufacturing sector on the basis of the firm-level evidence of the Business Register of Slovenia virtually representing all the firms in activity. A remarkable difference is found between the number of the registered manufacturing firms and the number of firms with employment. The increase in the number of all registered firms is remarkable, but it is less so for the number of firms with employment, suggesting that many more firms were being registered than were in reality economically active. The large majority of newly registered firms during the 1990s were firms without any recorded employment. Whilst the number of firms increased, the number of employees declined, the average manufacturing firm size measured by employees per firm declined. Private firms constitute the vast majority of the firms in activity at end of the 1990s and afterwards.

Introduction

The rapid increase in the number of firms serves as an indication that markets are becoming more competitive. As in several other Central and Eastern European (CEE) countries, the number of firms in Slovenia increased substantially throughout the 1990s early 2000s. The considerable increase in the number of firms is a result of policy changes associated with relatively low capital and registration requirements, easing the opportunities for registering and entry of new registered firms, as well as

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restructuring, bankruptcy and organisational transformation within the large manufacturing enterprises, and similar processes that took place during transition to a market economy. Overall economic deregulation has allowed new firms to enter the markets, some of which were successful and have been in activity for a long period of time and some of which failed and exited the market (e. g. EBRD 2001). Several new private *de novo* firms have been established, and also many large manufacturing enterprises were split or reorganised into several parts. The increase in competitive pressure has been induced by the entry of new firms and by trade liberalisation. The bankruptcy procedure has played an important role in imposing hard budget constraints and straightening financial discipline for exit of loss making enterprises. While some firms exited, particularly in the most recent years, as a result of increased competitive pressures in firm output markets and institutional and policy changes in line with those of the European Union (EU), firm entry still offset firm exit (Bojnec and Xavier 2004). Hence, an increase in the number of firms can be acknowledged albeit with different intensities across different branches.

In this paper we look more in-depth into the growth of the number of firms aiming to make a distinction between the growth in the number of job creating firms and that of the firms without any recorded employment. Indeed, one of the most striking features of Slovenia's transition is the remarkable increase in the number of firms recorded by the official statistics in the Business Register of Slovenia (BRS). However, there is a considerable difference in the number of registered firms and the number of economically active firms. This 'vacuum' in the number of firms due to several 'empty' firms has so far been largely neglected. We draw attention to this fact by dividing firms into active firms ('non-zero employment firms') and inactive firms ('zero employment firms') according to their employment. While the latter are by far the most important in the BRS, any serious econometric analysis of the firm dynamics can only be conducted on the basis of the economically active firms with at least reasonably good evidence for employment, financial and some other performance indicators (Bojnec and Xavier 2004).

Therefore, this paper aims to analyse the extent of the gap between the two categories of firms and its impact on the firm numbers and size, as well as providing an answer to the question of why there is so great a difference between the larger number of registered and the smaller number of economically active firms, which causes differences in the firm size. We

look at the extent and the evolution of manufacturing firm demography on the basis of the firm-level information of the BRS obtained from the Statistical Office of the Republic of Slovenia (SORS) virtually representing all the firms in activity at any point between 1987 and 2000. Most manufacturing branches in Slovenia and – throughout the 1990s – experienced rates of firm entry that are greater than firm exit (Bojncic and Xavier 2004). Most of them also experienced labour shedding associated with an initial increase in unemployment and, in the mid-1990s, with an outflow of labour into regular and early retirement. As a result, the average size of manufacturing enterprises in terms of employment per firm declined during that period. There are, however, differences in manufacturing enterprises according to firm ownership. Private firms are responsible for the greatest difference in the number of firms. Some of them are part-time self-employed firms, but several of them are ‘empty’ firms without any employment.

The Number of Firms

To analyse the dynamics in the number of firms and their size in the manufacturing D sector, we use firm-level information provided by the BRS obtained from the SORS. This data set provides us information on firm identification (ID), NACE sector, employment and firm ownership. The distinctions between firms are made on the basis of the firm ID used as the criteria to identify whether a firm has stopped its economic activity (if ID is no longer in the sample), has started activity (ID is not previously in the sample) or is still in activity (if ID is still in the sample).¹ Note that there were some cases when a firm appeared to have exited in one year but in fact reappears later on as a ‘survivor’, with the same ID number, which indicates that when it was first considered an ‘exitor’ it was potentially due to misreported information. These cases were re-coded as ‘survivors’. We distinguish between zero- and non-zero employment firms. The non-zero employment firm is a firm whose employment is a certain positive number equal to or greater than 1. The zero-employment firm is one whose employment in the dataset is recorded as zero. The latter situation might represent part-time self-employed persons (e. g. also employed somewhere else or retired) or firms whose operation has not started or already stopped, but the firm is still in the BRS. Very often they correspond to firms who have formally registered but whose activity has not started in reality. As a result of institutional changes, which made firm entry easier with relatively low initial capital and other registration

requirements in the early 1990s, and the economic transformation leading to firm restructuring, spin-offs and by-pass firms, the number of the manufacturing firms in Slovenia increased from 1,614 in 1987 to 8,783 in 2000 or by 444% (Figure 1). Interestingly, the rapid increase in the number of manufacturing firms in Slovenia is due in particular to the substantial increase in the registered number of firms which do not record any employment or the number of 'zero' employment firms. The number of manufacturing firms with 'zero' employment increased from 241 in 1987 to 6,992 in 1998 or by 2,801%, slightly declining thereafter. There was a window of opportunity, which opened and allowed the establishment and setting up of new private or *de novo* firms. There is also a positive development pattern for the firms with recorded employment, but their increase is more modest. They increased from 1,373 in 1987 to 2,132 in 2000 or by 55%, which is still a considerable increase in their numbers.

When looking at firm ownership we can only consider the firms for which ownership information was clearly stated (Tables 1 to 3). The focus of our analysis is on the number of manufacturing firms by their ownership. The total number of firms is divided by ownership category looking at the whole sample and the two sub-samples controlling for firm employment. The 'zero' employment firms are those which do not record any employment. The 'non-zero' employment firms are those which record a positive (>0) number of employees. We use the classification of the firms provided by the SORS, which in the BRS classifies the firms according to the prevailing firm ownership in the following four categories: socially owned enterprises, mixed enterprises, cooperatives or enterprises owned in the majority by cooperatives, and privately owned enterprises. Since in several cases the firm ownership in the BRS is not clearly identified, we introduce an additional category of the 'not-identified' firm according to its ownership. The relatively high number of firms which are considered 'not-identified' according to firm ownership occurred particularly during the first years of the 1990s. The number of socially owned manufacturing firms initially declined, increased between 1992 and 1994, and declined again afterwards. This development is a mixture in development of socially owned zero and non-zero employment firms. The drop in the number of socially owned enterprises in the years 1990, 1991, and 1992 is reflected in an increase in the number of 'not-identified' enterprises. Since then, the number of 'not-identified' enterprises has declined. This has been accompanied by an increase in the number of mixed zero and non-zero employment firms.

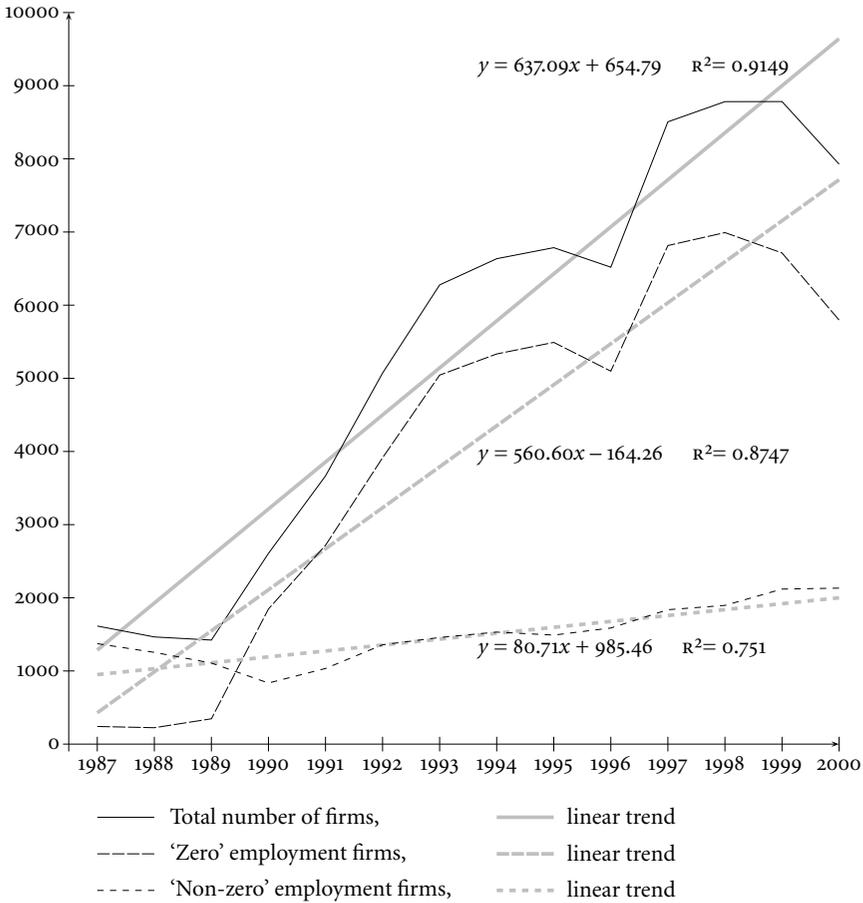


Figure 1: Number of registered firms in Slovenian manufacturing, 1987–2000
 Source: Authors' analyses on the basis of the data from the BRS.

These developments suggest that at the beginning of the 1990s there was a period when an important reorganisation of socially owned enterprises took place in agreement with the changes in the regulatory and institutional environment. The number of mixed firms has approximately tripled since 1990. It increased steadily until 1998, but slightly declined afterwards. The growth of the non-zero employment mixed-owned firms was fastest than that of the zero employment mixed-owned firms. The relatively small number of cooperatives increased with a high prevalence of zero employment cooperatives over time. The most considerable is, however, the increase in the number of private firms. The number of

Table 1: Number of total registered firms by ownership in Slovenian manufacturing, 1987–2000

Year	Social	Not identified	Mixed	Co-operative	Private
1987	1614	0	0	0	0
1988	1461	0	0	0	0
1989	1418	0	0	0	0
1990	661	191	106	4	1638
1991	914	79	222	6	2436
1992	1012	37	268	8	3731
1993	1041	12	308	15	4882
1994	1036	12	308	18	5234
1995	962	22	301	19	5448
1996	800	26	324	26	5226
1997	719	9	384	58	7288
1998	598	9	400	62	7692
1999	529	16	387	62	7778
2000	460	24	349	62	7033

Source: Authors' analyses on the basis of the data from the BRS.

private manufacturing firms with recorded employment increased from 5 in 1990 to 1,747 in 2000 (Table 2). However, the most striking is the fastest growth of private firms with zero employment from 1,633 in 1990 to 6,320 in 1998 or by 287%, but with a slight reduction in their number afterwards. Tables 1 and 3 clearly illustrate that a large number of private manufacturing firms were set up between 1990 and 1993, but many of them did not create employment. Several private firms remained inactive for job creation even for a longer period. In 2000, 91.2% of 'zero' employment firms were private manufacturing firms. Hence the main difference in the number of the registered firms and the number of firms with employment is due to a large number of private firms with 'zero' or no recorded full-time employment.

More specifically, Figure 2 compares our results with the recorded evidence in the Statistical Yearbook of Slovenia (SYSLO). According to our results, since the Law on Enterprises entered into force in 1989, more than 70% of all manufacturing firms were firms without any recorded full-time employment. In 1997, this share was over 80%, but with an important decline thereafter. The SYSLO, however, did not record any dis-

Table 2: Number of firms with ‘non-zero’ employment by ownership in Slovenian manufacturing, 1987–2000

Year	Social	Not identified	Mixed	Co-operative	Private
1987	1373	0	0	0	0
1988	1252	0	0	0	0
1989	1106	0	0	0	0
1990	611	139	53	4	5
1991	788	38	162	6	8
1992	854	14	194	6	259
1993	831	2	222	9	352
1994	769	1	215	10	492
1995	626	10	201	8	582
1996	433	20	222	10	834
1997	304	4	262	14	1214
1998	213	5	270	17	1372
1999	154	8	256	17	1675
2000	116	11	243	15	1747

Source: Authors’ analyses on the basis of the data from the BRS.

crepancies in the number of firms until the mid-1990s. In the years 1997–1998, the SYSLO recorded a discrepancy between the number of manufacturing firms and the number of firms with full-time employed persons who are insured at the pension and disability insurance and health insurance of around 43–44%, which is less than our calculations indicate. Finally, we provide a comparison between the number of active firms with recorded payments through resident accounts and final accounts held by the Agency of the Republic of Slovenia for Payments, and the number of registered firms in the BRS. According to this comparison, around 70% of registered firms are financially inactive firms. This finding is much closer to our result when comparing the number of firms and the number of zero employment firms. These comparisons suggest that the increase in the number of economically active manufacturing firms in terms of employment or in terms of financial transactions was not as substantial as initially, particularly until the mid-1990s, recorded by the official statistics on the basis of the BRS based on different (inconsistent) registers. However, the question remains of how big this gap is between the registered and economically active manufacturing firms and what can explain

Table 3: Number of firms with 'zero' employment by ownership in Slovenian manufacturing, 1987–2000

Year	Social	Not identified	Mixed	Co-operative	Private
1987	241	0	0	0	0
1988	209	0	0	0	0
1989	312	0	0	0	0
1990	50	52	53	0	1633
1991	126	41	60	0	2428
1992	158	23	74	2	3472
1993	210	10	86	6	4530
1994	267	11	93	8	4742
1995	336	12	100	11	4866
1996	367	6	102	16	4392
1997	415	5	122	44	6074
1998	385	4	130	45	6320
1999	375	8	131	45	6103
2000	344	13	106	47	5286

Source: Authors' analyses on the basis of the data from the BRS.

it. Some 'zero' employment firms might be self-employed firms not obligated to conduct payments through recorded resident accounts to the Agency for Payments. However, what the data appear to suggest is that the number of part-time self-employed firms was of much less importance than the number of firms without any recorded employment.² This clearly confirms that, to a great extent, 'zero' employment firms were 'empty', economically inactive firms, whose number has started to decline since 1998 and more recently with the 'cleaning' of the BRS.

Average Firm Size

The average size of manufacturing firms is analysed on the basis of the number of employees per firm (mean employment per firm). Labour shedding and retirements during economic transition and firm transformation in the Slovenian manufacturing sector were significant, and consequently the total number of employees in the manufacturing sector declined from 321,945 in 1987 to 177,121 in 2000, or by 45%. The greatest decline in employment in Slovenia occurred between 1987 and 1993. The most considerable decrease in employment in the manufacturing sector occurred in 1990 when the rate of employment growth amounted to (mi-

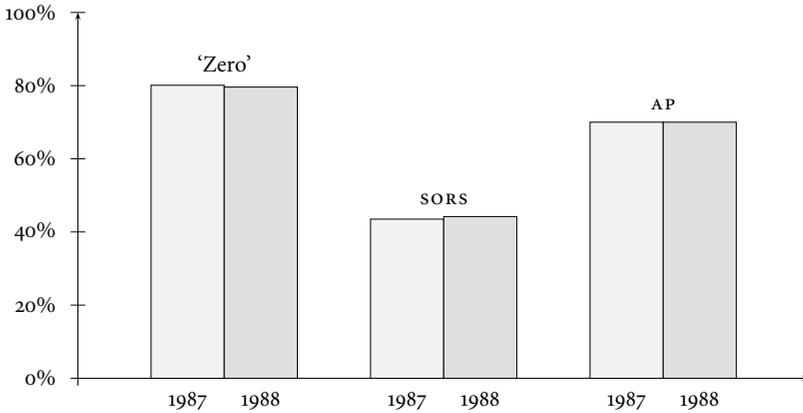


Figure 2: Discrepancies for the number of inactive manufacturing firms, 1997–1998

Notes: 'Zero' – percentage of 'zero' employment firms in total number of registered manufacturing firms; SORS – percentage of inactive firms with no employed person in total number of manufacturing firms as recorded by SORS; AP – percentage of active firms with recorded payments through resident accounts or final accounts by the Agency of Payments in the number of registered firms in the BRS.

Source: Authors' analyses on the basis of the data from the BRS, SYSLO 1997, and SYSLO 1998.

nus) –17.2%. Since 1997 the rate of employment growth has been positive, indicating a slight increase in the total number of employees in Slovenian manufacturing. As the number of employees declined and the number of firms increased at the same time throughout this period, it is logically the case that the average number of employees per firm declined. This is clearly revealed by the empirical results in Figure 3. Between 1987 and 2000 the mean number of employees per registered firm in the manufacturing sector declined from 199.5 employees to 22.3 employees. While at the end of the 1980s, an increase in the average size of the firm in terms of the employee number per firm is recorded, later during the 1990s the average size of the firm declined steadily. The most considerable difference in the average size of the firm occurred in 1990 due to the rapid increase in the number of 'zero' employment firms. This clearly indicates that the average size of the firm in terms of employment per firm is biased considerably towards the firms without employment. Some of them are new entries in a form of self-employment, while a large number of them are 'empty' firms, which exist only on a paper as a result of the transformation of existing enterprises and institutional changes, which made firm

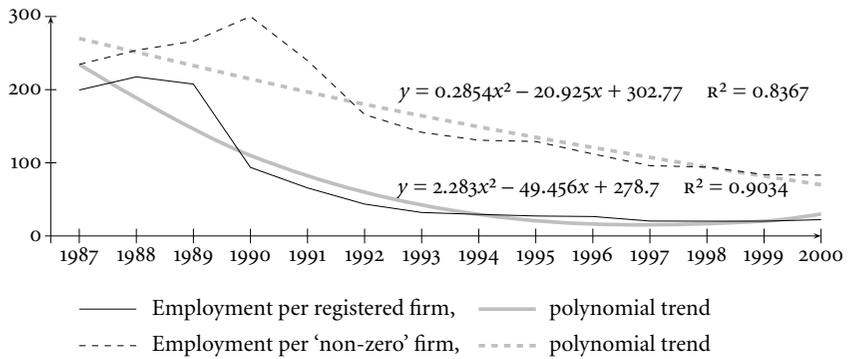


Figure 3: Mean employment in manufacturing, 1987–2000

Note: The values regard numbers of workers per firm.

Source: Authors' analyses on the basis of the data from the BRS.

registration easier. Some large enterprises were also left 'empty' by establishing a by-pass firm.

To exclude this potential bias towards the 'empty-zero' employment firms, and to estimate the sensitivity of the results, we present also the results of the average size of manufacturing firm in terms of employment per 'non-zero' employment firm. It is clearly visible from Figure 3 that the average size of the 'non-zero' employment firm is much greater than the average size in the whole sample of firms. The former declined from 234.5 employees per firm in 1987 to 83.1 employees per firm in 2000, while the latter declined from 199.5 to 22.3 during the same period, clearly showing that the gap, caused by the bias in the development of 'zero' employment firms, does exist, but after having first widened it has been narrowing. The average size of the 'non-zero' employment manufacturing firm increased in 1988, 1989 and 1990 when most of large socially owned enterprises were not being transformed and restructured. Some of them continued to grow. However, the average size of the 'non-zero' employment firm declined considerably in 1991 and in 1992. This is consistent with some fundamental institutional and policy changes leading to an extensive process of firm organisational transformation and firm restructuring imposed by the institutional and policy changes. Most large manufacturing enterprises underwent a process of reorganisation and restructuring in preparation for the process of privatisation. Later, the average size of the 'non-zero' employment firm continued to decline steadily. A convergence process between the two-trend lines (for zero and

non-zero employment categories) is clearly illustrated for the most recent years suggesting that some cleaning process is going on among the registered 'zero' employment firms.

Factors Affecting Changes in the Number of Firms and Their Size

As said, the main reason for the large difference in numbers of zero and non-zero employment firms, and consequently in the average firm size, are 'empty' firms, that is, the vast majority of zero employment firms are economically inactive firms without employment or without sales that exist only on paper and in the BRS. Many are private firms. Between 1989 and 1993, and to a lesser extent later, several firms were set up, which have never been economically active either in terms of generating jobs or in sales. This gap consisting of zero employment firms overestimates the growth of newly established firms. A certain cleaning of the BRS can be noticed after the year 1998, when the peak in the number of private 'zero' firms was achieved.

During the period analysed here, several changes have taken place within the institutional and legal frameworks and in governmental policies, which have affected the dynamics of firms. Among the main institutional and policy changes related to the dynamics of manufacturing firms are: requirements for setting up firms, bankruptcy and bankruptcy procedures, government rehabilitation policies associated with potential state subsidies, competition and trade policies.

LIQUIDITY, LOSSES, BANKRUPTCY AND BANKRUPTCY PROCEDURES

A body of literature has developed on the role of initial conditions on transformation, and later recovery and economic growth (e. g. Aghion et al. 1994; De Mello et al., 2001; Falcetti et al., 2002). One often recorded constraint for Slovenian firms is the delay in receiving payments and the associated liquidity problems.³ The number of firms and the share of employment in illiquid companies with blocked giro accounts for more than five days was quite high in the first half of the 1990s (IMAD 1994, 21). As in other CEE countries, a large fraction of enterprises was faced with financial difficulties. While in the initial stage of transition most illiquid enterprises were large enterprises, later on, among the illiquid pool of enterprises, there also appeared many medium size and small firms with a smaller number of employees per illiquid firm.

The legal and regulatory basis for bankruptcy and bankruptcy procedures is one of the most crucial elements for efficient market selection process in market economies (e. g. Gray 1993; Coricelli and Djankov 2001; Maskin and Xu 2001). The legal and regulatory environment for bankruptcy and bankruptcy procedures in Slovenia has passed through different stages, which were largely related to the various bankruptcy laws and their implementation. Companies' bad liquidity position and financial disorder were an important systemic problem (e. g. Zizmond 1993). The bankruptcy law represents the key regulatory environment for the bankruptcy of enterprises as a process in which the interests of owners, borrowers and employees should be matched. Protection of employment or labour hoarding has been argued from public or national interest as a means to overcome the financial crisis and to sustain employment. Throughout the 1990s some manufacturing enterprises did go bankrupt, and falling employment appears to have been more the result of enterprise bankruptcy than of enterprise restructuring (EBRD 1998). Some of these enterprises were later re-established, but as a rule – particularly in labour intensive enterprises – they reduced the level of employment. Among capital-intensive enterprises, they were often heavy industry enterprises and loss-making enterprises during the longer period in the 1980s.⁴ While for labour intensive enterprises it was common to encounter labour shedding, for capital-intensive enterprises it was common to have the assets written off or reduced.

Some training/re-education programmes to re-qualify and train workers were developed and directed at labour intensive branches. However, due to the relatively high wages in Slovenia – a fact that alters international competitiveness – several labour intensive activities are still under the pressure of having a relatively low value-added to pay high wages and to compete in the international markets. Among such branches are the textile and footwear industries.

ENTERPRISE TRANSFORMATION AND GOVERNMENT RESTRUCTURING PROGRAMMES

The State Development Fund was an enterprise-restructuring agency for the restructuring of large-loss-making enterprises. The Fund took over several enterprises in financial difficulties for possible restructuring. In 1997 it was transformed into the Development Corporation of Slovenia (DCS) (Slovenska razvojna družba – SRD) for the financing and restructuring of enterprises that had not yet been privatised, as well as priva-

tised enterprises in financial distress (EBRD 1998). Large-scale enterprises in the aluminium, steel, and oil sectors were included in the rehabilitation process, relaxing firms' budget constraints, and in providing them with subsidies. The prevalence of soft-budget constraints was intended to maintain employment levels and lead to a gradual restructure of the enterprise. In some enterprises development centres were established or re-established (e. g. wood and textile industry) aiming at employee re-training and enterprise adjustment towards a greater ability to compete on developed western markets. With the abolishment of the DCS, the enterprises in the DCS are being transferred to privatisation investment companies, pension funds and some other agencies.

COMPETITION POLICY

Competition policy may allow firms easier entry into the market and exit from it. It is recognised by the existing literature that healthy competition increases competitive ability and leads to greater competitiveness (e. g. Bresnahan and Reiss, 1991; Aghion et al., 1997). Unfair competition via entrepreneurial restriction of competition reduces competitive ability and hence is a deviation or a violation of good business or trade practices. This can be due to market power by individual participants, systemic distortions, and distorted economic policies.

Competition policy and the protection of competition aim at allowing full existence of market competition, ensuring market discipline, and preventing of unfair competition in the interests of society, companies and consumers. Competition policy covers both the areas of anti-trust regulation (prohibition of monopolistic agreements and abuse of the monopolistic position) and regulation of (unfair) competition (prohibition of unfair competition), which is harmonised with EU regulations and their implementation.

TRADE POLICIES

During the 1990s, four events were of major importance to Slovenian trade, which have had implications on the restructuring, entry and growth of firms. First, there was the breakaway from the former traditional markets in the former Yugoslav republics. This caused demand shock for some enterprises previously largely selling products to these markets. Second, a new free trade initiative developed in the region, which resulted in the Central European Free Trade Agreement (CEFTA). This was beneficial for sales and growth of several manufacturing firms.

Third, at the end of 1994, Slovenia became a member of the General Agreement on Tariffs and Trade (GATT) and one of the founding members of the World Trade Organisation (WTO). With the WTO membership, trade measures have been transformed into more transparent and less discretionary trade policies. This has had more indirect effects on firms. Fourth, the widening and deepening of the East-West European integration was stipulated by the Association Agreements with the EU, and deepened through the negotiation process and the EU membership on the 1st of May 2004 with the adoption of the entire *acquis communautaire*. Manufacturing products constitute the most important item in Slovenian trade. While Slovenian firms had already developed some ways of cooperation with EU firms during the old system, these initiatives and adjustments to the EU membership have further boosted and created the growth of Slovenian merchandise trade with the EU-15.

OTHER GOVERNMENT POLICIES AND MEASURES

Among other government policies are fiscal and budgetary policies. More specifically, taxation policies can provide incentives or disincentives for the setting up and growth of newly established firms. Among important measures are also policies regarding the banking system, which can provide incentives or disincentives for firm development, serving them by providing loans to firms under internationally comparable competitive loan conditions.

Conclusion

This paper analyses the evolution of the total number of Slovenian firms establishing a clear distinction between firms with employment ('non-zero' employment firms) and firms without any recorded full-time employment ('zero' employment firms). In doing so the paper observes a large gap between the large total number of registered firms and the much smaller number of firms with employment. Thus, the crucial finding of this paper is that the recorded extremely fast growth of the total number of manufacturing firms in Slovenia throughout the 1990s was exaggerated. It is clearly illustrated that the number of manufacturing firms increased, but less substantially in real economic sense than was initially recorded by statistics. The increase in the number of economically active firms (i. e. 'non-zero' employment firms) was less substantial (albeit considerable) than the total number of firms thus indicating that a vast number of registered firms were never active in economic sense

throughout the 1990s. Indeed, particularly great was the increase in the number of 'zero' employment firms which to a large extent are 'empty' economically inactive firms that exist only on paper in the BRS, with the exception of some part-time self-employment firms. These 'empty' firms are of statistical nature, closely associated with the institutional deregulation associated with the transition process, allowing for easier firm's registration at relatively very low initial capital and other registration requirements.

It is necessary to mention that the increase in the number of 'non-zero' employment firms is related to a considerable increase in the number of privately owned firms. Indeed, several large manufacturing enterprises were transformed into various organisational units, and different newly established private firms were set up, which are typically smaller. The increase in the number of manufacturing firms and the reduction in the number of employees led to the decline in the firm size (i. e. in the number of the employees per firm) during the 1990s, which is however smaller if the 'zero' employment firms are disregarded. Note that a recent convergence process is taking place between the total number of registered firms and the total number of 'non-zero' employment firms, leading to the convergence of firm size measured by employment per all registered firms and by employment per 'non-zero' employment firms. This suggests that some 'cleansing' process is ongoing among the firms without recorded full-time employment or 'zero' employment firms.

With the Slovenian harmonisation of the institutional environment and implementation of policies in line with the EU, the market selection process in terms of firm entry and exit is again more dynamic. Since 1997, the rate of employment growth has been positive indicating a slight increase in the number of employees in Slovenian manufacturing. Further deregulation, strict implementation of the rules of competition and hence harder budget constraints may be expected to render the market selection process similar to what can be observed in the developed market economies.

Notes

1. Note that changes in the firm's name are not considered, but only changes in the firm identification number (ID). The comparison between the name of the firms and the ID of the firms suggests that many Slovenian firms (about one third) changed their names, but continued operating within the same firm's ID.

2. For the difference in the number of firms, the explanation in the SYSLO (1987–2003) seems to be a bit weak. It is argued that the discrepancy in data between the BRS and the Statistical Register of Labour Force (SRLF) arises due to the fact that the BRS comprises also inactive physical persons, and the SRLF comprises physical persons who have not yet been registered in the BRS, but have pension and disability insurance and health insurance. It is not clear by whom they are included in pension, disability, and health insurance. It is also not mentioned, that probably the main reasons for the difference are several newly registered firms by different kinds of employees, retired, students and similar persons, although several of these registered firms have never been active or finally stopped their activities, yet the firm's registration remains in the BRS. The latter argument is also more in line with the evidence from the register of resident accounts and final accounts at the Agency of Payments during the 1990s.
3. Inter-enterprise arrears and delay payments have been common during transition. For example, according to firm survey results recorded by Bojnec (2002), the typical delay payment period was about 43 days.
4. For similar problems in other CEE countries see Hughes and Hare (1992), Aghion at al. (1994), Carlin at al. (1995), Earle (1997), Caves (1998), and Coricelli and Djankov (2001).

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