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D00218



Distr.  
LIMITED

ID/WG.41/13  
CD/PMS(69)14.1

21 November 1969

ENGLISH

United Nations Industrial Development Organization  
Organisation for Economic Co-operation and Development -  
Development Centre

Expert Group Meeting on the Role and Promotion  
of Subcontracting in Industrial Development

Paris, France, 6-11 October 1969

**JOB CONTRACTING AND SUB-CONTRACT EXCHANGES**  
**IN ENGLAND AND WALES** ✓

by

E. Edwards  
Managing Director  
Central Production Information Registers Ltd.

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- 1 -

SUB-CONTRACTING AND SUB-CONTRACT PROMOTES IN  
ENGLAND AND WALES

1. Since the pattern of industry is generally firmly established, sub-contracting has little influence on the country's industrialization. However, in certain areas, where the type of industry is changing, or where there is little previous history of industry, sub-contracting, and especially subcontracting companies in Lancashire, we have changed from a predominantly ship-building and ship-repairing area, to one with two large automobile plants, food manufacturing, pharmaceuticals, etc. In North Wales, the use of slate-making, which involves, sheer hauling of the stone, and timber, saw companies are established, a situation which is slowly encouraging the growth of local sub-contracting activities.

Distances are small, and industry is concentrated in a few large centres, such as Manchester, Merseyside, the North East, Birmingham, etc.

Sub-contracting is generally of the capacity type, to make use of the excess capacity in the large companies, and especially to absorb production overloads. In the consumer and mobile industries, there is no way of scaling and reducing capacity (especially in the replacement machinery and equipment industries). There is also sub-contracting to outside specialist firms, such as castings and for the more than (outside the normal size range) machining operations.

Sub-contracting is generally considered a long-range activity. It is usually seen from the production viewpoint. Few companies consider their sub-contracting requirements, from the strategic standpoint, in the light of overall company policy. It is still a 'do it yourself' attitude in engineering companies. However, this attitude is slowly changing, due to the fierce competition and financial stringency. Several large companies, for example, have closed under-employed internal workshops, such as 'green iron' (cast-iron) foundries and heat treatment departments, and now make use of outside specialist contractors.

For locating sub-contractors, Buyers (or Job-Contract Managers) at present rely on their personal knowledge and outside contacts, built up over the years, on their company's files, trade and specialist journals and directories. There is little published on sub-contractors as such. It is a sort of 'word-of-mouth' absorbed by working in industry. The only recent work available on the volume of sub-contracting, is one reported by the consultants A.L.C. Ltd., during a Ministry of Technology investigation early in 1968. This was £500 million annually, for the engineering industry.

Present methods are just adequate, for the current volume and pattern of sub-contracting. However, if the use of specialist outside sub-contractors increases, through economic measures, the present methods of collecting and disseminating information will be quite inadequate. We shall then require an information center, such as that provided by the Sub-Contract Exchange.

From our experience since early in 1964, there is a real need for accurate and up-to-date information in the country, but there is little demand. This is because few companies appreciate the need for this type of information. Much time is wasted in searching for suitable sub-contractors, or in paying more than necessary for work placed out. There is also the needless waste of capacity which arises because of imperfect communication of its existence.

Although the Exchange idea can be applied to other industrial fields, besides engineering, we have no knowledge of any such systems operating in this country today. There is, we believe, an untapped source of clients for an Exchange, in the non-engineering companies, in banking, food-processing, pharmaceuticals, etc., who have engineering, that is possessed by specifically engineering companies.

THE FUNDAMENTALS OF SUB-CONTRACT EXCHANGES, AND  
THE VARIOUS ROLES THAT THEY CAN PLAY IN THE  
INDUSTRIAL DEVELOPMENT OF THE COUNTRY

1. There are in England and Wales today, only two Sub-Contract Exchanges, both operated as private profit-making ventures. We define here, an Exchange as any organisation (or part of an organisation) which on a continuous daily basis, collects and records engineering (and allied) capacity information, to enable it to answer its clients' demands for capacity or facilities, of all kinds. We are not concerned with published information.

The services that these Exchanges are able to offer, are of necessity severely restricted. The extended services (consultancy, advisory, technical information) which an Exchange (alone, or as part of an extension centre) can offer in a developing country, are already available from many other organisations and sources. The influence of these Exchanges on industrial development is negligible.

However, in the growing field of accurate and detailed capacity information, the Exchanges have a real and vital part to play. One field, which is an extension of this role, is that of licensing, where the detailed knowledge possessed by the Exchange, and allied to personal contact, can be a valuable asset to a foreign industrialist seeking suitable licensees.

There is also a small but growing traffic in international sub-contracting, on a random-access basis. We at C.P.I.R. have working contacts with Exchanges in Sweden, Holland, Spain, and especially with the *Bourse de Sous-Traitance de l'Etat de Nancy*.

One of the biggest problems which we have to surmount, is the continuing conception of the Exchange, by most companies, as an automatic work-finding service. This is, of course, not so, but is a widely held view, even amongst the large companies. They are generally considered to be the sources of work, the initiators of enquiries, which enable the Exchange to function. If Sub-Contractor Exchanges are to succeed in England, it demands a realisation, at least by the large organisations, that similar list sub-contracting can save money. It demands a rejection of sub-contracting as a low-grade side-way. Sub-contracting is big business, and organised sub-contracting is vital to any twentieth century industrial society. There still exists the convention that the sub contractor 'pays' in some way, for work received. There is little acceptance that one should pay for information.

The range of enquiries handled by the Exchange, extends far beyond the usual mechanical engineering facilities and operations. We deal with, for example, enquiries in electronics, hydraulics, fluidics, and the design and manufacture of special machines. Generally, user companies make insufficient use of the Exchange's services, and take too narrow a view of its facilities.

As Members begin to realise and appreciate the capacities of the Exchange, by its ability to solve 'difficult' problems, the enquiries become more far ranging, and include the supply of special steels, tubes and pipes, packaging problems, materials handling systems etc.

We also receive enquiries for 'bought-out' components (standard catalogue components) such as electric motors, valves, pumps, etc. In fact, one may have to restrict the range of enquiries which some Members put to the Exchange!

The attitude of official bodies has generally been one of indifference, probably based on lack of knowledge of the role of sub-contracting in engineering, and hence, of the part to be played by an Exchange in assisting this. If the Exchanges are to have any industrial impact, we need a change of heart, akin to education, on the part of both industry and officialdom.

One valuable asset of an Exchange, as with any other organisation in close touch with industry, is the detailed knowledge and personal contact, allied to trust which exists between the Exchange's staff, and the industrialists it serves. However large, or small, a company, the ultimate contact is between two men. Although, as stated earlier, the services that

an Exchange in England can offer, are restricted by the multiplicity of consultancy, advisory and technical information services, already existing, we consider that there is scope for extending its services into the field of small-business-oriented consultancy, which is not well developed in this country.

Although the growth of the Sub-Contract Exchange idea, has been disappointingly slow, there is gradually a realisation of the benefits of its services. The Sub-Contract Exchange is only one facet of the present day trend to the centralisation of specialised information, which is evident throughout the world today.







6 . 4 . 72