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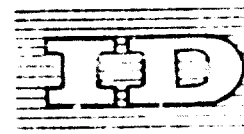
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SUBCONTRACTING
BETWEEN SMALL-SCALE AND CENTRALLY-PLANNED INDUSTRY
IN POLAND^{1/}

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I. INTRODUCTION

1. The Polish industry comprises centrally-planned - or the so called "key" industry - and regionally planned small-scale industry. The centrally-planned industry is under direct administration of associations of respective branches of industry which in turn are subordinated to the appropriate industrial ministries, e.g. Ministry of Heavy Industry, Ministry of Light Industry, Ministry of Food Industry, etc.

The small-scale industry represents a part of small-scale manufacturing activities and is under straight direction of regional councils, or municipal, working under general co-ordination of the Committee of Small-scale Industry, a body with ministerial powers. The socialized small-scale industry consists of regional state-owned enterprises and enterprises owned by co-operatives. The small-scale manufacturing comprises beside the socialized industry all handicraft trades and private-owned industry.

2. The term "subcontracting" - or industrial co-operation - in the current use in industry in Poland covers all types of relations between enterprises leading to supply by subcontractors of parts, components, assemblies and accessories to be used in the production of final products by the contractor. It is a rather broad term with vaguely set limits.

According to the aim of the conference the present paper deals with the problem of subcontracting - or industrial co-operation - in Poland only between the centrally-planned and the small-scale industry, leaving the question of subcontracting within the sector of centrally-planned industry outside of its scope.

3. The production of goods destined for the supply of industry, building industry, agriculture and municipal economy amounts to over 25 per cent of the whole output of the small-scale industry, and its share in the national production of capital goods reaches at present the level of about 5,4 per cent.

The products manufactured by the small-scale industry belonging to the group of "capital goods" are as a rule small implements, tools, parts and elements for machines and equipment, spare parts for motor vehicles, casings for electronic equipment and various other items. Although the share of these deliveries does not represent yet a sizable percentage in total value of such manufacture, they are indispensable for the industry and other branches of national economy, and that is why the demand for them is continuously growing.

4. The products manufactured by the small-scale industry for the supply of the key industry within subcontracts are delivered either directly to the customer (contractor) or sold through intermediary of respective branch supply and delivery bureaux. The

biggest share in the production of small-scale industry destined for the key industry belongs to the electro-mechanical, chemical, wooden products and rubber industries.

II. CO-OPERATION BETWEEN SMALL-SCALE AND CENTRALLY-PLANNED INDUSTRY

b. Co-operation between small-scale and centrally-planned industry in Poland takes various forms. The most important of them are:

- arrangements on co-operation,
- branches agreements and
- contracts between respective enterprises.

c. Arrangements concerning assignment of tasks to centrally-planned and small-scale industry have as their aim the proper utilization of the production capacities of both sectors of industry. It is being done by means of allocation to enterprises of varying size and different equipment of such lines of production and types of products which they are best fitted to produce. Arrangements of this type are concluded as a rule at the level of industrial ministries or in some cases - that of associations of enterprises.

The examples of such arrangements are given by allotment schemes of production in the engineering and electro-technical industry concluded by the Ministry of Heavy Industry, Ministry of Engineering Industry on one side and the Committee of Small-scale Industry on the other. Similar allotment was agreed upon in the sphere of wooden products and furniture industries between the Ministry of Forests and Paper Industry and the Committee of Small-scale Industry. Furthermore such apportionment of production programmes was effected in the garment and other industries.

d. The so called "branch agreements" are concluded at the level of associations of enterprises and in some cases that of enterprises themselves. Large and small state-owned and co-operative enterprises producing similar lines of goods enter into close contact in order to organize market research, secure supplies of raw materials and accessories, render technical and organizational assistance and - basing on mutually agreed division of production programme - to create conditions favouring specialization of separate industrial enterprises.

e. The assignment of production programmes and specialization of production arising i.e. from co-ordinating arrangements and branches agreements lead to the growth of industrial co-operation (subcontracting) between large and small enterprises. The large enterprises order with smaller firms the manufacture of certain parts needed for assembly of final products or carrying out of specific technological operations. In this way the small-scale industry provides the enterprises of the key industry the

equipment for shipyards and harbours, electro-technical components for ships, parts and accessories for the automotive industry as well as iron and non-ferrous metals castings and screws for numerous branches of industry. It specializes itself in subcontracting deliveries of packaging made of metal, timber, paper and plastics.

Furthermore, the small-scale industry performs for the key industry (or its suppliers) various maintenance and painting works, e.g. for shipyards, tinning of metal objects, surface galvanizing, various forms of machining of metals, erection of structures and other services.

The most important contractors of the small-scale industry within the frame of subcontracting schemes are the automotive and the shipbuilding industries. Other contractors of parts and components are the precision, agricultural machinery and electro-technical industries followed by foundry, furniture, chemical and building materials industries.

9. There are two principal forms of subcontracting arrangements between the key and the small-scale industry, namely:

- subcontracting programmed by both sides,
- non-programmed, including casual, subcontracting.

Programmed co-operation results from allotment of tasks and branch agreements, defining the frame and size of subcontracting deliveries. The co-operation programmes take concrete shape in the long term and annual plans worked out by associations of enterprises in the key and small-scale industries. The implementation of these plans takes place through specific contracts signed between the enterprises of the key and the small-scale industry.

10. In order to secure the deliveries within the subcontracting schemes the key industry renders assistance in various forms. This comprises supplies of raw materials and accessories, machines and equipment as well as technical and organizational aid, expressing itself in technological instruction, training of personnel, supplying of technical documentation, workshop blueprints, etc.

11. The small-scale industry enters into contacts with potential contractors from the key industry in various forms. A part of subcontracting ties is co-ordinated and supervised by associations of enterprises having leading status in respective branches. The subcontracting in the shipbuilding and automotive industries, affording extended contacts with various branches of industry, is organized and co-ordinated by interministerial commissions called into existence specially for this purpose. The example of this presents the subcontracting in the shipbuilding industry extending to metalworking, chemical, wooden products, rubber and even

textile and leather industries.

The interministerial commissions make efforts to rationalize the ties between co-operating sides and to make them profitable for both the contractor and the supplier. They arrange for contacts between enterprises sufficiently prepared for such forms of co-operation and located at not too long distance, etc.

12. Many contacts between contractors from the key industry and suppliers from the small-scale industry, especially for casual deliveries, result from the initiative of interested enterprises of the key industry. Contractors interested in supplies within subcontracting schemes obtain necessary information from local councils or bodies supervising the small-scale industry, through press advertising, visiting of plants of the small-scale industry at national and special exhibitions and exchanges, etc. Besides, the key industry organizes at fairs and exchanges exhibits with samples and models of elements, the supplies of which are sought from enterprises of the small-scale industry.

11. RECENT TRENDS AND DEVELOPMENTS

13. During the last few years a marked tendency of growth of industrial co-operation and subcontracting between the key and the small-scale industry has been evident. It is a result of large increase of industrial production and acceleration of technological program, especially in the engineering industry. The acceleration of technological progress creates for the small-scale industry the difficult problem of rationalization of its production, especially of final products destined for the market. These difficulties are augmented by the scarcity of investment means available for industry and by the rise of interest rates for investment credits resulting from the policy aimed at improvement of investment structure and portfolio.

This development leads to assumption that the size and share of subcontracting deliveries in the total production of the small-scale industry in Poland will be on the increase. In consequence it is expected that the forms of long-term arrangements with the key industry will be growing too.

14. At present a discussion in Polish professional press is being carried on the subject of production profile of the small-scale industry, with special emphasis on co-operation with the key industry. In this discussion the positive sides and advantages of the small-scale industry are being strongly underlined. It is pointed out that for instance the cost of creation of a working place in the small-scale industry is much lower in comparison to such a cost in the key industry. This characteristic of the small-scale industry is of a great practical importance for the industrialization of certain underdeveloped regions of our country, especially the central and eastern parts of Poland possessing local surpluses of manpower.

These problems were presented recently among other at the UNIDO seminar in Warsaw in July 1969 for representatives of French-speaking African, Asian and Latin American countries as well as at other seminars organized by UNIDO, (Geneva, 1966 and Vedbaek, Denmark, 1967).

15. In the discussion on the effectivity of production of the small-scale industry the problem of higher increase of production per investment unit as compared with the key industry was raised too.

16. In this discussion the necessity to concentrate on development of services for the population in the sphere of maintenance and repair and on strengthening ties with the key industry are strongly underlined. It is stressed that in the light of fast technological progress it is necessary for small-scale industry to reach for support of big industrial enterprises and even whole industrial branches. It is relatively easy for a small workshop or factory to organize production of one or several simple items on a large scale or even to produce unitary or short series equipment on the condition, however, that the construction and technology of production come from technologically advanced factories of the key industry or their design and technological departments.

17. As far as the mass production of household appliances and other consumer goods as well as serial production of machines and equipment is concerned, the theoretical opinion and the practice in Poland agree that such production must be placed to large enterprises with utilization of workshops and factories of the small-scale industry for subdeliveries of parts and elements needed for assembly of final products.

18. Mutual contacts and ties between the small industry in Poland are facilitated by existence of socialized form of ownership of the small-scale - both the state-owned and co-operative - industries and by inclusion of these industries in the process of economic planning.





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