

EAST EUROPE

POLAND

3 February 1967

CHANGES IN THE ORGANIZATION OF INDUSTRIAL
ASSOCIATIONS IN POLAND

Summary: In December 1966, the Council of Ministers of the Polish People's Republic adopted a resolution concerning the principles of organization and the function of industrial associations. The resolution -- based on the directives of the Fourth Congress of the PUWP and the Fourth Plenum of the CC of the PUWP -- introduces a number of essential changes in the organization and management of industrial production. In particular, attention is drawn to the stress placed on greater independence for the associations and their closer ties with enterprises.

According to the resolution, the associations are to lose their administrative character and are to become genuine initiators and organizers of production.

Two results of these changes are the establishment of certain limitations on the prerogatives and executive powers of the ministries to the advantage of the associations and a simultaneous narrowing of the independence of enterprises. In practice, this means the associations have increasingly become the central link in the material production area. It seems that despite a lack of the spectacular the changes described below may have an essential influence on the establishment of a greater degree of order in the Polish economy.

X X X

The 7 December 1966 resolution of the Council of Ministers on the subject of the principles governing the organization and functions of industrial associations(1) conclusively defines the trends and the scope of organizational changes included in the above-mentioned Party documents. Despite the existence of a draft of the resolution at the time of the Fourth Plenum of the PUWP, it was

(1) Monitor Polski, No. 69/66, Item 327, and Zycie Gospodarcze, No. 2/799 of 8 January 1967.

finally passed only after more than a year of continuous additions and modifications. One might argue that, on the one hand, there still exist divergences among the economic leadership as to the final scope of change or, on the other hand, an unprecedented, careful preparation of industry was made for the approaching changes. There is not the slightest doubt that it would be more reasonable to introduce the changes affecting the associations and enterprises simultaneously with the introduction of the new system of financing the national economy.⁽²⁾ The resolution on associations, though passed in December 1966, will be implemented gradually and it would appear that industrial associations will not operate according to the new regulations before the second half of the current year.

In the Polish system of economic management, there are three basic, direct organizational levels: the ministry, the association of enterprises and the enterprise itself. The intermediate position of the association gives it a dual function, representing: the interests of the state vis-à-vis the enterprise and the interests of the enterprise in relation to the state. One issue arising from this dilemma was, until now, the question of the supremacy of a state representative, making the association into one more link in the state administration. This development provided the central economic administration with more trouble than satisfaction. The main problem was that there was, for all practical purposes, no one with whom to discuss the concrete problems of production, technological progress, etc. An enterprise was too small to become deeply interested in all-national and all-branch problems and the association was generally insufficiently aware of the practical production problems involved, because its role was more that of a supervisor and less that of an organizer of production. As a result, there was a lack of sufficient coordination in the activities of producers and this led to a slow attrition of the integrational processes. In part, this occurred because the organizational structure in industry does not correspond to that of the branch. Very often, the same item, or products which are very similar from the technical point could be found as part of the production assortment of enterprises supervised by different industrial associations. This obviously complicated both the supervision and the determination of optimal programming of production.

One should also keep in mind that the deceleration of integration processes, which also adds to production costs, was due to the tendency of individual enterprises to maintain full economic independence. This was evident when separate transportation, supply departments, repair workshops, etc., were created for every producer.

x x x

(2) See, for example, EERA Background Report, "New Credit Forms for Polish Foreign Trade Enterprises," of 11 November 1966.

Below are the main changes introduced by the new resolution:

1. The economic integration of enterprises within an association can be found in the provision providing for the establishment of a single general plan for the association, which, in turn, is broken down by the association into individual enterprise targets. In the field of planning, the prerogatives of the board (kolegium) of the association (made up of the directors of single enterprises and others) which include the right to decide on the distribution of tasks and the means of fulfilling them among the associated enterprises. In the future, the plan and the accounts are to exclude production values arising from internal transactions between the enterprises belonging to the same association.

2. The resolution anticipates the possibility of alternative individual organizational solutions. The form of the multiple-enterprise association is to be continued. However, in exceptional cases, a single enterprise may be granted the status of an association and may be supervised directly by the ministry. Coordination prerogatives for a given assortment are necessary and a particular enterprise will be chosen to provide guidance in the production of a given product group.

The resolution also makes it possible to include units within an association without a separate legal identity. These units would be managed directly by the central offices of the association which would, in this case, assume the role of a direct production manager.

3. The director of an association receives broader prerogatives on questions dealing with cadre policy, the adjustment of the activities of the association to meet conditions which were not anticipated by the plan, production specialization and coordination, etc.

An essential prerogative, which heretofore was reserved for ministerial use, now permits a director of an association to re-direct "productive means" from one enterprise to another within an association.

4. Certain modifications have already been introduced in the system of planning and application of indices. Apart from the already mentioned "total" character of the plan, there is the noteworthy requirement that a guiding association prepare a draft plan for the branch without regard for the organizational ties of the individual units. Associations have also been directed to prepare draft plans (both long-range and annual) even before central directives have been drafted.

A very strong emphasis has also been placed on the importance of contracts as part of planning (between an association and cooperating units, an association and domestic or foreign enterprises, etc.).

5. Directive indices are to be established for the association as a unit. These are broken down by the association and assigned to the member enterprises. The few so-called "central"

investments, and the employment and wage fund indices applying to the central office of an association are determined on an individual basis.

The composite directive index is to be the profitability index. There is the interesting, clear differentiation between the indices which define maximum target levels and the comparative indices which define only the relationship between various actual targets and whose implementation should be attained in proportion to the actual target fulfillment.

6. Associations have been empowered to establish planning methods on their own, although without increasing the number of directive indices for enterprises above that established centrally for the association. The only exception to this limitation affects the assortment of goods.

7. The association's scope of action and its responsibility for the fulfillment of domestic and foreign trade needs has been expanded. The associations have been empowered to apply policy for the entire industrial branch and not merely for the enterprises grouped in them. In connection with this, the associations have been permitted to have their own branch warehouses, sample display shops, supplementary supply enterprises, export storage, spare parts warehouses, etc. The resolution also provides for relating the results of the work of associations to the level of foreign sales.

8. The scope of activity of the associations in supplying and servicing enterprises and associated members (i.e., enterprises belonging to the same industrial branch but not members of the given association) has been extended. They are permitted to organize specialized transportation facilities, repair shops, accounting centers, advisory offices, etc.

9. In order to strengthen the role of the associations, it has been decided to require their participation in the work and discussions of state offices and institutions dealing with the problems of the industrial branch.

10. There is a very interesting decision in the resolution, empowering the association director to determine internal prices for transactions within the association and, more important still, wholesale and retail prices for the domestic market. No information, however, is provided on the degree this association's prerogative will limit the powers of the State Price Commission. Details are to be worked out within the next six months.

x x x

As a result of the above changes, associations should become producers in the real meaning of the word. From an organizational point of view, a better term would be "collective producer."

Although there is no doubt that the adoption of the resolution is a positive step, it is difficult to anticipate the degree to which

positive changes may result. It is apparent in practice that it is not so much the lack of independence and prerogatives which hampers the development of initiative and the feeling of economic responsibility of the producers, as the widespread inclination, supported by past experiences, to select the most common solutions, best guaranteeing an advancement of personal career. It is a well-known fact that, even in the case of the earlier possibilities and prerogatives, many of them were not taken advantage of, simply because of general, excessive prudence on the part of production organizers.

An additional factor which makes determination of the possible effects resulting from implementation of the resolution more difficult is the lack of a decision defining the necessary and inevitable reduction of ministerial prerogatives. This matter may be decided in a Council of Ministers' resolution at a later date, probably soon after the resolution on associations has been implemented more generally.

Antoni Marek