Polish Chamber of Shoe and Leather Industry

Social & Environmental Report of the Polish Leather Industry

2010
Foreword

This report has been prepared by the Polish Chamber of Shoe and Leather Industry (PIPS) in the framework of the COTANCE-ETUF:TCL Social Sectoral Dialogue (SSD) project “Social & Environmental Reporting in the European Leather Industry” developed with the support of the European Commission – DG Social Affairs.

The data presented in the report are based PIPS’s own studies, on official statistics issued by the Central Statistical Office in Poland, on statistics from the Information Centre of Custom Service and those presented in Social & Environmental Reports filled in by Polish companies.

The Polish Leather Industry is represented by the Polish Chamber of Shoe and Leather Industry (PIPS).

The Polish Chamber of Shoe and Leather Industry is a non-profit trade association representing the Polish footwear and leather industry. PIPS gathers footwear manufacturers, leather goods and clothing producers, tanneries, suppliers of chemicals, accessories, machines and others. The Chamber's aim is to support its members by a variety of activities.

PIPS offers:
- representation in contacts with governments, national and international organizations,
- facts and figures on the Polish leather industry
- footwear and leather news
- advertisement in promotion materials of PIPS and on the official website (www.pips.pl)

PIPS organises
- professional trade courses and trainings,
- trade meetings and conferences,
- exhibitions and fairs in Poland and abroad

PIPS cooperates with
- the Polish Trade Press (Świat Butów, Przegląd Wiadomości Włókno Odzież Skóra, Rynek Mody, Moda & Dodatki, Miesięcznik Rodzice, Gazeta Wyborcza, Rzeczpospolita, Puls Biznesu)
- Reasearch Institutes and Scientific Units, especially with CLPO, IPS, Politechnika Radomska, Zespół Szkół Przemysłu Skórzanego w Krakowie, Akademia Sztuk Pięknych w Łodzi

PIPS is a member of the European Footwear Manufacturers Confederation (CEC) and cooperates with COTANCE.
Thanks to PIPS cooperation with international organisations and research institutes as well as governmental units it is able to monitor and gather statistical information on the leather sector in Poland.

PIPS main aim is the active support for the Polish footwear and leather industry and its effective promotion in Poland and on international markets.

Membership in PIPS gives various advantages to its members:

- Representation in contacts with governments, national and international organizations,
- Constant access to the current trade information
- Free statistical data on Polish and European Leather Industry
- Discounts for courses and training organised by PIPS
- Advertisement in marketing materials of PIPS and on its website
- Participation in trade events organised by PIPS

The Polish Chamber of Shoe and Leather Industry is not yet a COTANCE Member but it subscribes already to the Framework Agreements adopted by COTANCE and ETUF:TCL. These include the Social Code of Conduct signed in 2000 and the Social & Environmental Reporting Standard underwritten in 2008. The latter foresees its progressive implementation at company level on a voluntary basis.
Introduction

THE POLISH LEATHER MARKET - A SHORT HISTORY

TANNING INDUSTRY

After the First World War the situation of tanneries in Poland was very difficult. Financial situation in the period 1924/1925 was critical. The smallest tanneries were forced to stop their production because of lack of own capital and other financial sources. In the second half of 1926 the situation began to improve thanks to the implementation of customs duties, which limited exports of skins and hides. In 1937 there were 306 tanneries in Poland, employing 7313 blue-collar workers and 564 white-collar workers. The biggest and the most modern tanneries were located in Warsaw, Radom, Krakow and Bydgoszcz.

After the Second World War there was a deficit of skins and hides. Over 90% of all tanneries were nationalized. At this time huge tanneries were created in Kępiçe, Leszno Górne, Dębica Kaszubska. At the beginning of the Sixties enormous tanneries were built with daily processing of 40-75 tons of raw materials. Such tanneries were located e.g. in Włodawa, Radom, Lubartów and Krakow.

After 1980 the majority of bigger tanneries could not deal with market competition and as a result went bankrupt, e.g. tanneries in Gniezno, Dębica, Lubartów and Radom. They were replaced by many small family businesses. However the last years of 20th century were rather difficult for the Polish tanning industry because of various reasons (decrease in footwear production in Poland, deficiency of raw materials).

Estimated balance of raw and wet-blue hides and skins prepared on the basis of export and import statistics issued by the Information Centre of International Trade (Centrum Informatyki Handlu Zagranicznego) and on the basis of production data by the Central Statistical Office in Poland (GUS)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Production of hides and skins:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- soft</td>
<td>ths/ m²</td>
<td>13 400</td>
<td>11 600</td>
<td>8 900</td>
<td>8 700</td>
</tr>
<tr>
<td>- hard</td>
<td>tons</td>
<td>600</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>2. Output from 1 kilo of raw hides and skins;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Soft skins</td>
<td>kg/kg</td>
<td>20,2</td>
<td>20,5</td>
<td>19,4</td>
<td>19,3</td>
</tr>
<tr>
<td>- Hard skins</td>
<td>kg/kg</td>
<td>0,333</td>
<td>0,333</td>
<td>0,333</td>
<td>0,333</td>
</tr>
<tr>
<td>3. Skins &amp; hides consumption in finished production</td>
<td>tons</td>
<td>67 800</td>
<td>57 200</td>
<td>46 500</td>
<td>45 800</td>
</tr>
<tr>
<td>4. Export of raw hides &amp; skins</td>
<td>tons</td>
<td>4 860</td>
<td>7 500</td>
<td>9 650</td>
<td>9 530</td>
</tr>
<tr>
<td>5. Import of raw hides &amp; skins</td>
<td>tons</td>
<td>23 180</td>
<td>14 400</td>
<td>13 400</td>
<td>24 500</td>
</tr>
<tr>
<td>6. National purchase of hides&amp;skins(resultant value)</td>
<td>tons</td>
<td>50 480</td>
<td>50 300</td>
<td>47 750</td>
<td>30 830</td>
</tr>
</tbody>
</table>
Polish Tanneries are small and medium sized enterprises and both are represented in the Polish Chamber of the Shoe and Leather Industry.

FUR INDUSTRY

The Fur industry in Poland used to have a rather folkloristic and domestic character apart of a few bigger enterprises in Warsaw and Poznan. In 1937, 8,6% of all people employed in the leather sector worked for the fur industry. Production of skins was based mostly on imported materials, which covered 75% of the national demand. Industrial production of fur developed not earlier than after the Second World War. Most of the production was used by the Footwear Trade Centre (Centrala Handlu Obuwiam). One could export his products only by the agency of THZ Skórimpex in Lodz or Coopexim in Warsaw. Fur garments and accessories were sent to Great Britain, France, RFN, Italy, Switzerland, ZSRR, USA and Canada.

The Fur industry was destroyed during the Second World War, afterwards it was scattered, then step by step became more modern and was concentrated in state-owned factories. At the beginning only rabbit and sheepskins were processed. Later on, the import and fur animal husbandry increased and the assortment was widened. The Fur industry in Poland evolved in the context of the centralized system until the year 1989. After the year 1990 the fur industry passed through a crisis because of lack of fashion for fur garments (green movement) and the impoverishment of society. Scattered sheepskin industry survived thanks to exports to the East.

FOOTWEAR INDUSTRY

From the very beginning, the footwear sector was very important in Poland. Firstly shoemaking developed as an independent craft. Shoemakers began later on to associate in fraternities. The first fraternities were formed at the turn of the XIII and XIV centuries. At this time shoes usually consisted of straps and thongs. Mechanization of shoemaking on Polish lands started at the end of the XIX century. This process was limited to sewing simple uppers, fixing soles and heels. First manufactures operated in Warsaw, Krakow, Poznań, Bydgoszcz, Radom and Starogard Gdański. In these manufacturing plants employment ranged from a few workers to tens of people.

After the Second World War production capacity was very low and mainly based on former factories of “Bata” in Chelmek and Radom. In 1951 new enterprises of various profiles were built. Mostly these were large factories with production levels of 4-10 million pairs of shoes per year. These factories were located in Nowy Targ, Gniezno, Słupsk, Będzin, Chelm and Lodz and they produced shoes mainly for the USSR.

Political and economic changes from the Eighties and Nineties led to the bankruptcy of those factories as they were over-staffed and could not survive in a market economy. It was the time when an intensive transformation of the leather industry began. In 1990 the public sector constituted 90% of all factories and companies, ten year later, in 2000 public enterprises constituted only 7%. Many modern, private companies started their business at that time and have been successful till today.
Balance of the footwear sector in Poland (in million pairs):

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production in general</td>
<td>69.9</td>
<td>71.9</td>
<td>57.1</td>
<td>50.4</td>
<td>46.7</td>
<td>92.7</td>
</tr>
<tr>
<td>Export</td>
<td>22.4</td>
<td>27.5</td>
<td>28.3</td>
<td>30.0</td>
<td>29.5</td>
<td>98.3</td>
</tr>
<tr>
<td>Import</td>
<td>113.8</td>
<td>99.0</td>
<td>103.8</td>
<td>63.5</td>
<td>54.1</td>
<td>85.2</td>
</tr>
<tr>
<td>Supply in Poland</td>
<td>161.3</td>
<td>143.4</td>
<td>132.6</td>
<td>83.9</td>
<td>71.3</td>
<td>85.0</td>
</tr>
</tbody>
</table>

The Polish footwear industry is concentrated in a few main regions: Czestochowa, Myszków, Łaskarzew, Kalwaria Zebrzydowska, Słupsk and its surroundings, part of the center of Poland and the region of Podhale.

**PRODUCTION DATA OF THE LEATHER INDUSTRY IN YEARS 2009-2007**

<table>
<thead>
<tr>
<th>Nr</th>
<th>Specification</th>
<th>unit.</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>% 2009/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Manufacture of footwear (including rubber footwear)* Shoes with leather upper*</td>
<td>in mln par</td>
<td>43,5</td>
<td>36,5</td>
<td>35,8</td>
<td>-1,9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>15,1</td>
<td>13,7</td>
<td>11,4</td>
<td>-16,7</td>
</tr>
<tr>
<td>2.</td>
<td>Shoes with textile upper (excluding sport shoes)*</td>
<td>in mln par</td>
<td>8,8</td>
<td>7,0</td>
<td>8,7</td>
<td>+24,2</td>
</tr>
<tr>
<td>3.</td>
<td>Average paid employment**</td>
<td>in tys.</td>
<td>14,4</td>
<td>13,9</td>
<td>11,0</td>
<td>-20,8</td>
</tr>
<tr>
<td>4.</td>
<td>Average monthly gross wages and salaries**</td>
<td>in zł</td>
<td>1687,3</td>
<td>1851,09</td>
<td>1949,15</td>
<td>+5,2</td>
</tr>
<tr>
<td>5.</td>
<td>Turnover profitability rate gross**</td>
<td>%</td>
<td>6,3</td>
<td>4,2</td>
<td>5,6</td>
<td>+33,3</td>
</tr>
<tr>
<td>6.</td>
<td>Turnover profitability rate net**</td>
<td>%</td>
<td>5,3</td>
<td>3,6</td>
<td>4,7</td>
<td>+30,5</td>
</tr>
<tr>
<td>7.</td>
<td>Financial liquidity ratio of the first degree**</td>
<td>%</td>
<td>19,8</td>
<td>27,2</td>
<td>37,3</td>
<td>+36,6</td>
</tr>
<tr>
<td>8.</td>
<td>Financial liquidity ratio of the second degree**</td>
<td>%</td>
<td>81,1</td>
<td>98,3</td>
<td>111,4</td>
<td>+13,3</td>
</tr>
<tr>
<td>9.</td>
<td>Total investment outlays** - on machinery and technical equipment</td>
<td>in mln zł</td>
<td>108,6</td>
<td>73,1</td>
<td>54,2</td>
<td>-25,8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>44,2</td>
<td>38,7</td>
<td>26,1</td>
<td>-32,5</td>
</tr>
<tr>
<td>10.</td>
<td>Leather, of bovine animals or of equine animals, without hair*</td>
<td>in mln ton</td>
<td>11,2</td>
<td>13,6</td>
<td>14,6</td>
<td>+7,3</td>
</tr>
<tr>
<td>11.</td>
<td>Unsplit bovine leather for shoes (excl. whole hides)*</td>
<td>in mln ton</td>
<td>4,7</td>
<td>6,6</td>
<td>7,5</td>
<td>+13,6</td>
</tr>
<tr>
<td>12.</td>
<td>Production – bovine splits*</td>
<td>in tys m2</td>
<td>1221</td>
<td>890</td>
<td>914</td>
<td>+2,6</td>
</tr>
</tbody>
</table>

* For companies with employment above 10 people
** For companies with employment above 49 people

**POSITION OF THE POLISH FOOTWEAR INDUSTRY IN 2009**

- Poland is the fifth largest footwear producer in Europe, just after Italy, Spain, Portugal and France.
- Volume of Polish Footwear production in 2009 was at the level of 35,8 mln pairs.
• 11.4 mln pairs of the total production volume are footwear with leather uppers.
• The Footwear sector in Poland provides employment to approximately 40 thousand people working directly in shoe factories as well as companies strictly related to the leather industry (e.g. producers of components, chemicals, glues, soles etc.)
• Imports of footwear from China to Poland in 2009 amounted to 74.34 million pairs (2008: 67.82 million pairs)

**Footwear production in Poland (in mln pairs)**

<table>
<thead>
<tr>
<th>PRODUCTS</th>
<th>Unit of measurement</th>
<th>I-VII</th>
<th>VII 2009=100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Footwear (including rubber)</td>
<td>in mln pairs</td>
<td>18.38</td>
<td>95.3</td>
</tr>
<tr>
<td>Of which footwear with leather uppers</td>
<td>in mln pairs</td>
<td>4.97</td>
<td>88.3</td>
</tr>
</tbody>
</table>

*For companies with employment above 49 people

**General indexes:**

- Inflation rate % in Poland (2009 – 3.5%, VII 2010 – 2%)
- GDP Fixes prices (2009 – 101.7; VII 2010 – 103.0)
- Unemployment % in Poland (2009 - 11.9%, VII 2010 – 11.4%)

**INSTITUTIONAL STRUCTURES**

The Polish Chamber of Shoe and Leather Industry (PIPS) was founded in 1989 and since then has been actively supporting its members and the whole leather and footwear industry in Poland.

The Polish Chamber of Shoe and Leather Industry is a non-profit trade association representing the Polish footwear and leather industry. It gathers footwear manufacturers, leather goods...
clothing producers, tanneries, suppliers of chemicals, accessories, machines and others. The Chamber's aim is to support its members by a variety of activities.

PIPS is a member of the European Footwear Manufacturers Confederation (CEC) and cooperates with COTANCE. Thanks to its cooperation with international organisations and research institutes as well as governmental departments it is able to monitor and gather statistical information on the leather sector in Poland.

The Polish Chamber of Leather and Shoe Industry runs a Trade Portal (www.pips.pl) that is an important source of trade information for companies, institutions and experts.

PIPS has years of experience in supporting SMEs.

PIPS supports its members by representing the industry in front of governmental authorities as well as national and international organizations. It takes initiatives whose aim is to protect the Polish leather market against unfair competition and it actively promotes the leather industry in Poland. PIPS took part in the anti-dumping procedure that led to the prolongation of anti-dumping duties on footwear with leather upper imported from China and Vietnam.

PIPS organizes trainings and courses for its members and members of its Club of Experts (Appraisers of Leather, Machinery and Footwear). Its trainings always address issues or concerns of the leather industry, presenting changes in European and Polish Laws or Regulations, as well as the latest trends in the sector.

PIPS keeps promoting its affiliated companies on European markets (e.g. assistance to groups of Polish producers exhibiting their products at Futura Fair in Dublin and at Moda Footwear in Birmingham). PIPS also runs campaigns such as “IN POLISH SHOES AROUND THE WORLD”. PIPS used to be the main organiser of the Obuwie-Skóra Fair in Lodz (until 2003) and in the years 2003-2009 PIPS was co-organising Trade Fairs in Poznań.

PIPS cooperates with the Polish trade press (Świat Butów, Przegląd Wiadomości Włókno Odzież Skóra, Rynek Mody, Moda & Dodatki, Miesięcznik Rodzice, Gazeta Wyborcza, Rzeczpospolita, Puls Biznesu) and with Research Institutes and Scientific Units, especially with CLPO, IPS, Politechnika Radomska, Zespół Szkół Przemysłu Skórzanego w Krakowie, Akademia Sztuk Pięknych w Łodzi.

PIPS organizes various trade meetings such as the European Footwear Forum and General Assembly of CEC. The event took place in the historical city of Krakow on 16 - 17 June 2009. We were happy to host the representatives of 14 federations from Belgium, Czech Republic, France, Greece, Spain, the Netherlands, Portugal, Russia, Romania, Tunisia, Turkey, Ukraine, Italy and Great Britain.

The Polish Chamber of Shoe and Leather Industry has long experience in participation in European Projects. For example, PIPS took part in “One Leather Training”, a project in the framework of the EU Leonardo Programme, in PHARE Project “BSP II”, La Scarpe and others. PIPS also takes part in projects run by the Polish Ministry of Economic Affairs.
Environmental considerations

According to the World Bank Report the Leather Industry ranks in the 9th position as far as influence on the natural environment is concerned. It is less polluting than, for instance, the rubber or paper industry.

Environmental protection has always been important in tanning because of the specific production cycle of leather tanning. In the process of tanning not only large quantities of water are used but also a wide range of chemicals that are necessary to remove unwanted parts of skins and hides.

The majority of Polish tanneries are small and medium enterprises. However most of them work according to the latest technological solutions and keep updating their machinery. The modern equipment and machines in Polish tanneries are the most significant advantages of the Polish tanning sector appreciated by western experts.

Waste management

Trade organizations took an active role in the process of setting up the National Plan of Waste Management. This document focuses on main groups of waste generated in the process of tanning and tackles the most important problems tanneries have to face in Poland, e.g. use of chromium salts, investment costs for the modernization of processes, demand for special subsidies for the industry.

Sewage Management and Treatment

Contrary to what is commonly thought, tanning is not a significant “waste producer”. The biggest Polish tanneries generate below 500m3 of sewage per day. However sewage treatment constitutes a difficult problem for many tanneries. It is the result of implementation of so called “best available solutions” (Najlepszych Dostępnych Technik). This requires the minimization of water consumption in the process of tanning and strictly defines maximum levels of polluting substances and chemicals in generated wastes.

During the last 25 years, the average consumption of water needed to tan 1 ton of raw hides and skins decreased from 50m3 to less than 20m3. There is also constant reduction of sewages generated by tanneries and amounts of chemicals they include. As a result their negative impact on the environment was substantially reduced.

Polish Regulations and Norms concerning the quantity of sewage generated by tanneries are among of the strictest in Europe.

Air protection

The above-mentioned programme of “best available solutions” (Najlepszych Dostępnych Technik) yielded also a substantial improvement in terms of air protection. Most of boilers were modernized and energy-saving machinery was implemented. Furthermore systems of energy recovery from water and machines with a low level of emissions were implemented.
The environmental report

The implementation of European Regulations concerning the protection of the Natural Environment resulted in substantial investments made by Polish tanneries. This process led to the modernization of machinery and as a result limited the emissions of polluting substances generated in the tanning process.

At present some tanning activities need to be authorised by special permissions or licenses. For example a special permission is needed for operating a plant for tanning and finishing skins and hides with production capacity beyond 12 tons per day.
Installation of other machinery with smaller capacity may require so called emission permissions or declaration of the kind, amount and treatment of generated wastes, Production or import of packed products requires the allowance from the marshal of the province.

The use of natural resources on the one hand is strictly regulated by law and on the other hand involves high costs.

Main environmental costs incurred in tanneries:

Emission fees, costs of machineries reducing emission of polluting substances limited by law and regulations, costs of waste management and treatment, costs of staff and other.

The most effective way of reducing environmental costs is the implementation of the so called “Pure Production” – constant improvement of technological process leading to substantial reduction of sewage by limiting the use of natural resources, elimination of toxic and dangerous substances and reduction of the amount of waste.

The project of Pure Production improves the competitiveness of an enterprise by the effective reduction of the environmental impact and the improvement of financial results.

Many initiatives just focus on effective management and improvement of all processes and very often do not involve high investments. Moreover, if any investment is necessary, the return period is short - usually less than one year. Taking a loan or seeking another financial source may concern only larger investments with return periods over one year.

Financial resources mostly sought for are those that can be obtained on preferential conditions. The institutions where one should seek the financial subsidies are Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej and Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej.

The sample: how many companies have replied to the Environmental Report.

Although we did our best to popularize the idea of the project among Polish tanneries, and we sent questionnaires to many companies, the response from tanneries was unfortunately poor. PIPS distributed the “Social and Environmental Report” to over 50 tanneries, but only five of them sent back filled in documents.
The Tanning Industry in Poland goes through a difficult period at the moment that is caused by the process of adapting Polish Law to EU regulations. The number of tanneries in Poland is limited and they face many difficulties, including compliance with environment protection rules. Most companies are family-run and many are not associated in any trade organization. Those having ISO certificates are still few. The tanneries that filled in the “Social & Environmental Report” are amongst the biggest tanneries in Poland. These companies are modern and their production is environmentally friendly. They apply a wide range of solutions that limit the negative influence of their activity on the natural environment.

**The environmental indicators**

- **Process**

All companies that filled in the Report indicated to perform the full tanning process of leather production starting from the raw stage. When the whole industry is concerned, also most of tanneries go through the full process of leather tanning. A minority of companies begins the process from the wet-blue phase.

- **Raw materials processed**

Not disclosed.

- **Pollution abatement installations**

Two out of five companies that filled in the Report have sewage treatment installations including chromium sewage treatment plant, on-site effluent treatment plant, water safety curtain used in the process of leather finishing.

- **Cost of wastewater treatments**

Costs of environmental protection including water-purifying systems constitute on average 12,48% of total turnover which gives 60,27% of total costs of environment protection.

- **Costs related to emissions to air**

Costs of limiting air pollution constitute on average 2,51% of total turnover, which gives 1,58% of total costs of environment protection.

- **Energy costs**

Energy costs constitute on average 20,66% of turnover, which gives on average approximately 30% of total costs of environment protection.
Other costs

Other costs constitute on average approximately 9.85% of turnover, which gives on average 20% of total costs of environment protection.

**Conclusion**

The process of leather production became much more environmental friendly because of the implementation of gas boiler plants. They provide technological steam, hot water necessary to all processes and provide also heating in winter. Ventilation is linked with sewage filtration, as a result toxic substances are prevented to reach the air. Furthermore, generated sewage is purified in on-site effluent treatment plants. All sewage goes to chemical on-site effluent treatment plant and later to municipal sewage treatment plant (biological).

The biggest Polish tanneries have their own laboratories, where they run tests on new substances, check new technologies and equipment. These laboratories simulate the whole tanning process on a small scale. Laboratory tests are also important because of producers’ requirements, environment protection and industrial safety.
The social report

After the drastic reduction of production in the leather sector, Polish tanning and footwear industry was rebuilt in the years 1994-1997. Unfortunately afterwards there was another decrease caused by the drastic limitation of exports to Russia and Ukraine (it was the result of inappropriate customs policy, fluctuations of exchange rates and economic crisis in Russia). The general situation of the sector is still not satisfactory.

<table>
<thead>
<tr>
<th></th>
<th>Employment /people in thousands</th>
<th>Percentage /%</th>
<th></th>
<th>Employment /people in thousands</th>
<th>Percentage /%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanning</td>
<td>6,9</td>
<td>6,2</td>
<td>6,2</td>
<td>4,6</td>
<td>3,2</td>
</tr>
<tr>
<td>Leather garments</td>
<td>4,4</td>
<td>4,1</td>
<td>4,0</td>
<td>4,2</td>
<td>3,6</td>
</tr>
<tr>
<td>Footwear</td>
<td>43,5</td>
<td>42,8</td>
<td>43,4</td>
<td>35,9</td>
<td>28,2</td>
</tr>
<tr>
<td>Leather and</td>
<td>54,8</td>
<td>53,1</td>
<td>53,6</td>
<td>44,7</td>
<td>35,0</td>
</tr>
<tr>
<td>footwear</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production in</td>
<td>2084,5</td>
<td>2073,6</td>
<td>2097,9</td>
<td>2044,5</td>
<td>1917</td>
</tr>
<tr>
<td>general</td>
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Attention: Data for companies with employment above 50 people. Data covers about 70% of the whole production and employment in 1998 used in Report WIW.

The share of the tanning sector in the leather value chain is still significant. It is close to the one regarding leather garments in employment (10%). In the years 1995-1999 the steepest decrease in production and employment was in the tanning industry. Reimbursement in the whole sector is below the national average (68%).

In 1998 there were 14081 companies in the leather sector. 91% of them had employment below 5 people. 225 companies employed more than 50 people, with 52 companies employing more than 250.

In 1999, 9470 companies operated with total employment of 43 000 people. The biggest 36 companies employed on average 250 – 500 people and produced approximately 1.5 millions pairs of shoes. Large tanneries employed also around 250 – 500 people but there were only a few of them. A majority of tanneries employed 40 – 50 people.

The leather industry, including the tanning sector, has to deal with global competition. The main competitors base their strategies on mass production with low quality and very low prices. That is why tanneries in Poland have no choice but to base their development strategies on innovation, technology and other factors that will differentiate their final product. To follow this strategy and for being successful, constant training of the staff is needed. The better skilled is the personnel, the more chances do companies have to stand the competition in the future.
The Social indicators

- Number of workers

No verified data exist concerning exact number of tanneries in Poland. As a result we do not have data concerning the total employment level in Poland. Average employment in companies which filled in the Report is 68 employees.

- Trade Union presence

There are no representatives of Trade Union in the companies which filled in the Report. However, three out of five tanneries are associated in trade organizations.

- Average age

Average age of employees in tanneries is 41.

- Average number of years of workers in the company

Average number of years of workers in the company is 14.

- Average salary

Average salary is 1930,00 PLN

- Nationalities of workforce

Workers in tanneries are only Poles.

- Contractual categories and worker turnover

Worker turnover in tanneries is very low. Most of the workers work in a tannery for many years. In tanneries very often work is performed by all members of a family. Sometimes, a tannery is the only source of stable employment in a neighbourhood.

- % of female employees on the total workforce

Female employment is on average approximately 23% of the total workforce in tanneries. Most women either have posts connected with leather finishing or they are employed in accountancy or administration departments.

- Training activities

Tanneries spent very small amounts of money on training. If there are any training activities, they are connected with the specific character of a particular position. No detailed information concerning training in tanneries could be obtained.
• Hours lost due to sickness or accident

Average time lost due to sickness or accident in the current year amounts to 5820 hours.

• Survey of worker satisfaction

Tanneries, which have taken part in the survey, follow rules of Workers’ Statutes created to protect the rights of workers and take care of social conditions of their employees.

• Work conflicts

Tanneries which filled in the Report do not indicate any conflicts among workers.

**Conclusion on Social reporting**

The Leather industry including tanning sector has to deal with global competition. The main competitors base their strategies on mass production with low quality and very low prices. That is why tanneries in Poland have no choice but to base their development strategies on innovation, technology, quality and other factors that will differentiate their final product.

To follow this strategy and for being successful, constant training of the staff is needed. The better skilled is the personnel, the more chances do companies have to stand the competition in the future.
### SWOT ANALYSIS OF TANNING INDUSTRY IN POLAND

#### STRENGTHS
- tradition
- low costs of well qualified labour force
- good quality of products

#### OPPORTUNITIES
- access to EU markets
  - possibility to enter new markets
  - the same laws & regulations
  - psychological incentives
- investments
  - direct foreign investments, joint ventures
  - EU funds
- other
  - development of brands
  - increasing productivity and efficiency

#### WEAKNESSES
- deficit of raw materials (also because of excessive export)
- unused production base
  - excessive production powers
  - low labour productivity
- capital access
  - lack of working capital
  - lack of funds for investments and modernization
  - high capital costs
- subcontractors
- local market
  - low and decreasing share in local markets
- other factors
  - lack of brands
  - undeveloped distributions channels
  - insufficient marketing skills
  - problems with effective management

#### THREATS
- increasing competitiveness from countries producing cheap products
- negative changes in costs
  - increasing costs of labour
- outsourcing
  - moving production outside EU countries
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