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Karlsson, Tobias

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LUND UNIVERSITY

PO Box 117  
221 00 Lund  
+46 46-222 00 00

# Internal Labour Dynamics of a Downsizing Firm: The Swedish Tobacco Monopoly in the 1920s

Tobias Karlsson  
Department of Economic History  
Lund University  
tobias.karlsson@ekh.lu.se

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## Abstract

This paper analyzes the internal labour market of a downsizing firm ó the Swedish Tobacco Monopoly in the 1920s. The company, which employed both men and women, reduced its workforce by 60 percent over the course of the decade. The reduction was caused by a changing composition of consumer demand and a mechanization of cigar production. These two forces did not only bring about a need to downsize, but also to reallocate labour within the firm, which is the main focus of the present paper.

Transfers of workers between jobs were complicated by the gender division of labour and the preference for wage stability. Job bumping within the prevailing gender division of labour ó transfers of skilled male workers to unskilled -maleøjobs ó occurred on several occasions. Sometimes male hand cigar makers were also transferred to -femaleøtasks, but not all borders could be crossed. For female workers, opportunities for transfers within direct production were greater and reallocations were to all appearances frequent.

There was a deeply rooted preference for wage stability among the tobacco workers. The union managed to include an article in the collective agreements stipulating that transferred workers were entitled to at least the same income level as before. This article was a more or less constant source of dispute between union and management until the mid 1920s. Raised hourly wages was the solution that eventually limited the income losses of transferred workers.

## 1. Introduction

Over the past decades scholars of various disciplines have become increasingly interested in the internal life of enterprises. This interest was, amongst other things, sparked by the idea of internal labour markets introduced by Peter Doeringer and Michael Piore in 1971. They claimed that pricing and allocation of labour to a great deal take place within firms and are governed by other mechanisms than supply and demand. Inspired by Doeringer and Piore, labour economists set out to explore and explain the existence of various personnel practices.<sup>1</sup> So far, these efforts have mostly been of theoretical nature due to the difficulty of getting access to detailed firm-level data.<sup>2</sup> In recent years some historical studies of the operation of internal labour markets have been published.<sup>3</sup> However, with few exceptions,<sup>4</sup> these studies have focused on firms with stable or expanding workforces. Our knowledge of how internal labour markets operate in phases of contraction is therefore poor.

This paper accounts for the internal labour market of a downsizing company: The Swedish Tobacco Monopoly in the 1920s.<sup>5</sup> The Tobacco Monopoly faced two main challenges. Firstly, the composition of consumer demand shifted from expensive cigars to cheaper cigar-cigarettes. Secondly, production was mechanized. Apart from redundancies, these changes caused an increased need to transfer workers between jobs. In describing and analyzing the interplay between the management and the Tobacco Workers' Union regarding transfers, the paper illustrates that the ability of an employer to reallocate labour internally is not only related to the workers' human capital, but also to the prevailing gender division of labour and to the nature of employment contracts.

The paper is organized as follows: Section 2 presents a conceptual framework for describing and analyzing internal labour markets. Section 3 describes the Swedish Tobacco Monopoly as an internal labour market. Section 4 accounts for the importance of gender for the company's employment practices. Section 5 is devoted to the disputes between the management and union representatives concerning wages and transfers that took place in the company's early downsizing phase. Section 6 concludes.

## 2. Main features of internal labour markets

Following Peter Doeringer and Michael Piore, internal labour markets are usually thought of as systems of hierarchically ordered jobs where workers are hired in low positions. Once inside the company gates, workers are shielded from the fluctuations of the external labour

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<sup>1</sup> C.f. Osterman 1988 and Lazear 1999.

<sup>2</sup> Baker & Holmstrom 1995; Lin 2005.

<sup>3</sup> Hamilton & MacKinnon 1996; MacKinnon 1997; Howlett 2004; Seltzer & Simons 2001; Seltzer 2007; Owen 2001.

<sup>4</sup> Solon et al 1997, Hamilton & MacKinnon 2001.

<sup>5</sup> The paper is based on chapter 11 in Karlsson 2008.

market and promotions to higher positions are governed by formal criteria such as seniority, age or ability. Doeringer and Piore do not say much about what happens when the internal labour market contracts, but the logic of their model suggests that the same principles as for promotions are applied. Consequently, workers in high positions may be demoted to lower positions, whereas workers in the lower positions are released. This phenomenon is sometimes referred to as 'job bumping'.

The internal labour market described by Doeringer and Piore should be regarded as an ideal type. In practice there is a great deal of variation between firms. A more general conceptual framework for studying internal labour markets has been proposed by Paul Osterman. According to Osterman's framework, which will be applied in this paper, all firms have procedures regarding the pricing and allocation of labour.<sup>6</sup> These procedures are basically composed of four categories, which together constitute an internal labour market (or a system of employment practices): (1) job classification and job definition, (2) wage rules, (3) security and (4) deployment.

The first aspect is about how jobs are classified and defined – that is, rules stipulating the tasks connected to a certain job title. Job titles may be broadly or narrowly defined and their content may be more or less easy to change.

The second aspect concerns how labour is remunerated. Here one may distinguish between systems where pay is connected to a person – and governed by skill, education, performance, seniority or something else – and systems where pay is connected to a job title.

The third aspect concerns how labour can be released. Sometimes employers make explicit or implicit promises of lifetime employment, whereas at other times they only guarantee pay on a daily basis. In between, there are cases where workers are employed on an on-going basis.

The fourth aspect concerns deployment; how workers may be transferred between jobs in the organization. We may think of two extreme cases. In the first the employer has complete freedom to decide who is going to do what and in the second the employer is restricted by formal rules.

Osterman's conceptual framework is not only more generally applicable than the ideas of Doeringer and Piore, it also has more to say about internal labour markets in contraction. The described components of the employment system are namely related by a coherent logic. Where lifetime employment is practised, job titles are usually less rigid. In return for employment security, workers have to accept the possibility of having to change jobs within the firm.<sup>7</sup> Empirically, employment systems of this character have often been valid for white-collars, whereas blue-collars, according to Osterman, usually have had contracts with weaker employment security and strictly defined jobs.

In the following section, Osterman's framework is used to describe the Swedish Tobacco Monopoly in the 1920s.

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<sup>6</sup> Osterman 1988, pp 62-63.

<sup>7</sup> Osterman 1988, p 63.

### **3. The Tobacco Monopoly as an internal labour market**

The Swedish Tobacco Monopoly was a state-owned enterprise, founded in 1915, operating factories at several locations around the country and employing at most over 5,000 workers, of which 80 percent were women. The company had five distinct branches of production: cigars (and cigar-cigarettes), cigarettes, smoking tobacco, rolling tobacco and snuff. In terms of employment, cigar production was by far the most important branch. The union density was already high in the tobacco industry before the founding of the Tobacco Monopoly and continued to increase over time. Most of the members of the Tobacco Workers' Union were women, but the organization was governed by men.

The company and the union faced major challenges in the 1920s, one of which was to rationalize production. Great uncertainty had prevailed for many years at the beginning of the century about whether there should be a monopoly or not, and few factory owners had dared to invest in new machinery for cigar production. Mechanization was labour saving as well as deskilling. While a hand worker could produce 35 cigars per hour, a machine could produce 400. Since each machine was operated by three workers, labour productivity was almost fourfold. And while it took years of training for a hand worker to attain skills and pace, the training period for a machine operator was counted in months or weeks.

Another challenge was less foreseeable. A tremendous boom after World War I turned into one of the deepest depressions in the modern history of Sweden and the tobacco industry was affected twofold. Sales not only declined sharply but also changed composition as consumers shifted from cigars to cigar-cigarettes and cigarettes.

Taken together, mechanization and the changed demand led to redundancies. Between 1920 and 1928, more than 2,500 jobs were lost at the Tobacco Monopoly. About half of the reduction could be achieved by natural attrition and induced quits (buyouts) and the remaining part by layoffs, which were concentrated to the years 1921 and 1927.

#### **3.1 Job titles**

There are mainly two sources that shed light on job titles at the Tobacco Monopoly: collective agreements and personnel records. A review of the collective agreements shows that the products manufactured by tobacco workers, as well as some of the particular tasks, were strictly defined. Detailed pictures of different cigar types, with measures and weights, were sometimes attached. However, job titles were not usually defined explicitly in the agreements between employer and trade union. There was probably a mutual understanding of the content of different jobs.

The personnel records contain evidence of both vaguely defined job titles and strictly defined ones.<sup>8</sup> For example, some workers were titled 'preparation workers'

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<sup>8</sup> For a description of the personnel records, see Karlsson 2007 and Karlsson 2008, Appendix 2.

(*beredningsarbeterskor*), whereas other workers were given more specific titles such as *stammersø*(*striperskor*) or *deck makersø*(*däcksmakerskor*), which may be thought of as two sub-categories of preparation workers. For some cigar workers even the cigar type they produced was noted.

### 3.2 Wages

Tobacco workers were remunerated both on an hourly basis and based on performance. Hourly wages were mainly paid to young and newly hired workers, to workers employed in tasks where individual performance could not easily be measured, such as storage work, and when the raw material was difficult to work with.<sup>9</sup> The hourly wages were related to individual characteristics such as sex, age and experience. The collective agreements also allowed the employer to pay a bonus to particularly skilled workers.

For most of the time, cigar and cigar-cigarette workers were paid by the piece.<sup>10</sup> One of the reforms by the Tobacco Monopoly was to introduce a premium bonus system (*premieackord*), which took both performance and the amount of time used into account.<sup>11</sup> The point of departure was the performance of an average worker during an hour. Time gains were shared between the employer and the worker, although the worker's share was diminishing.

Unlike the hourly rates, the piece-rates and premium bonus system were not related to individual characteristics but connected to the product. If new products or new production methods were introduced during the period of agreement, it was up to a classification board, consisting of employer and union representatives and an independent chairman, to decide upon piece-rates. In 1918, it was stipulated that in these decisions the board should consider existing rates for similar jobs. The 1921 agreement contained detailed wage norms for various jobs, but from 1924 and onwards, the agreements simply stated what hourly income a good and, for the job in question, skilled worker should be able to attain.<sup>12</sup> This income norm was set higher for male than female workers; the female worker was expected to earn about 63 percent of the male worker's income. Furthermore, the income norm for piece workers was

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<sup>9</sup> The scales spanned from 17 to 22 years of age for female workers and from 17 to 24 for male workers.

<sup>10</sup> Those involved in preparation work, sorting or labelling could sometimes have time-based pay, but piece work was also the norm for them. In other branches of the tobacco industry time based pay was more common. *Kollektivavtal angående arbets- och löneförhållanden i Sverige, III: Arbetstidens längd och arbetslönens storlek inom olika näringsgrenar enligt källande kollektivavtal (1907/08)* 1911, pp 85-88.

<sup>11</sup> This form of remuneration was also applied in other Swedish industries at the time. See for example: Magnusson 1987, pp 212-223; Johansson 1990, pp 246-249; Berggren 1991, pp 245-249. For accounts of the premium bonus system in Great Britain, see Zeitlin 1983, pp 39-40 and Lewchuk 1983, pp 84-85.

<sup>12</sup> Malmö stadsarkiv (MS), Frans Henrik Kockums arkiv (FHK), F8F, Arbets- och löneavtal, *Arbets- och löneföreskrifter vid Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1924.

set somewhat higher than the hourly wages. Thus the hourly wages became accepted as minimum wages, although that concept was not explicitly used in the agreements.

### 3.3 Security

With regard to employment security the company had instructions from its owner, the state, to protect the workers from unemployment. However, at the same time the company was expected to conduct business as rational as possible. Compensation was paid to redundant workers in order to strike the balance between these two objectives.<sup>13</sup>

The collective agreements did not include stipulations of the criteria to be used when deciding the order of selection at layoffs, but there was an informal seniority norm in place until the autumn of 1921. Until this phase the management considered length of service as a criterion of relevance for establishing the order of selection, although not necessarily the only criterion. The abandonment of the seniority principle should be seen in the light of the mechanization process, which made the skills of experienced workers obsolete. From 1921 onwards the management put more emphasis on the needs principle when allocating scarce jobs.<sup>14</sup>

### 3.4 Transfers

The collective agreements in the Swedish tobacco industry from the pre-monopoly era included detailed regulations of piece rates, time wages, the organization of work, training periods and conflict resolution, but did not say much about deployment of labour. For example, the collective agreements did not regulate promotions or preference for jobs in cases of recalls, job ladders were not defined and there were no rules about transfers of workers between tasks in general. The first attempt to formalize this aspect of the employment relationship was in the agreement concerning cigar workers from 1915. Here, it was stated that if transferred from piece work to work paid by the week, the income was not to fall short of the previous average earnings.<sup>15</sup> The issues of wage stability and transfers were prominent in the negotiations between employer and union and will be dealt with in greater detail below.

An interesting question, although seldom investigated empirically, is how the internal labour dynamics are related to the expansion and contraction phases of a company. In the case of the Tobacco Monopoly we would expect increased internal mobility, at least in relative terms, from the early 1920s and onwards since we do know that consumer demand shifted from cigars to cigar-cigarettes. The empirical evidence on transfers in the personnel records is therefore puzzling. According to the personnel records the internal labour flows virtually ceased in 1921. As seen in figure 1, very few transfers of workers were recorded after the

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<sup>13</sup> Karlsson 2008: chapter 10.

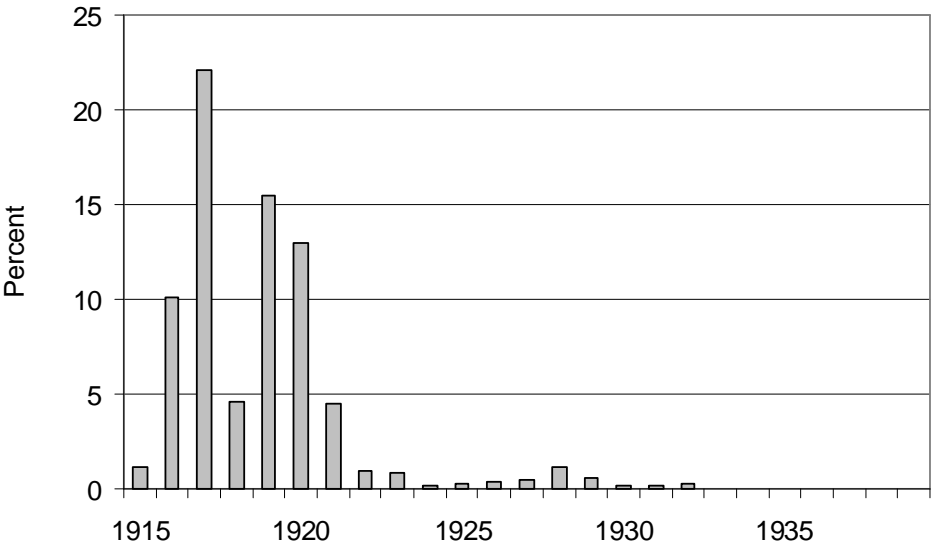
<sup>14</sup> Karlsson 2008; chapter 9.

<sup>15</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets cigarrfabriker* 1915.

post-war depression. That the internal labour flows winded up is highly unlikely since the conflicts between management and union concerning transfers increased in intensity in the same period. The most plausible interpretation is therefore that the internal labour flows remained strong or became even stronger during the company's downsizing process.

For the purpose of our study, it is unfortunate that the registration of job changes ceased in 1921. At the same time, this observation is interesting as it indicates a basic change in the employment relationship ó a loosening up of job titles. Apparently the employer did not find it worthwhile to keep the information on workers' present occupations updated. The Tobacco Monopoly was not an internal labour market where job titles as such played a significant role. Furthermore, there are lots of insights into the internal labour flows at the Tobacco Monopoly to be gained from other available sources. Transfers were a recurring issue in the union-management interplay and were often discussed in correspondence and formal negotiations. From this material we may get an idea about the general patterns of movements and an understanding of how the two parties regarded the reallocation of labour.

**Figure A2.2** Job changes according to the personnel records of Malmö Cigar Factory, 1915-1939



Note: The number of job changes per year is expressed as a percentage of the number of workers at the end of each year.

Source: MS, FHK, Matriklar över slutade arbetare, D4A: 1-8.

**4. Internal labour dynamics and gender division of labour**

When reviewing the correspondence and minutes from the negotiations, the importance of the gender division of labour is striking. The typing of jobs as either "male" or "female" restricted



the management's freedom of action, although, as we will see, these restrictions could occasionally be infringed.

Most of the men in the Swedish cigar factories of the inter-war era were hand cigar workers. At least initially, men were seldom or never involved in semi-manual cigar work, cigar-cigarette work or preparation work, as these were considered to be female domains. There were, however, also some men in the cigar factories working on various unskilled tasks outside direct production. In 1920 about 11 percent of the male workers in the tobacco industry were warehousemen, packers, loaders, caretakers, coachmen and the like. Thus, there was a certain scope for the management to move male cigar workers without crossing the gender lines, and such transfers occurred on several occasions. In the autumn of 1921, for example, 26 storage workers were laid off in order to make room for redundant cigar makers.

Storage work was not the only possible destination for redundant male cigar workers. There is evidence from 1923 showing that 13 male cigar workers were transferred to various jobs with payment on an hourly basis.<sup>16</sup> Most of these workers were eventually brought back to cigar making. However, even after that the affected workers were occasionally used in jobs outside direct production. This indicates a loosening up of the definition of job titles; a cigar maker was not necessarily a person who only made cigars but rather a person whose main occupation was to make cigars and who occasionally could do other things as well.

There are numerous studies giving examples of how women on particular occasions, for example during wars, crossed established gender borders and performed tasks that had usually been performed by men.<sup>17</sup> However, in the material reviewed for this paper, some evidence was found of men being transferred to female jobs; the most prominent example being the events in the spring of 1927 when 35 laid-off male workers were retaken into work after union protests. These workers, who had been hand cigar makers, became the first male machine operators.<sup>18</sup> Besides, in the preceding years male hand cigar makers were transferred to semi-hand or mould work.<sup>19</sup> The management's policy in these cases was to pay a bonus, equivalent to the gender difference in wage level, to the male workers.<sup>20</sup> These crossings of gender borders were not dramatic. Feminization of cigar work was still a rather recent

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<sup>16</sup> Arbetarrörelsens arkiv och bibliotek (ARAB), Svenska tobaksindustriarbetareförbundets arkiv (STF), Utgående skrivelser till STM, B05: 1, 15 January 1923.

<sup>17</sup> Padavic & Reskin 2002, pp 62-63.

<sup>18</sup> See Karlsson 2008, pp 113-119.

<sup>19</sup> Swedish Match (SM), Svenska tobaksmonopolets arkiv (STM), Styrelsens protokoll, 17 September 1923, Bilaga C, öP.M. angående cigarrarbetet; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2, 18 May 1926. Yet another indication on transfers of male workers to female jobs is, as suggested by Göran Petersson, the fact that the collective agreement of 1924 included more explicit wage rates for male and female workers. Petersson, p 26. This had not been necessary as long as men and women performed different jobs.

<sup>20</sup> The male bonus was 0.50 *kronor* per hour. The union demand was that male hand workers transferred to semi-hand or mould work should continue to be paid in accordance with the piece rates for hand work.

phenomenon; as late as around 1900, men could be employed in semi-hand work and mould work along with women. Transfers of men to preparation work, which had been an exclusive female domain for decades, would have been much more provoking. No evidence indicating such transfers was found.

If there were some possibilities of moving male workers from skilled jobs within direct production to unskilled jobs outside direct production, the equivalent scope for moving female workers was negligible. In 1920, less than 1 percent of the female workers were employed as cleaners or in other jobs that may be referred to as indirect production tasks. The scope for transferring female workers within direct production was considerably greater. Women could, for example, be moved from cigar making to cigar-cigarette making or from any of these jobs to preparation work. For example, many female cigar workers became cigar-cigarette workers in connection with the personnel reduction in April 1921. To a certain extent this was a matter of direct substitution where female cigar workers took the positions of laid off female cigar-cigarette workers, much the same way as male storage workers were laid off to make room for male cigar workers and storage workers in autumn the same year. This was not the case in the summer of 1921, when a number of female semi-hand workers were transferred to preparation work.<sup>21</sup> In this case it was clearly not a matter of job bumping; no preparation workers were laid off to make room for the cigar workers. There was a shortage of labour at the preparation department at the same time as the cigar department had a surplus of labour.

When analyzing an internal labour market, such as the Tobacco Monopoly, it is not only interesting to map out the main flows. One would also like to know more about the selection process associated with transfers; how did the management choose who were to be transferred.

From correspondence and other sources, it appears that the management treated men and women differently. With regard to male workers it was very keen on its image as a socially responsible employer. Physically less capable male workers were usually allowed to remain in their jobs, whereas young and healthy workers were transferred,<sup>22</sup> not because of their inability but because they could manage heavy unskilled tasks.<sup>23</sup> The policy of protecting male workers with physical disabilities was supported by the union and it sometimes complained that the management did not live up to its declarations.<sup>24</sup>

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<sup>21</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 30 August 1921. There was a significant wage gap between these jobs and the affected workers were not happy. The management explained that its general policy was to transfer workers between jobs with the same wage level but that such a way of action had not been suitable in the particular case.

<sup>22</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 7 November 1921; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2, 20 April 1924.

<sup>23</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2, 6 February 1925.

<sup>24</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 29 October 1921; Inkomna skrivelser från Tobaksmonopolet, 6 February 1925.

The selections made when transferring female workers were less often given social motivations. In the above mentioned example of cigar workers transferred to preparation work, selection was based on their inability or unsuitability for the original job, which was made pretty explicit by the management:

A partly contributing reason why just these workers were transferred was also that they had shown that they were incapable of performing satisfactory work, which caused several of them to get repeated warnings. The transfer to preparation work has been done with the hope that they will turn out to be more suitable for this than for [their original job].<sup>25</sup>

Thus, low performing female workers faced a higher risk of being transferred, and if they did not show greater capacity on their new job they could be moved again, as was the case in the autumn of 1922. On this occasion, some former semi-hand workers employed in mould work were returned to their original jobs, but at the same time the management announced that ö[s]ome of those workers who have proved to be most unsuitable for mould workö would be moved to preparation work.<sup>26</sup>

It has been established that the internal mobility did not cease in the early 1920s, although it certainly changed character, and that male and female workers were treated differently. Not much has so far been said about how the union responded to the transfers. In general, the union was negatively inclined towards substituting one category of workers for another. For example, when male cigar workers were transferred to storage work in 1921, the initial union reaction was to demand the recall of the storage workers. Similar protests were also seen later in the 1920s; in 1923, for example, the union leadership wrote the following to the management:

Finally, we would like to emphasize that we definitely oppose a transfer of cigar workers to any other job in the Tobacco Monopoly, which would imply layoffs of employed workers there [í ].<sup>27</sup>

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<sup>25</sup> Swedish: öEn delvis bidragande orsak till, att just dessa arbetare blevo överflyttade, var även, att de å halvhandarbete visat sig oförmögna att utföra ett fullgott arbete, av vilken orsak flera av dem erhållit upprepade varningar. Då vi nu överflyttat dem till beredningsarbete, är det i den förhoppningen, att de skola visa sig mera passande för detta än för halvhandarbete.ö ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 30 August 1921.

<sup>26</sup> Swedish: ö[n]ågra av de arbetare, som visat sig mest olämpliga för formarbetet, komma att överföras till stripning.ö ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 19 October 1922.

<sup>27</sup> Swedish: öSlutligen vilja vi framhålla, att en överflyttning av cigarrarbetare till någon annan specialitet i Tobaksmonopolet, varigenom skulle medföra avskedanden av där anställda arbetare, ämna vi på det bestämmande att motsätta oss [í ].ö ARAB, STF, Utgående skrivelser till STM, B05: 1, 6 October 1923.

This statement was in line with a decision made by the union congress earlier the same year.<sup>28</sup> The aversion towards openly favouring workers from one occupational group at the expense of another is understandable in the light of the fact that we are dealing with an industrial union, open for all categories of workers employed in the tobacco industry. A craft union may have acted differently, perhaps even demanded substitution. However, there was also a gender dimension to the union's behaviour. No protests were heard when female cigar workers replaced female cigar-cigarette workers in the spring of 1921. It seems like male unemployment was a greater concern for the union than female unemployment.

Generally, the union did not oppose transfers or technological change as such. In connection with mechanization the union even proposed a system with job rotation for workers in training.<sup>29</sup> Thereby the workers could, if required, temporarily take the position of somebody else. The main problem with reallocation of labour, from the union point of view, was that transfers were often associated with income losses for affected workers. This issue is the focus of the following section.

## **5. Wages and transfers**

A peculiar feature of collective agreements in the tobacco industry during the early monopoly era was that workers were given a certain degree of wage stability if transferred to another job. However, the rules left some room for interpretation and led to repeated disputes. The following subsections provide a chronological account for how these disputes took shape and were eventually solved.

### **5.1 Strong preferences for wage stability**

The principle of wage stability is probably one of the most prominent fairness norms seen in labour markets. Nominal wage reductions are generally considered as infringements of an unwritten code of conduct. The Swedish tobacco workers' strong preference for wage stability was clearly expressed in the years preceding nationalization when a private trust concentrated production. In the process many workers were transferred between factories. Since wage rates were not harmonized in the industry some workers received lower incomes when having to move and this issue was brought before a conciliation board on several occasions.<sup>30</sup> The idea

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<sup>28</sup> ARAB, STF, Kongressprotokoll, A01, 1923, p 32.

<sup>29</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 5 November 1922.

<sup>30</sup> ARAB, STF, Förhandlingar, F01: 2, 2 April 1914, öProtokoll fört vid sammanträde med skiljenämnd inom tobaksindustrin å restaurant Pelikanö; ARAB, STF, Förhandlingar, F01: 2, öProtokoll hållet vid sammanträde utaf den för förhandling mellan Svenska Cigarrfabrikantföreningen och Internationella Tobaksarbetareförbundet i Sverige sammankallade Förstärkta Stora Nämnden i Stockholm den 6, 7 och 9 maj 1914ö; ARAB, STF,

of wage stability was not the only matter at stake in these cases; a conflicting idea was the principle of equal pay for equal work. Generally the conciliation board seems to have judged in favour of wage stability. The judgement was based upon an article in the collective agreement stating that all wages in the agreement were minimum wages that could not be lowered. This was a victory for the union, which had represented the transferred workers. But quite soon it became apparent that the conciliation board's verdicts were problematic, also from a union perspective, as they led to situations where tobacco workers could have different wages even when doing the same job at the same factory. Internally, the union leadership complained that: "The merger of factories has caused an insufferable muddle of various rights and obligations for the workers".<sup>31</sup> In the negotiations between the union and the employers' organization that took place in 1914 both parties agreed that wage harmonization (equal pay for equal work) was the primary goal and that the interpretation by the conciliation board was no longer valid.<sup>32</sup>

One natural consequence of nationalization was that remaining wage differences in the industry disappeared. In this respect, a hindrance to moving workers between factories was removed. However, transferring workers between different jobs was still problematic. Since wages were related to jobs rather than individuals, those who had to move from piece rates to time wages often experienced income losses. There was a strong wish for wage stability among the workers, and the 1916 agreement for cigarette workers stated that the earnings of a transferred (female) worker were not to fall short of her average earnings in the four preceding weeks.<sup>33</sup> A similar formulation is found in the agreement for snuff factories in the following year, although the employer here declared that the income guarantee would not apply to temporarily employed female workers or in cases when the transfer was due to shortage of work.<sup>34</sup> The restriction of the income guarantee to temporary job changes was

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Förhandlingar, F01: 2, öProtokoll fört vid sammanträde med skiljenämnd inom tobaksindustrien den 13 augusti 1915ö.

<sup>31</sup> Swedish: "Sammanslagningen av fabriker ha medfört ett olidligt virrvarr om diverse rättigheter och skyldigheter för arbetarnaö. ARAB, STF, Cirkulär, B03: 1, 23 April 1913.

<sup>32</sup> ARAB, STF, Förhandlingar, F01: 2, öProtokoll hållet vid sammanträde utaf den för förhandling mellan Svenska Cigarrfabrikantföreningen och Internationella Tobaksarbetareförbundet i Sverige sammankallade Förstärkta Stora Nämnden i Stockholm den 6, 7 och 9 maj 1914ö.

<sup>33</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid Aktiebolaget Svenska Tobaksmonopolets cigarettfabriker* 1916. The earnings could, however, not exceed 0.45 kronor per hour.

<sup>34</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter samt förhandlingsordning vid Aktiebolaget Svenska Tobaksmonopolets snusfabriker i Stockholm, Härnösand, Göteborg, Karlskrona, Norrköping och Oskarshamn samt tuggtobakfabrik i Malmö* 1917, p 10. In an attachment to the minutes the company made the following statement: "The guaranteed hourly wage for female workers who are transferred to work which is paid only on an hourly basis is not applicable to those workers who are employed as reserve personnel at respective departments, or to cases where the transfer is made in order to counteract [í ] shortage of

confirmed in the general agreement made in 1918. Here it was also stated that the pay at the new job could not exceed the generally applied hourly wage by more than 10 percent.<sup>35</sup>

The demand for tobacco goods was strong and increasing during World War I and the following years. From 1918 to 1919 the sales of cigars increased by 50 percent and sales of cigarettes and chewing tobacco also increased considerably. The company found it hard to satisfy the demand due to shortage of raw tobacco and the management declared a reorientation of production in June 1918. So-called tip-less cigars were to replace some of the ordinary cigar brands in order to save raw tobacco.<sup>36</sup>

For many of the workers, this reorientation implied job changes, which was not popular. The workers feared that they would get lower incomes when they had to manufacture a product they were not used to.<sup>37</sup> The conditions associated with the reorientation of cigar production were rejected by the union members in a ballot. But even before the outcome of the ballot the employer declared that the new wages would be applied until a new agreement was reached. In a letter to LO, the chairman of the Tobacco Workers' Union, Albin Kindstrand, mentioned the tense situation, which he feared could end up in a strike.<sup>38</sup>

Several rounds of negotiations were held until the issue was eventually solved by the conciliation board. During the negotiations the employer made a promise that workers transferred from semi-hand work to manufacturing of tip-less cigars would be guaranteed a

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work.ö Swedish: öDen garanterade timlönen, för kvinnliga arbetare som överflyttas till arbete, för vilket betalning utgår endast med ren timlön, gäller icke de arbeterskor, vilka äro anställda som reservpersonal vid resp. avdelningar, samt icke heller i fall överflyttningen sker för att motverka en av någon orsak uppkommen arbetsbrist.ö MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter samt förhandlingsordning vid Aktiebolaget Svenska Tobaksmonopolets snusfabriker i Stockholm, Härnösand, Göteborg, Karlskrona, Norrköping och Oskarshamn samt tuggtobakfabrik i Malmö* 1917, p 20.

<sup>35</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1918, p 15. Worth mentioning is that the reservation made by the employer in the snuff agreement the preceding year (that workers who were transferred in order to avoid layoffs were not entitled to compensation) was not included in the agreement of 1918.

<sup>36</sup> ARAB, STF, Cirkulär, B03: 2, 21 June 1918, öP. M. Omläggning av cigarr- och cigarrcigarett-tillverkningen. The measures had been discussed and approved by the company board the month before. SM, STM, Styrelsens protokoll, 13 May 1918.

<sup>37</sup> SM, STM, Styrelsens protokoll, 25 July 1918. A factor contributing to the discontent was also that the management at the same time wanted to introduce premium piece rates for more jobs. A problem with this was how to decide average performance per hour. The management accused test workers of consciously withdrawing effort trying to establish as low performance norms as possible. The union, on the other hand, accused the management of making unrealistic assumptions about average performance. Lindbom & Kuhm 1940, p 247.

<sup>38</sup> A part of Kindstrand's wording in this letter is worthwhile reproducing in Swedish: ö[d]et jäser i sinnena på fabrikerna och arbetarna förklara sig icke under några omständigheter kunna mottaga detta slag i ansiktet. Man kan befara att det leder till arbetskonflikt.ö ARAB, STF, Utgående skrivelser, B04: 4, 30 June 1918.

temporary wage addition in order to achieve a fair income. If this detail was included by the local factory manager in Stockholm, when he immediately informed his workers about the judgement made by the conciliation board, is not known.<sup>39</sup> It is clear that the cigar workers considered the judgement as unacceptable and a wild strike broke out. This strike spread rapidly and came to include workers outside cigar production as well.

In order to gain control over the situation the union board summoned a meeting with representatives from the branches that were on strike. They agreed to begin new negotiations with the employer, on condition that the company promised not to punish workers who had participated in the strike. This demand was accepted by the management and work was resumed, two weeks after the strike started. The following negotiations went sluggishly ahead. Discontent still prevailed among the workers and, according to the management, some of them worked to rule. A new agreement could not be made until in December 1918.<sup>40</sup>

The conflict regarding the tip-less cigars mainly concerned cigar production. However, in autumn 1918 both parties terminated the collective agreement and negotiations concerning all groups of workers began. Compensation to transferred workers was one of the issues discussed. The employer wanted the income guarantee to apply only to temporary transfers whereas the union wanted to include transfers of a more permanent nature as well. According to a management representative, transfers were only carried out in order to avoid layoffs. For the company, transfers were generally disadvantageous and only done when absolutely needed.<sup>41</sup> The negotiations in 1918, and the issue of an income guarantee, dragged on until the following year. In January 1919 the union maintained that piece workers should not have to suffer when transferred. The management argued that the 10 percent addition to the minimum hourly wage was a generous deal in relation to the practice in other industries.<sup>42</sup>

The income guarantee was extended to apply to transfers between piece-rate jobs in article 15 of the final agreement in 1919.<sup>43</sup> This was a partial victory for the union. The new agreement stipulated that if a worker was transferred from one piece-rate job to another, which differed from the previous job so much that a certain training period was motivated, the worker would be paid during that period a time wage equivalent to the average hourly incomes of the preceding month. As in previous agreements, a maximum limit was set 10 percent above the hourly wage. And, as in the snuff agreement of 1917, the company stated

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<sup>39</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 14 July 1918.

<sup>40</sup> Lindbom & Kuhm 1940, p 249.

<sup>41</sup> ARAB, STF, Förhandlingar, F01: 3, 6 November 1918.

<sup>42</sup> ARAB, STF, Förhandlingar, F01: 3, 23 January 1919.

<sup>43</sup> Hereafter the issue of incomes for transferred workers was often simply referred to as "article 15" in the negotiations between management and union.

that the article would not apply to temporary workers or when the transfers were carried out to avoid layoffs.<sup>44</sup>

## 5.2 An article with contested meaning

After concluding this agreement the union expected transfers between piece-rate jobs to occur only occasionally. The reorientation of production that had caused the strike in 1918 was probably thought of as an exceptional event. This proved to be wrong. During the 1920s transfers between piece-rate jobs were common, which caused discontent among the workers. In the negotiations that started in January 1921 the union wanted to strengthen the income guarantee.<sup>45</sup>

The employer did not deny that a lot of transfers of this character had been made but argued that the factory managers in those cases had shown generosity by approving long training periods. The affected workers had therefore not suffered to any significant degree. The employer also emphasized that the union proposal would lead to different wage conditions for workers doing the same job, which was a reference to the situation during the years preceding nationalization.

The outcome of the first round of negotiations was rejected by the workers. The union came up with a new proposal where the demand for an income guarantee remained. Here, a somewhat new argument appeared: transferred workers should be protected from income losses since the company had only allowed them to learn one speciality.<sup>46</sup> This argument may be seen in the light of previous discussions about training where, for example, the workers had advocated that all cigar makers should acquire the skills to do both bunch-making and over-rolling. The employer also developed an argumentation; the income guarantee was not wrong in principle, but it should be a matter for each factory manager to decide upon and should thus not be included in the agreement.

The negotiations in the spring of 1921 did not lead to any change in the income guarantee for transferred workers. The formulation of the 1919 agreement remained, as did the employer's note to the minutes. However, the exact meaning of the agreement in this respect was not completely clear, which is illustrated by a dispute in the conciliation board that was resolved in 1923.

As mentioned, 13 male cigar makers in Stockholm had been moved to hourly-wage work at the end of the depression year 1921. Some returned later but still had to make short step-ins into other jobs when needed. The union argued that article 15 should apply to these

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<sup>44</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Bilaga till Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1919, p 69.

<sup>45</sup> ARAB, STF, Förhandlingar, F01: 3, 12 January 1921. Exactly how this should be accomplished is not known since the original agreement proposal has not been found in the archives. The union probably demanded the 10 percent limit to be cut out.

<sup>46</sup> ARAB, STF, Förhandlingar, F01: 3, 21 March 1921.



workers and began to negotiate with the local factory manager, without reaching an agreement. The factory manager maintained that two months should be seen as a limit for temporary jobs, after which the income guarantee would not apply. After the parties had failed to agree on the local level the issue was brought up to the central level. The union held that the affected cigar workers were not temporarily employed and that layoffs hardly constituted the alternative to transfers in this case.<sup>47</sup> This was not accepted by the management, which argued that the transfers had taken place because of shortage of work; by laying off unskilled workers the company had protected the cigar makers from unemployment. Therefore, the 10-percent wage addition did not apply. Facing these arguments the union maintained its position, that is, that the shortage of work had not been so extensive that transfers and layoffs were motivated; a company of the tobacco monopoly's size should be able to solve the problem in some other way. Thereafter the issue was taken to the conciliation board.

During the autumn of 1922, the demand for cigars was stabilized and, according to the union, new cigar workers were already hired a couple of weeks after the negotiations on the central level had taken place. The union demanded that preference be given those cigar makers that had not been returned to their ordinary jobs, but without success. In its letter to the conciliation board the union claimed that shortage of work no longer existed and that the management's action had been arbitrary. The unclear meaning of the concept 'shortage of work' appeared in another case of transfers as well, which was also brought to the conciliation board. This dispute concerned female workers. Having too few hands in the stemming department at the cigar factory and too many hands in the snuff and smoking tobacco factory, the management moved a number of female workers from the one factory to the other. Again, the union demanded that article 15 should apply to the transferred workers.

The negotiations in the conciliation board began with the chairman giving an account of the dispute. Thereafter, Kindstrand developed the argumentation of the union side. He put most emphasis on the transferred female workers, who had been mentioned more briefly in the letter to the conciliation board, and indicated that the reallocation primarily was a way to solve the labour shortage in the stemming department, rather than a way to protect the affected workers from unemployment. The huge demand for labour in the stemming department was indicated by the fact that about 200 new workers had been hired there and that the department had not been temporarily closed during Christmas, as was the case with other departments.

The employer, represented by technical director Pehr-Olof Holsti, replied by presenting some statistical information about the affected workers and, with regard to the women, about their incomes before and after the transfer.<sup>48</sup> Thereafter, Holsti repeated the argumentation of

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<sup>47</sup> SM, STM, Styrelsens protokoll, 19 March 1923.

<sup>48</sup> Regarding the male cigar makers, Holsti presented birth dates, dates of their transfer and eventual return. His table showed that 6 of 13 affected workers remained on time wage. Regarding the female snuff packers Holsti's information was more detailed and included weekly data on offered and actual working hours, total income and

the employer; the cigar makers had been moved in a situation with shortage of work and they could therefore not get any wage additions, and the female workers had been offered piece-rate work with a guaranteed minimum wage (equivalent to the hourly wage stipulated in the collective agreement). Holsti did not deny that the work in the stemming department was so different from the snuff factory that article 15 was applicable but maintained that the transfers in this case had also been done to avoid layoffs. In order to strengthen his argumentation he referred to information from the wage records on the offered and actual working hours for the weeks preceding the transfers. Finally, Holsti presented a principal line of reasoning about situations with imbalances between supply and demand of labour within the company ó with the conclusion that transfers were not the cheapest and easiest solution in such cases. Thus, the company's action should be regarded as an expression of social responsibility. The alternative, which would take place if the conciliation board judged in favour of the union, was to lay off workers.

Against this, Kindstrand argued that the shortage of work in the snuff packing department had been created by the management, when it reallocated production from Stockholm to Härnösand and Karlskrona. This attempt to interpret the meaning of the concept 'shortage of work' was left unanswered by the employer. Furthermore, Kindstrand emphasized that the employer's action had not been consistent since three of the cigar makers had been given wage additions in accordance with article 15. This was rejected by the employer's representatives as a temporary mistake that had later been corrected by the factory management.

In contrast to similar cases from the pre-monopoly period the conciliation board decided in favour of the employer. With regard to the male cigar makers and the female snuff workers the chairman accepted the employer's explanations that the transfers were a way of dealing with shortage of work. The chairman believed that the employer's action had been in the interests of the affected workers and that the company could not be expected to pay higher wages to them.

The union was apparently not satisfied with the verdict of the conciliation board. Compensation to transferred workers was an even more central issue in the negotiations for a new collective agreement that started in late 1923, after the union had terminated the previous agreement. Kindstrand explained that the main reason for the termination was low hourly wages. However, a factor contributing to the discontent was that 'a large number of workers' had experienced income losses when transferred ó from one kind of piece work to another, or from piece work to work paid by the hour. According to Kindstrand the transferred workers were, together with those paid by the hour, 'among the lowest paid of all industrial workers'.<sup>49</sup> The union proposal was to cut out the previous 10 percent limit (in relation to the ordinary hourly wage). Furthermore, the union wanted to cut out the statement made in the

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basic wage per hour. That the information was correct was confirmed by the union and was not the object of further discussion.

<sup>49</sup> ARAB, STF, Förhandlingar, F01: 4, 13 November 1923.

attachment about the income guarantee not being applicable to reserve workers and situations with shortage of work.

The employer repeated many of the arguments from previous discussions: the factory managers had offered generous training periods, the transfers had been made to protect workers from unemployment and were disadvantageous for the company and the unions' demands would, if approved, create tensions among the workers. The union replied that the training periods had been too short and that many workers had been pushed to 'the limit of starvation'.<sup>50</sup> The tobacco monopoly had not acted with the social responsibility that could be expected from an employer in its position.<sup>51</sup> Raised minimum wages and an acceptance of article 15, as it was formulated in the union proposal, would contribute to a better atmosphere on the work floor, which would be to the benefit of the employer.

### 5.3 Towards a solution

An important feature of the negotiations in 1923 was that the two main causes of worker discontent were closely related. Both the union and the employer realized that if hourly wages could be raised, transfers of workers would be facilitated. This became evident in the second round of negotiations.<sup>52</sup> The employer thought that article 15 was no longer necessary after the acceptance of raised minimum wages, and should be omitted from the agreement. In principle, this argument was accepted by the union representatives but they still regarded the minimum wages as being too low. If the wages were raised to the level demanded, the union could possibly accept the abolition of the income guarantee.<sup>53</sup>

Yet another employer proposal to raise the hourly wages was discussed at a meeting before Christmas.<sup>54</sup> The much debated article 15 was omitted. When commenting on the proposal, an employer's representative added that it was the company's intention to offer generous training periods in order to smoothen the transfer if piece workers were transferred to 'significantly different' jobs.<sup>55</sup> In early January 1924, Kindstrand announced that the workers had accepted the general terms proposed by the employer. Thus, the union had attained higher wages for those paid by the hour and given up the income guarantee for those paid piece rates.

The agreement of 1924 would last less than two years. Again, it was the workers who took the initiative for new negotiations, presenting a proposal in November 1925. The main reason for termination was, according to Kindstrand, that the workers were unhappy with their

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<sup>50</sup> ARAB, STF, Förhandlingar, F01: 4, 13 November 1923.

<sup>51</sup> Note that Kindstrand rather was referring to the monoposony situation rather than the state ownership. The idea of the state as an ideal employer was seldom used by the union side in negotiations.

<sup>52</sup> ARAB, STF, Förhandlingar, F01: 4, 6 December 1923.

<sup>53</sup> ARAB, STF, Förhandlingar, F01: 4, 12 December 1923.

<sup>54</sup> ARAB, STF, Förhandlingar, F01: 4, 22 December 1923.

<sup>55</sup> ARAB, STF, Förhandlingar, F01: 4, 22 December 1923.

real wage. However, a contributing reason was the transfers from manual work to machine work in manufacturing cigars and cigar-cigarettes. In the absence of minimum wages, mechanization was, for many workers, associated with income losses, and sometimes the amounts were substantial. Kindstrand drew the conclusion that it was necessary for the workers to attain secure regulations regarding job changes.<sup>56</sup> The union proposal therefore included stipulations about minimum wages in the general wage regulation and another change made because of the problems with transfers.<sup>57</sup> Previously, the general wage regulation had included norms for the hourly income a worker should be able to attain; on the condition he or she was skilled for the job in question. The union side argued that this stipulation had given rise to incessant disputes where the transferred workers had complained about income losses and the factory manager replied that the workers were not skilled in the job to which they had been moved.

When commenting on the union proposal, the managing director, Oscar Wallenberg, remarked that the hourly wages had been significantly raised in the previous round of negotiations because of the large number of transfers that had been going on at the time. However, reallocations of labour of that magnitude were not of current interest, he explained. It seems like Wallenberg had a point in this respect. Overall the transfer issue did not get as much attention in 1925-1926 compared to the previous round of negotiations. But it was not completely neglected.

After about two months of talks, a union representative urged the employer to make clear statements about the demanded minimum wages and guarantees of income security.<sup>58</sup> This did not result in a lengthy argumentation but Wallenberg declared that neither the proposed minimum wages nor the income guarantees could be accepted. A contract proposal from the employer was rejected by the union after a ballot in January/February 1926. When negotiations were resumed Kindstrand gave a considerable number of specific reasons for the rejection. He did not explicitly mention the transfer issue but among the stumbling blocks was the demand for raised hourly wages. Kindstrand also mentioned that male cigar workers on machines demanded the same wage as their former colleagues who still worked manually.<sup>59</sup>

Interestingly, this latter demand was commented upon by Wallenberg. He explained how the decreased demand for handmade cigars had made some male cigar makers redundant. These had been transferred to machine work – a kind of work that according to Wallenberg

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<sup>56</sup> ARAB, STF, Förhandlingar, F01: 4, 13 November 1925. Real wages and transfers were not the only reasons for termination. Other issues mentioned were: shiftwork, overtime work, industrial democracy, fringe benefits, paid vacation and sickness benefits.

<sup>57</sup> ARAB, STF, Förhandlingar, F01: 4, Bilaga 16, öFörslag till arbets och löneföreskrifter vid Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatserö.

<sup>58</sup> ARAB, STF, Förhandlingar, F01: 4, 22 January 1926.

<sup>59</sup> ARAB, STF, Förhandlingar, F01: 4, 8 February 1926.

ö[could have been] performed as well by female labourö.<sup>60</sup> What Wallenberg was saying was that the male workers were protected against unemployment and their wage was also subsidized by the company. Consequently he did not see any reason to accept the union demands in this respect.

The union members approved a new agreement proposal from the employer and the negotiations could be brought to a conclusion in February 1926. The outcome was wage increases of about 10 to 15 percent but the final agreement did not include any formulations about minimum wages or protection for transferred workers. The negotiations in 1925-1926 gave the transfer issue a fairly prominent position for the last time. In a new agreement proposal in 1929 the union clearly prioritized other questions, such as higher wage additions to compensate for the price level, paid vacation and sickness benefits. Income losses due to transfers were mentioned by two union representatives but without causing any longer discussions.<sup>61</sup>

## 6. Conclusions

Mechanization and changed consumer preferences not only implied redundancies and changes in work-processes in the Swedish tobacco industry, but also challenged the established employment practices of the Tobacco Monopoly. Workers had to be transferred in an internal labour market that was characterized by a gender division of labour and where wages were connected to products rather than individuals.

The gender division of labour in cigar production implied that men were concentrated in hand cigar making and in some jobs outside direct manufacturing. Job bumping within the prevailing gender division of labour ó transfers of skilled male workers to unskilled male jobs ó occurred on several occasions. Sometimes male hand cigar makers were also transferred to female tasks, but not all borders could be crossed. For example, male workers were never, not even in the severe recession in 1921, used as preparation workers. For female workers, opportunities for transfers within direct production were greater and reallocations certainly did occur, perhaps even to the extent that factory managements could not keep their personnel records updated.

Gender differences may be discerned with regard to the internal flows of workers during the downsizing phase and with regard to the selection of individual workers, at least in a rhetorical sense. The management often emphasized its social responsibility for its male workers; workers with less capacity to compete for jobs in the external labour market were protected from unemployment by being transferred. With female workers, the management used more direct business motives; workers were selected because of their inability in their original jobs. No reference was made to their chances in the external labour market.

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<sup>60</sup> Swedish: ö[í ] som lika väl kan utföras av kvinnlig arbetskraftö. ARAB, STF, Förhandlingar, F01: 4, 8 February 1926.

<sup>61</sup> ARAB, STF, Förhandlingar, F01: 4, 1929-1930.

There was a deeply rooted preference for wage stability among the tobacco workers. No resistance was shown towards mechanization as such, even though it was associated with job losses. What was important for the workers was that changes, of a technological kind or due to the composition of demand, did not lead to decreased earnings. This was, for example, reflected in the conflict in 1918. In the years characterised by expansion, the union managed to include an article in the collective agreements stipulating that transferred workers were entitled to at least the same income as before, as long as the income did not exceed the prevailing wage level at the new job by too much and the transfer had not been made in order to avoid layoffs. This article was a more or less constant source of dispute between union and management. Over time it became evident that the issue was closely related to the level of hourly wages since it constituted a floor for the earnings of piece workers. Raised hourly wages was the solution that eventually limited the income losses of transferred workers.

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