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2008

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*Citation for published version (APA):*

Karlsson, T. (2008). *Downsizing: Personnel Reductions at the Swedish Tobacco Monopoly, 1915-1939*. Lund University.

*Total number of authors:*

1

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Lund Studies in Economic History 47

# Downsizing

Personnel Reductions at the Swedish Tobacco Monopoly,  
1915-1939

Tobias Karlsson

Holmbergs

Printed by Holmbergs, 2008  
[www.holmbergs.com](http://www.holmbergs.com)

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ISSN: 1400-4860  
ISBN: 978-91-628-7586-2

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## List of central actors in the study

<i>Bengtsson, Erik</i>	Chairman of the Malmö branch of the Tobacco Workers' Union from 16 June to 30 September 1927.
<i>Branting, Hjalmar</i>	Leader of the Social Democratic Party.
<i>Bärg, Anders Johan</i>	Social Democratic representative on the board of the Tobacco Monopoly 1926-1937.
<i>Eliasson, Axel</i>	Salaried official ( <i>ombudsman</i> ) at the Tobacco Workers' Union from 1923 to 1928. Chairman for the same organization from 1928 onwards.
<i>Eriksson, Erik</i>	Chairman of the Malmö branch of the Tobacco Workers' Union from 1926 to 16 June 1927.
<i>Holsti, Pehr-Olof</i>	Technical director at the Tobacco Monopoly.
<i>Kindstrand, Albin</i>	Chairman of the Tobacco Workers' Union 1903-1928.
<i>Levin, Emanuel</i>	Manager of Malmö Cigar Factory.
<i>Lovén, Carl</i>	Social Democratic Member of Parliament
<i>Madsen, Mads</i>	Chairman of the Malmö branch of the Tobacco Workers' Union from 1921 to 1925 and from 30 September 1927 onwards.
<i>Nilsson, Gustaf</i>	Social Democratic representative on the board of the Tobacco Monopoly 1914-1926.
<i>Nordenfeldt, Per</i>	Director on duty (state representative on the managerial body of the Tobacco Monopoly) 1914-1930.
<i>Rubin, Hildur</i>	Representative of the Gävle branch at the congress of the Tobacco Workers' Union in 1928.
<i>Starrin, Yngve</i>	Chairman of the Stockholm branch of the Tobacco Workers' Union.
<i>Wallenberg, Oscar</i>	Managing director of the Tobacco Monopoly 1915-1929.



## Abbreviations

ARAB	Arbetarrörelsens arkiv och bibliotek
FHK	Frans Henrik Kockums Tobaksfabriks arkiv
GU	Göteborgs universitetsbibliotek
KA	Kvinnohistoriskt arkiv
LO	Landsorganisationen
MS	Malmö stadsarkiv
SAF	Svenska arbetsgivareföreningen
SM	Swedish Match
STF	Svenska Tobaksindustriarbetareförbundet
STM	Svenska Tobaksmonopolets arkiv

## Acknowledgements

The year 2008 has included two tests of endurance for me: running a marathon and finishing a doctoral thesis. When looking back at the marathon it strikes me how soon all the hardships fade away. The memory is dominated by the atmosphere created by the people I met along the way. Similar feelings come up when I now look back at my time as a PhD-student at the Department of Economic History in Lund.

First, I would like to thank my supervisors Christer Lundh and Maria Stanfors. Christer, who was there from the beginning, has given me great freedom to shape the PhD-project and at the same time provided valuable advice. Maria entered the process somewhat later and has contributed with fresh eyes and great understanding of what it is to be a PhD-student. I hope to be able to cooperate with both of you in the future!

The thesis has benefited from the comments made by participants at seminars, workshops and conferences. Ben Gales and Dennie Oude Nijhuis commented on my dissertation plan at the ESTER-workshop back in the summer of 2005. My licentiate-thesis was scrutinized by Tommy Isidorsson in September 2006. His doubts about the job titles proved to be justified. Lars Pettersson and Claes Malmberg, at a departmental seminar in March 2007, and Eric Neilsen, at the Business History Conference in Cleveland in June 2007, commented on early versions of what would become chapter 10 of the thesis. The details and structure of the final manuscript were improved by suggestions from Anders Nilsson and Klas Fregert in February 2008.

The Department of Economic History, my working place for the last four years, has been an inspiring research environment. The weekly seminars, under the auspices of Jonas Ljungberg and Christer Gunnarsson, and the courses arranged by the Centre of Economic Demography have been of great value. Fay Lundh Nilsson has given me the opportunity to discuss labour history over lunches. Mats Olsson, Benny Carlson, Lars Svensson, Göran Ahlström, Kent Johansson and Irene Håkansson have provided useful literature tips. The atmosphere of the community of PhD-students has been encouraging and without airs. I have had the pleasure of hanging out with some of you outside work as well; playing board games, going to concerts, spending time at more or less lousy hotels, partying, sharing dvd-boxes, working out and running. Thanks Sofia R, Kerstin, Fredrik, Magnus, Ola, Jonas, Luciana, Montse, Mats P, Camilla, Tobias A, Sofia H, Jan and Liz (sic). Without you, these years would have been so much more boring!

Outside the department a special debt of gratitude goes to Sven Gaunitz, my former teacher and supervisor in Umeå, who has taken time to read drafts and been a never ending source of ingenious ideas. Intellectual inspiration has also come from Johanna Sköld, Bart van den Putte and many more.

Writing a historical thesis, with narrative elements, in English on a Swedish subject has not been uncomplicated. Jaya Reddy has helped me with language corrections and contributed to making my next venture easier from a language point of view. Still, the usual disclaimer applies and the quotations are my own liberal translations.

Archives and libraries are a part of the infrastructure required for historical research. The work on this thesis has involved frequent visits to *Malmö stadsarkiv*, *Ekonomihögskolans bibliotek* and *Universitetsbiblioteket* in Lund, and *Arbetarrörelsens arkiv och bibliotek* in Stockholm. I have received great service from the staff at all these places. Special thanks to Lars Gogman at *Arbetarrörelsens arkiv och bibliotek* for bringing about order in the archives of the Tobacco Workers' Union. When it comes to source material, my gratitude also goes to Swedish Match – particularly to Inga Junhem, Helena Frenzel and Frida Lindfors – for giving me the opportunity to read documents from the Tobacco Monopoly and experience cigar manufacturing in real life.

Financial assistance for travelling and equipment has been received from *Stiftelsen Lars Hiertas Minne*. Ina, Magnus I, Thomas and Kristina generously provided lodgings whenever I visited the archives in Stockholm.

Finally, my sincere thanks go to my family and friends outside academia for their patience, understanding and encouragement. To those of you in Umeå: I cannot promise to move back in the close future, but I do promise to leave the work behind me next time I head north!

Västra Sorgenfri, 9 August 2008  
T K

# Chapter 1

## Introduction

### 1.1 Points of departure

The past decades have seen a wave of downsizing sweeping over the world.<sup>1</sup> Fierce global competition, new ideals of 'lean production' and the availability of labour-saving technology have induced many companies to reduce their workforces. Bureaucracies and state-owned enterprises have at the same time faced increased pressures to cut costs and get rid of redundant employees. Much research has been devoted to the consequences of reductions, since they have been painful in many respects for survivors, for organizations, for local communities and for society as a whole. Less interest has been devoted to downsizing as a process experienced by individual companies and few researchers have systematically discussed the variety of ways through which reductions may be achieved.<sup>2</sup>

One point of departure for this thesis is that reductions confront both the employer and workers with delicate choices. For the employer, reductions involve trade-offs between the number of workers employed and the amount of time each worker is supposed to provide, as well as between workers of various types and characteristics. If only direct economic factors are considered the employer could risk transgressing the formal rules and informal norms of what is fair. The survivors, that is, those workers who are retained, may have strong opinions about how downsizing should be implemented. If they feel that the employer has breached a contract they could respond by working to rule, blocking technological change and refusing to participate in the training of new workers. The feeling of insecurity associated with unfair employer behaviour may also cause health problems and high personnel turnover. In the long run, the employer with a bad reputation may face difficulties in attracting labour.

For the workers as a collective downsizing may cause internal divide. Who has the strongest claim to the job? How should the union try to affect the outcome of the downsizing process? Factions may, for example, arise according

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<sup>1</sup> Freeman & Cameron 1993; Arvedson 1998; Baumol *et al* 2003; Rama 1999.

<sup>2</sup> This has, for example, been pointed out by White 1993, p 39, Freeman & Cameron 1993, p 15 and Budros 2002, p 308.

to age, seniority, sex, occupation, nationality or political opinion. In addition to these dividing lines there may be different ideas about fairness. Some emphasize that personnel reductions are implemented according to clear and transparent rules, whereas others advocate the allocation of jobs to those most in need of an income. Individuals also have different preferences. Some prefer having a high degree of employment stability and are willing to accept wage cuts or hours-reductions, whereas others prefer income stability at the price of possible layoffs.

The solutions that come up – the outcomes of the interplay of employers, workers and politicians – are of great importance for the fate of different groups in the labour market as well as for the economy as a whole.<sup>3</sup> For example, it has been argued that seniority-based layoffs have adverse impacts on the employment of youths, women and immigrants. Since these groups generally have shorter tenures, they are often first in line when it comes to personnel reductions. Some debaters also argue that strong employment protection – such as rules stipulating advance notice, severance pay and order of selection at layoffs – hampers labour mobility, which in turn slows down structural change and economic growth. Not all researchers agree upon the adverse consequences of regulations protecting employment. Through its stabilizing effect on employment relationships, employment protection may foster human capital formation. Most often, the debate about employment protection concerns legislation. In principle, however, the claimed effects of laws could also apply when employment protection exists in the form of collective agreements or strong social norms.

We cannot *fully* understand how labour markets, firms and unions operate, without knowledge about what happens inside downsizing companies. But it is usually difficult for present-day researchers to get inside the gates of companies to gather relevant information. This difficulty may be particularly prominent in the case of companies who are about to carry through reductions, or have recently done so. Here, historians have advantages. As time passes, business archives become more accessible and documents that were once considered sensitive may be gone through in piece and quiet. Furthermore, without the efforts of historians, it is impossible to assess whether the patterns seen in the last decades represent something fundamentally new, or if firms and workers in the past behaved in similar ways when facing recessions and technological change.

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<sup>3</sup> For an overview of the discussion concerning the effects of employment regulation, see *Employment Outlook* 2004, chapter 2.

Considering the advantages of an historical approach to the topic in question, it is remarkable that downsizing so far has seldom been studied in historical contexts.

## 1.2 Aim of study

The aim of this study is to investigate the downsizing process of the Swedish Tobacco Monopoly (*Svenska Tobaksmonopolet*) in the inter-war period. This involves describing and analysing the interplay between the company and the Tobacco Workers' Union (*Svenska Tobaksindustriarbetareförbundet*), the internal complications experienced by the organizations and the outcomes of the process. Three main themes run through the study: (1) the ways of achieving personnel reductions, (2) the categorization of workers and (3) the decision-making process.

Firms and unions face a number of crossroads when going through downsizing. The first theme is therefore concerned with the parties' views on various options as well as the outcomes of the reductions in a quantitative sense. This includes investigating to what extent reductions were accomplished by adjusting working-hours or the number of workers, and to what extent the workforce was reduced by natural attrition or by active measures such as buyouts and layoffs. In this respect, the account is guided by a conceptual framework that defines various ways of achieving reductions of labour inputs and relates to broader theoretical and empirical currents when discussing the rationale for various choices.

The second theme concerns how various categories of workers were affected. This endeavour involves, among other things, reconstructing the composition of the workforce over time and analyzing the layoff risks for individual workers. Given the incomplete information and complex nature that characterize many personnel decisions, it may be assumed that employers often resort to rules of thumb. Workers are grouped and treated according to easily observed characteristics. Theoretically, there are several characteristics of potential importance. According to human capital theory, firms will protect, or compensate, workers with idiosyncratic skills. It is often thought that employers use age and tenure to identify workers with firm-specific human capital. One way of protecting workers with valuable skills, often emphasized in the literature on internal labour markets, is to have them temporarily transferred to jobs with lower status. Skill-specificity and seniority are merely two possible characteristics that can guide employers. Sex and marital status are two other

common foundations for categorization. Given the historical context, it is of particular relevance to investigate the interaction of these characteristics; that is, whether men and women were treated differently and in what way marital status played a role in this respect.

The third theme is related and complementary to the previous ones as it concerns decision-making and power. It is not obvious at what level, and by whom, decisions about reductions are made. An important task is therefore to identify the actors of the downsizing process and institutions that restrict or influence the scope for action. The actors may be found within the company as well as among the workers and their union representatives. Both the company and the union can be seen as organizations consisting of several actors and groups with potentially diverging opinions regarding how reductions should be achieved. As proposed by principal-agent theory, there may, for example, be conflicts of interest between the company board and the management. In a similar way, tensions may arise between the union's rank-and-file and its leadership. The institutional constraints experienced by the actors may be of different kinds; ranging from formal rules to unwritten norms and codes of conduct.

From the above reasoning, the purpose of the study is specified in three sets of questions:

- (1) How were reductions of labour inputs achieved and why were certain methods chosen before others?
- (2) How were the workers categorized in connection with the downsizing process and how was the composition of the workforce affected? What was the rationale behind these categorizations and what were the consequences for the workers?
- (3) What did the decision-making process look like? At what level, and by whom, were decisions made? In what way was the downsizing process restricted and influenced by formal and informal institutions? Was downsizing associated with internal frictions within the company and the union?

## 1.3 Delimitations

This study is concerned with downsizing from the perspective of labour management. Its aim is not to provide an exhaustive description of how the organizational structure of the Tobacco Monopoly affected and was affected by the downsizing process.<sup>4</sup> Decisions about what factories to retain or close down are not investigated in detail.

The study is furthermore concerned with the part of labour management that deals with blue-collar workers. Unlike the blue-collar workers, the white-collar workers were not unionized and did not enter collective agreements. It would certainly have been interesting to compare how the Tobacco Monopoly treated the two groups, but this aspect is left for future research.

The period of our investigation includes a phase before the actual reductions set in, in order to identify preconditions of potential importance, and a phase after the most dramatic reductions, to see whether certain patterns were established. The Tobacco Monopoly was founded in 1915, but several chapters also provide descriptions of conditions prevailing before nationalization. The end date for the study period is more arbitrary. Of course, the year 1939 represents the end of an era in a wider political and economic sense, but it does not mark any dramatic event in the history of the Swedish tobacco industry. Neither does it mark the definite end of downsizing; this process actually went on into our own time. However, the development slowed down considerably in the mid-1930s, which is seen not only in statistical time series but also in the qualitative sources. After 1933, issues other than personnel reductions filled the correspondence between management and union.

## 1.4 The case

Methodologically, this thesis may be described as a case study. By investigating a single instance intensively, the study has the potential of bringing about a deeper understanding of the complexity of personnel reductions and inspiring future research of a more extensive kind. The case study approach does not mean that the study exclusively relies on qualitative evidence. On the contrary, great effort has been put into combining qualitative and quantitative data into a comprehensive account. The various sources of evidence are further described in appendix 1 and 2. It is also intended to put the case into its wider context and,

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<sup>4</sup> For a discussion on 'organizational downsizing', see Freeman & Cameron 1993.



when possible, to make relevant comparisons. This is mainly done in chapter 3, while the present section briefly introduces the case and provides some reasons for why it has been chosen.

The 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 Tobacco Monopoly is also known for having employed many physically disabled persons. 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. 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.

The Swedish tobacco industry is an interesting case of downsizing for several reasons. First, it enables us to learn more about personnel reductions in the 1920s and 1930s and how reductions were shaped by perceptions of fairness in that period. Being a state-owned company and the only employer in the industry, the Tobacco Monopoly was expected to treat its workers with particular care. Thus, this company gives us an idea of how an employer should behave in order to be considered socially responsible. It is also likely that the practices of a company such as the Tobacco Monopoly influenced the behaviour of companies in other industries that would later face the need to reduce labour inputs, although their preconditions looked different. As will be shown, the Tobacco Monopoly implemented many measures that we associate with personnel reductions today. Another intriguing aspect is that the company employed workers with either general or specific skills, which provides a unique opportunity to test the implications of human capital theory. Finally, the Tobacco Monopoly employed both men and women, which gives us information

on how gender-related norms, including the male-breadwinner norm, shaped personnel reductions in the inter-war era.

## 1.5 Outline and main conclusions

This study consists of 12 chapters. Chapter 2 provides the analytical framework and an overview of previous research. Theoretically, it is assumed that reductions of labour inputs may be accomplished in several ways – beginning with the basic choice between reducing the number of working-hours or the number of workers. When discussing the factors affecting how reductions are shaped, this thesis relates to a broad range of theoretical concepts; including human capital, implicit contracts, gender division of labour, internal labour markets and principal-agent problems. Empirically, it relates to both labour history and business history.

Chapter 3 puts the Tobacco Monopoly into its wider historical and societal context – inter-war Sweden. Although the period was characterized by severe crises and rationalization, employment in the manufacturing sector as a whole grew in the long run. However, some industries, amongst others the tobacco industry, deviated from the general pattern and experienced decreasing employment. Against the backdrop of high unemployment, voices were raised in favour of imposing marriage bars for women and reserving jobs for male breadwinners. These demands were eventually turned down by Parliament. Another contested labour market issue of relevance for this study was the struggle between employer organizations and trade unions for the power to lead and manage work and to hire and fire workers. The Swedish labour market of the inter-war period was not characterized by direct state involvement, but saw increasing state ownership of companies. This tendency directly affected the tobacco industry, which was nationalized in 1915 with the primary purpose of providing the state with incomes.

Chapter 4 accounts for how labour relations in the tobacco industry were changed by nationalization. The tobacco workers were worried about having only one employer and their demands were to a certain extent acknowledged by the politicians. In its contract with the state the Tobacco Monopoly promised to treat the workers fairly; this, among other things, was manifested in ambitious corporate welfare schemes administered by personnel consultants. After describing some features of the company, the chapter turns to the characteristics of the Tobacco Workers' Union, which was open to blue-collars in the industry, irrespective of gender and age. Although women constituted the majority of the

members, their representation among the union leaders was weak. The industrial relations in the tobacco industry were characterized by collective agreements and institutions for dealing with disputes. A premium bonus wage system was introduced after nationalization and the tobacco workers improved their position relative to workers in other industries during the period of our investigation.

Chapter 5 deals with the challenges met by the Tobacco Monopoly in the 1920s. During the severe crisis in 1920-1922, the demand for cigars fell dramatically and consumption continued to shrink thereafter, although at a slower pace. During the crisis the management also began to mechanize the production of cigars and cigar-cigarettes, which had both deskilling and labour-saving consequences. With only a few weeks of training, machine workers could produce four times as many cigars and cigar-cigarettes as skilled cigar makers working manually. Both the declining demand and technological change led to shortage of work, but though the union petitioned politicians for protection from foreign competition, it did not make any significant efforts to stop mechanization.

Chapter 6 provides a chronological account of how the company and the union responded to situations with shortage of work. Here, it is established that the introduction of a pension scheme was directly related to the downsizing process. Another management response was to institute a personnel reserve, similar to a system previously adopted by the armed forces. There were, however, diverging opinions among the tobacco workers about how to deal with reductions. At the congress in 1928 female representatives, for example, accused the union leaders of failing to look after the interests of women.

Chapter 7 is the first of five chapters that look more deeply into the issue of how the Tobacco Monopoly reduced labour inputs. The chapter begins with a general discussion about the trade-off between hours and workers, before turning to the qualitative evidence concerning how the company and union regarded the issue. It is shown that the union often pushed for hours-reductions as a way of avoiding layoffs, while the management was more reluctant. The chapter continues with a quantitative study that contrasts the development of working-hours in the tobacco industry with other manufacturing industries and shows that workforce reductions were more important in the tobacco industry than in the manufacturing sector as a whole in the post-war depression.

The Tobacco Monopoly reduced its workforce by three fifths between 1920 and 1928. Chapter 8 provides a closer look at how this reduction was accomplished. Using data from one of the cigar factories, the importance of attrition, buyouts and layoffs is estimated. This analysis indicates that layoffs were more important than attrition for accomplishing workforce reductions.

Furthermore, the chapter discusses the use of temporary labour and looks at how reductions affected the composition of the workforce in various respects, for example showing that the age structure was profoundly altered during the period of our investigation. Initially, the cuts affected both ends of the age distribution, but thereafter measures were increasingly aimed at middle-aged workers. In spite of the changed age structure, the gender composition of the workforce remained fairly intact.

As shown in chapter 8, a considerable part of the workforce reduction was achieved by layoffs. Chapter 9 provides qualitative and quantitative analyses of the layoff processes. The main result in this chapter is that the company changed its policy regarding the order of selection in the middle of the crisis in 1921. Previously, the company had basically adhered to the seniority norm, but this practice ceased after the introduction of machines. As senior workers were no longer needed for transferring skills to newly hired workers, the incentives for the company to protect faithful servants were weakened.

The downsizing process of the Tobacco Monopoly was in some respects shaped by the origins of the company. One important fact in this regard was that tobacco workers who became redundant in connection with nationalization were entitled to severance pay. This issue is further studied in chapter 10. It is shown that although the Tobacco Monopoly had no formal obligation to hand out compensation to redundant workers after 1 July 1920, it continued to do so. Following an established norm, the compensation amounts were substantially higher for workers with firm-specific skills than for workers with general skills. When related to average incomes, compensation amounts were also higher for male workers than for female workers. This pattern had not been established in connection with nationalization but was created by the company.

Although downsizing implies that labour is released, it is also likely to be associated with reallocation of labour within the company. This was certainly the case with the Tobacco Monopoly. Chapter 11 is about between-job transfers, which were complicated by two factors; gender roles and the linking of wages to individual performance. According to the prevailing gender division of labour, men worked as cigar makers or on unskilled tasks outside direct production. The possibilities of transferring female workers among direct production jobs were somewhat greater as women could also work on preparing the raw tobacco. The transfer issue was repeatedly the object of disputes between management and union. Since wages were tied to individual performance, transferred workers often experienced income losses. The problem was eventually solved by raising minimum wages.

The main conclusions are summarized and discussed in chapter 12. Here, this thesis establishes that the downsizing process of the Tobacco Monopoly was far from straightforward, and that it provides an example of a state-owned enterprise that was actually able to deal with redundancies. By a variety of means, including attrition, induced quits, layoffs and severance payments, the company managed to strike the balance between social responsibility and efficient business conduct.

## Chapter 2

# Reducing labour inputs

### 2.1 Introduction

The concept ‘downsizing’ was introduced in the 1970s and spread in the popular media in the following decades as synonymous with personnel reductions. It has since then been adopted by social scientists and filled with more or less specific meanings. Researchers in the field of organizational science have come to emphasize the intentional nature of downsizing, making it distinct from the related concept ‘decline’.<sup>1</sup> Decline can be defined as external changes that will threaten the organization’s survival if not discovered and attended to. While decline is something that happens to an organization, downsizing is the result of conscious decisions. Downsizing can be the reactive response to decline but can also be proactive; initiated without immediate pressure from external circumstances. This may, for example, be the case when management decides to introduce labour-saving technology.

Of the features involved in downsizing, reductions are central. This chapter aims to structure thinking about some basic ways of reducing labour inputs and categorizing workers. While more specific explanations concerning the various choices are accounted for in the following chapters, this chapter bring up some general theoretical and empirical discussions of importance for understanding how reductions take shape. Reviews of previous historical research on personnel reductions and the downsizing of cigar manufacturing conclude the chapter.

### 2.2 Options for reducing labour inputs

Theoretically, there are a number of ways to reduce labour inputs. The first crossroad is to choose between reducing the number of working hours and the number of workers.<sup>2</sup> Companies want a certain amount of work to be done,

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<sup>1</sup> Freeman & Cameron 1993, pp 13-14; Kozlowski *et al* 1993.

<sup>2</sup> See for example Borjas 1996, pp 101-144 or Björklund *et al* 2000, pp 74-104. While not always including it in their models, labour economists are often aware of the distinction between workers and

which may be accomplished by employing a larger number of workers for a few hours per day or a smaller number of workers for many hours per day.<sup>3</sup> Accordingly, a reduction of labour inputs may be accomplished by cutting down either the number of working-hours or the number of workers. The former alternative will hereafter be called ‘hours-reductions’ (or simply ‘short hours’) and the latter alternative ‘workforce reductions’. Hours-reductions can be evenly distributed over the work days or be concentrated to certain days or weeks. Hours-reductions can also be evenly spread out over the workforce or concentrated to certain groups.

When it comes to workforce reductions, there are several alternatives to consider, as shown in figure 2.1.<sup>4</sup> These options are not mutually exclusive.<sup>5</sup> Decision-makers make trade-offs between combinations of measures with different centres of gravity.

The smoothest alternative is to impose a hiring freeze and wait for the workforce to shrink as workers quit, retire because of old age or unhealth, die, or get fired because of not adhering to workplace rules. This strategy is called ‘attrition’. If the natural rate of personnel turnover is considered too slow, an employer can induce people to quit. A whole vocabulary related to this phenomenon has come up in the modern human resource management literature.<sup>6</sup> The basic concept is known as a ‘buyout’; that is, when the employer offers workers compensation for leaving voluntarily. A buyout offer that comes unexpectedly for the workers and has limited duration is referred to as a ‘window plan’. Workers who are close to retirement may be offered ‘retirement bridges’; in such an offer the company guarantees that the worker will get the same pension as he or she would have got if the employment contract had run on until the regular retirement date.<sup>7</sup> Buyouts, and the like, have their merits for the employer not only because of the potential to speed up the downsizing process but also because special groups can be targeted. However, buyouts are also costly and can be hard to afford for some employers, particularly in recessions.

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hours. It appears as if this distinction is less often made explicit by researchers from other disciplines. See for example Atkinson 1984 and Greenhalgh *et al* 1988.

<sup>3</sup> Rosen 1968.

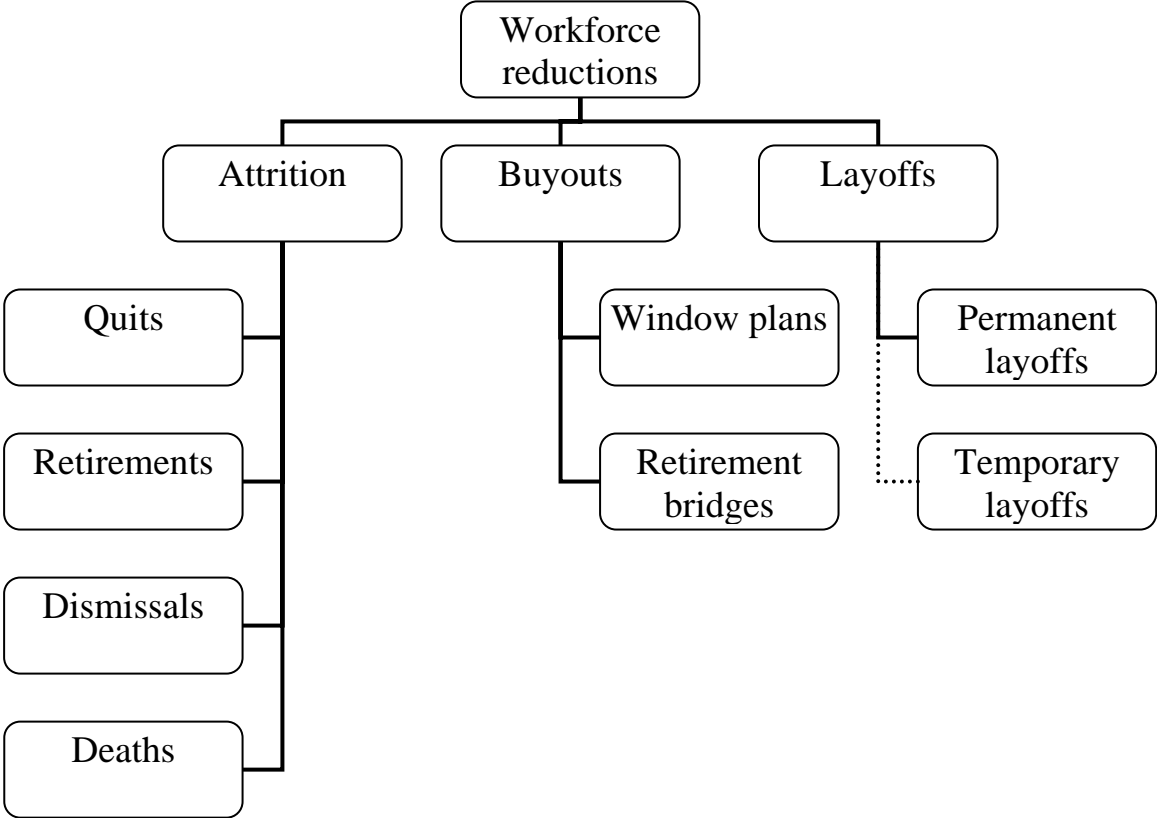
<sup>4</sup> White 1983; Greenhalgh *et al* 1988; Sutherland 1998.

<sup>5</sup> Sutherland 1998, p 150.

<sup>6</sup> Lazear 1998, pp 175, 189-190.

<sup>7</sup> Lazear 1998, pp 190-191.

**Figure 2.1** Ways of achieving workforce reductions



The remaining alternative to accomplish workforce reductions is to implement layoffs; to terminate employment contracts.<sup>8</sup> Layoffs may be either permanent or temporary. In the former case it is a matter of a workforce reduction; in the latter case this is not obvious. Temporary layoffs implemented alternately (*växelvisa permitteringar*), such as every other week or one day per week, may be thought of as hours-reductions while temporary layoffs with indefinite duration are closer to workforce reductions. The ability of employers to implement layoffs is dependent on the nature of the employment contracts. Contracts for workers hired for fixed time periods may be hard to terminate without substantial costs, whereas workers hired on an ongoing basis often have to be given advance notice before layoffs go into force. The implementation of

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<sup>8</sup> Today, there is a clear distinction between the terms ‘layoff’ and ‘dismissal’, where layoff refers to a separation that is caused by circumstances beyond the employee’s control, often shortage of work, and dismissal is thought of as a consequence of the employee’s own behaviour. This linguistic distinction was not as clear in the inter-war period. In the archival material reviewed for this thesis a termination of an employment contract was most often called a dismissal (*avsked*), though often with a further specification, such as ‘due to shortage of work’ (*på grund av arbetsbrist*).



layoffs raises the question about how the order of selection should be determined, which is further discussed in chapter 9.

## 2.3 Human capital and technological change

Human capital theory, introduced by Gary Becker and others in the early 1960s, has become one of the most commonly applied theories in labour economics. It has been used to analyze a wide variety of issues and also has a lot to say about personnel reductions.

Workers acquire human capital as they work.<sup>9</sup> They devote time to learning new things and refining their skills and knowledge. What they learn are not only practical skills and formal knowledge, but also more subtle things such as knowing informal codes of conduct and so on. Often, on-the-job training provides a mix of general and specific human capital. Some kinds of skills and knowledge may be utilised in other companies, others only at the company where the on-the-job training takes place.<sup>10</sup> Pilot training in the armed forces is an obvious example. The ability to pilot an aircraft is of value for civil airlines whereas the ability to handle weapon systems is not.

This study provides an illustration of the distinction between specific and general human capital. Nationalization implied that the skills of the Swedish tobacco workers became to a great extent firm-specific. However, the Tobacco Monopoly also employed categories of workers whose skills could be of use in other companies as well. This was, for example, the case with mechanics.

All investments in human capital have to be financed. In Becker's theory, trainees themselves will pay for the acquisition of general training. If a firm pays for training that can be used in other companies, it risks losing its investments if the worker quits and is hired by another employer. A similar risk will be run by a worker who invests in specific training. If the worker is laid off, there is no prospect of capturing the rents of the investments. Becker does not conclude that the firm will bear all investments in specific training; the optimal solution is rather that the firm and trainee share both the costs and benefits of the training.<sup>11</sup>

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<sup>9</sup> The discussion about human capital builds on Becker 1962.

<sup>10</sup> Observe that Becker means that general training may be useful in *several* firms, not necessarily in *all* firms. See also Oi 1962, p 540.

<sup>11</sup> If the firm takes the whole responsibility for financing specific training it will risk losing its investment if the worker quits. This may be avoided by offering workers with specific training a wage premium but at the cost of encouraging too many would-be trainees outside the company gates.

This arrangement creates a common interest in a long-lasting employment relationship.

Human capital is, just like other forms of capital, subject to depreciation. As new methods of production are invented workers' skills become obsolete and existing employment arrangements are questioned. This issue has been discussed by Edward Lazear.<sup>12</sup> He identifies three factors of importance for the optimal age composition of the workforce: (1) technological change, (2) how skills are acquired and (3) the degree of idiosyncrasy.<sup>13</sup> In contexts characterized by rapid technological change, an inflow of workers with up-to-date knowledge is needed and seniority becomes less important. If the skills needed for a particular job are acquired in the formal schooling system, the number of senior workers can be reduced. The same holds when the skills needed are general and can be acquired through on-the-job training in other companies. In such contexts, firms will release workers at the upper end of the age distribution. In contexts where human capital is largely firm-specific, firms prefer to make cuts at both ends of the age distribution. Furthermore, Lazear emphasizes the possibility of complementarities between specific and general skills and young and old workers. Workers with general skills can enhance the productivity of workers with special skills, and vice versa.

Lazear's reasoning seems relevant when studying the impact of modern computer technology at present-day workplaces, but may have to be somewhat modified when applied to historical contexts, such as the one studied here. Young workers were not necessarily equipped with more knowledge about the operation of the latest cigar machines, but they may well have been easier to train and adapt to new technology than old workers with roots in craft traditions.

## 2.4 Internal labour markets and labour queues

The human capital approach was not the only current of importance for the understanding of labour markets and personnel practices that appeared in the decades following World War II. Another influential research program, of a somewhat different character, was concerned with 'internal labour markets'; that is, rules and procedures that govern pricing and allocation of labour within firms. Whereas the human capital theory was anchored in the neo-classical tradition, the theories of internal labour markets were related to the

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<sup>12</sup> Lazear 1998, p 170.

<sup>13</sup> Lazear 1998, pp 172-173.

institutionalist school of thought and were more often based on inductive methodology. A seminal work in the field is *Internal Labor Markets and Manpower Analysis* published in 1971 by Peter Doeringer and Michael Piore.

Following Doeringer and 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 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 has become known 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. As emphasized by Paul Osterman, all firms have, to a greater or lesser extent, procedures regarding the allocation of labour.<sup>14</sup> He has identified four aspects, 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. When labour is to be released questions about the order of selection arise. Two extreme cases may be identified; one where the employer has freedom to choose which workers to retain and which to let go and another where there are predetermined criteria to be applied.

The fourth aspect concerns deployment; how workers may be transferred between jobs in the organization. As regarding layoffs we may think of two

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<sup>14</sup> Osterman 1988, pp 62-63.

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.

The above aspects of the internal labour market are 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>15</sup>

Theories of internal labour markets have often been connected with theories of labour market segmentation.<sup>16</sup> Doeringer and Piore contrast a primary sector with stable wages and employment security with a secondary sector characterized by erratic employment practices, low pay, high turnover and poor conditions in general.<sup>17</sup> The ultimate basis for this duality is conditions on the product markets; firms facing stable demand can afford to invest in modern technologies that require specific skills to handle. In line with human capital theory, these companies have incentives to establish long-term relationships with their employees. For Osterman, the main division in the labour market is between white-collars and blue-collars.<sup>18</sup> Whereas white-collars usually have strong employment security and loose job definitions, blue-collars more often experience weak security and rigid job definitions. Other researchers have pointed out that segmentation also may be found within companies. Firms often have a core of stable workers around whom various categories of temporary labour are released or recalled as conditions change.<sup>19</sup> Again, the notion of skill-specificity forms the basis for the division; the core workers possess idiosyncratic skills, whereas the workers in the periphery perform jobs that require general or few skills.

A theory of labour market segmentation of particular interest for our study is Lester Thurow's queue theory, since it emphasizes employers' categorization of workers.<sup>20</sup> The point of departure for Thurow is that employers do not hire workers until the marginal value product equals the wage, as suggested by standard neo-classical theory. Marginal productivity is rather attached to particular jobs, designed by the employers. As most skills of importance for these jobs cannot be acquired in the schooling system, the challenge for the

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<sup>15</sup> Osterman 1988, p 63.

<sup>16</sup> Leontaridi 1998.

<sup>17</sup> Doeringer & Piore 1971, pp 165-167.

<sup>18</sup> Osterman 1988, p 63.

<sup>19</sup> Atkinson 1984.

<sup>20</sup> Thurow 1979.

employers is to fill vacant jobs with those individuals who can be trained at the lowest cost and to establish efficient institutions for the transfer of knowledge.

Since the cost of training for each individual cannot be known beforehand, employers have to resort to proxies and rank workers according to background characteristics such as sex, age, ethnicity, education and previous experiences. The ‘labour queue’ may be based on subjective preferences, but may also reflect substantive differences between groups. In the latter case, employers engage in statistical discrimination as easily observable traits are used for screening job applicants. The most attractive jobs are allocated to those individuals who have (according to the employers) the most desirable background characteristics. When the labour market is tight, employers have to turn to job seekers with less desirable traits and in periods with excess labour preferred workers may be placed in low-paid and low-status jobs.<sup>21</sup>

After skimming the pool of applicants, employers have to make sure that the new recruits are properly trained. Senior workers play a decisive role in this endeavour. However, senior workers will refuse to participate in training if they fear that they will be replaced by new recruits. Consequently, employers have to give guarantees of employment protection, for example promising that layoffs will be implemented according to inverse seniority, in return for the participation of older workers in the training process.<sup>22</sup>

Even if one does not accept all the features of Thurow’s theory, his reasoning about how employers establish labour queues is sensible, particularly with regard to big enterprises that have to deal with complex personnel issues concerning huge numbers of individuals on an everyday basis.

The historical origins of internal labour markets and labour market segmentation are subjects of debate.<sup>23</sup> There are disagreements concerning the timing as well as the causes of changes. One of the most influential participants in this debate is Sanford Jacoby, who, referring to the United States, argues that the development towards internal labour markets, or “the bureaucratization of employment”, was accelerated in connection with the two world wars.<sup>24</sup> The development, which was pushed by the state and unions, included several aspects such as the centralization and professionalization of labour management. While labour management previously was the responsibility of individual foremen or engineers, big companies of the early twentieth century instituted

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<sup>21</sup> Thurow 1979, pp 20-21.

<sup>22</sup> Thurow 1979, pp 22-23.

<sup>23</sup> Jacoby 1984; Elbaum 1984; Sundstrom 1988.

<sup>24</sup> Jacoby 2004, p 2.

special personnel departments. Another central aspect of the bureaucratization of employment was the introduction of formal rules governing promotions and layoffs and other areas.

For the purpose of this study, it is of relevance to find out at what level personnel reductions were decided upon, whether these decisions were guided by rules and whether a personnel department, or individual personnel consultants, participated in the process.

## 2.5 Fairness and implicit contracts

When considering reductions of labour inputs, there may be explicit rules restricting the scope for action for employers and unions. In the case studied in this thesis there were not many formal rules concerning employment protection. There was, for example, neither a law nor a collective agreement prescribing the order of selection for layoffs. If there were rules, these were unwritten norms or implicit contracts.

The importance of social norms for the functioning of labour markets was already recognized by the classical economists and has been the subject of growing interest for researchers from various disciplines in the last decades.<sup>25</sup> In a seminal article, economist George Akerlof argues that the employment relationship can be viewed as a partial exchange of gifts; if the employer gives the workers fair pay, the latter will respond by performing a fair day's work.<sup>26</sup> This idea has become a popular explanation for the existence of efficiency wages; that is, wages above the market-clearing level. Notions of fairness may also affect the management's possibilities of hiring and laying off workers (for example by prescribing seniority criteria) or transferring workers between jobs. As will be shown in this thesis, there can be competing conceptions of fairness; two or more norms may get into conflict with each other and create dilemmas for firms and unions.

For employers, norms may limit the freedom of action both directly and indirectly.<sup>27</sup> Managers may share the perceptions of fairness prevalent among workers and exclude unpopular actions from their set of alternatives. Indirectly, the effect of norms goes via costs. As with other contracts, implicit agreements

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<sup>25</sup> Doeringer & Piore 1971; Akerlof 1982; Solow 1990; Huberman 1996; Pfeifer 2006; Gerlach *et al* 2007.

<sup>26</sup> Akerlof 1982.

<sup>27</sup> Doeringer & Piore 1971.

can be broken. A firm may choose to cut wages or to fire the most senior workers, in spite of a contract forbidding these measures. While a failure to live up to formal promises may end up in court, a failure to follow an informal agreement leads to anger and cynism among the workers. The most obvious reaction for workers in such situations is to strike, which may not be a likely response during a recession. But workers also have more subtle means. They may, for example, quit voluntarily and inform other workers about the bad behaviour of the employer, or they may stay on the job but lower their effort.<sup>28</sup> Doeringer and Piore note that:

“[...] minor, unorganized economic harassment, for which it is impossible to decide who is to blame, is the form of economic pressure which managers appear to fear most when customs are violated”.<sup>29</sup>

The potential relevance of work-to-rule actions in the Swedish tobacco industry was clearly expressed in the collective agreements. In the fifth article of the 1915 agreement for cigar workers it was, for example, stated that:

Each worker is obliged to perform as much work as well as he can, and to treat raw material and products with the greatest care and use them in the best way possible. Agreements between the workers regarding the use of raw material are forbidden.<sup>30</sup>

It should be recognized that social norms do not necessarily oppose rationality. At new workplaces norms are often initiated as reasonable responses to certain economic circumstances. After being established through repetition they acquire an ethical aura. It is when the circumstances change that conflicts are likely to arise between custom and rationality. Then there is a choice of whether to stick

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<sup>28</sup> For historical studies on work-to-rule actions, see Mathewson 1931 and Huberman 1993. For an overview of modern studies on the link between layoff procedures and work effort, see Brandes *et al* 2007, pp 235-237.

<sup>29</sup> Doeringer & Piore 1971, p 23.

<sup>30</sup> Swedish: “Varje arbetare är skyldig att utföra så mycket och så gott arbete, som i hans förmåga står, samt att med den största omsorg handskas med materialier såsom anförtrott gods och utnyttja desamma i största möjliga usträckning. Överenskommelser arbeterna sinsemellan om materialförbrukningen äro förbjudna.”. MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets cigarrfabriker* 1915. Similar formulations remained in the agreements throughout the period of investigation.

to old practices or to break the informal code of conduct, and, perhaps, try to establish a new custom.<sup>31</sup>

## 2.6 Gender division of labour and the male-breadwinner norm

One set of social norms of importance for the organization of labour markets is related to gender. To a greater or lesser extent, all societies have been characterized by a division of labour between men and women, with some tasks typed as ‘male’, others as ‘female’.<sup>32</sup> The gender division of labour has not only been horizontal but also vertical, meaning that men generally have held superior positions even when working in fields numerically dominated by women. A wide variety of factors – ranging from ideology and economy, and from biology to culture – have been referred to when trying to explain the origins and maintenance of gender-typing and gender segregation.<sup>33</sup> Some authors have blamed male-dominated unions for trying to exclude women.<sup>34</sup> Others have pointed to the wish of employers to stratify the work force into a core of skilled workers and a labour reserve to hire in upturns and fire in downturns.<sup>35</sup> These economic explanations cannot be the whole story, however, since gender-typing and segregation are not confined to capitalist societies. Biological explanations, such as differences in physical strength, dexterity and women’s childbearing, are also unconvincing since the gender division of labour has not been constant over time and space. It is hard to find examples of tasks that have always been performed by women, and vice versa. It is much easier to find examples of tasks

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<sup>31</sup> Doeringer & Piore 1971, p 25.

<sup>32</sup> Bradley 1989; Padavic & Reskin 2002, pp 7-10.

<sup>33</sup> Bradley 1989.

<sup>34</sup> Rose 1988.

<sup>35</sup> This idea has inspired a lot of empirical research on aggregated data such as industrial statistics or unemployment figures. Milkman 1976; Humphries 1976; Löfström 1978; Bruegel 1979; Bouillaguet-Bernard & Gauvin 1988; Humphries 1988; Ruberry & Tarling 1988; Mutari 1996; Lane 2004. Apart from showing that women generally have been employed in industries less sensitive to business cycles, such as manufacturing of foodstuffs and textile products, it is hard to draw general conclusions from studies of the female labour reserve hypothesis. In some crises, women have been more vulnerable, in others less. Furthermore, this strain of research may give a rough idea of what the employment security looked like, on average, for women and men but it cannot distinguish the possible effects of experience, age and skills from direct employer discrimination.



that have changed gender.<sup>36</sup> Barbara Reskin and Patricia Roos have applied and developed Thurow's queue theory as an analytical framework for explaining the changing gender composition of occupations.<sup>37</sup> While they observe that employers sometimes rank women ahead of men because of the lower costs associated with female labour, they argue that employers in general have tended to prefer male workers. Customs, subjective preferences, perceptions about women's lower productivity, the reluctance of men to work alongside with women and other reasons have made employers willing to choose men, in spite of having to pay a premium for their choice. This has particularly been the case where labour costs constitute a small fraction of total costs, where companies enjoy high profit levels or do not have to make profits at all. Nevertheless, there are plenty of examples where women have made inroads into male occupations. Such feminization processes are, according to Reskin and Roos, caused by external pressure. Employers have not abandoned their preferences for male workers, but have been forced to pick workers further back in the labour queues. Women are simply hired in times of rapid growth or when men are not willing to do the jobs offered. Although feminization processes are more common historically, examples of the reverse are also found, indicating the stubbornness of employers' rankings. During wars, for example, women often got the opportunity to do jobs previously reserved for men, only to be released when the men returned from military service.

The existence of a gender division of labour and gender queues has potential implications for the topic of this thesis. If the Tobacco Monopoly had strong preferences for male workers, we would expect it to release women and transfer men to female jobs. Such a policy could, however, be obstructed by deeply rooted ideas about men's and women's work and the company's goal to minimize costs. Furthermore, it is not only the gender division of labour at the workplaces that may have implications for how personnel reductions take shape, but also perceptions about the responsibilities of men and women within the family.

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<sup>36</sup> Cigar production is a case as good as any to illustrate this point. Oakeshott 1900, p 563; Abbott 1907; Cooper 1987; Bradley 1989, pp 160-164; Rosslund 1995; Gálvez Muñoz 2003; Gálvez Muñoz 2006.

<sup>37</sup> Reskin & Roos 1990.

A popular idea in the first decades of the twentieth century is known as the male-breadwinner norm.<sup>38</sup> According to this norm, which is thought to have been endorsed initially by the middle class and later spread to the working class,<sup>39</sup> the husband should provide the household with cash incomes whereas the wife should have the responsibility of unpaid domestic work, such as cleaning, cooking and doing laundry. The wife should also have the prime responsibility for raising children and caring for other dependents.

To the extent that it is applied in practice and not only an ideal, the norm has several implications. On a macro level, we expect lower labour market attachment among women in general and married women in particular. Women may be allowed to participate in gainful work in their youth, but as soon as they form a family of their own they are expected to withdraw from the labour market. We also expect women to have lower wages than men since the norm prescribes that men should earn enough money to support a family – a ‘family wage’.

In practice, one may expect to find stronger and weaker manifestations of the male-breadwinner norm. With regard to women in the labour market, there may, for example be opportunities for married women to return to gainful employment when the children are old enough to make it on their own. With regard to remuneration, the family wage does not necessarily have to apply to all men but could be limited to those men who are actually married. Consequently, what to expect from the male-breadwinner norm when studying personnel reductions is not obvious.<sup>40</sup> Basically, the model may be used as an argument for why men should be protected from unemployment, but should that apply to all men or only those who are married? Layoffs of married men will have adverse impacts on their families, whereas layoffs of unmarried men will prevent them from forming families. Correspondingly, will all women face higher risks of

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<sup>38</sup> A variety of similar expressions, often used interchangeably by the same author, are encountered in the literature, for example: ‘male-breadwinner model’, ‘male-breadwinner family’, ‘male-breadwinner system’, ‘male-breadwinner ideal’. Vanhoute 2002, p 62.

<sup>39</sup> The rise of the male-breadwinner norm is a highly contested issue. Some researchers argue that the withdrawal of married women from paid work was a strategy by the working class to reduce the overall supply of labour, while others see the process as caused by male workers’ attempts to defend not only their jobs but also their identity as old craft traditions were threatened by industrialization. For reviews of the debate, see: Janssens 1998 and Creighton 1996.

<sup>40</sup> Similar problems are encountered when studying the male-breadwinner norm in relation to welfare states. As pointed out by Jane Lewis the treatment of lone-mother families is particularly hard to predict in societies where the male-breadwinner norm is pronounced. Lewis 1992, pp 169-170.

being laid off, or only those women who not live up to the norm – that is, the married ones? And what about married women whose husbands are unemployed?

Indirectly, the male-breadwinner norm may have a negative impact on men's employment security. To the extent that men get wage premiums for being married or for being able to marry, employers will have incentives to substitute women for men. These incentives are likely to be particularly strong in recessions when the employer's financial position is weak. Apart from being cheaper, women also have other potential advantages for employers. They are less inclined to join unions and probably less reluctant to accept changes in the organization of work. For example, in the Swedish tobacco industry, women had weaker ties to old craft traditions and were thus easier to transfer between jobs and from manual work to machine work.

Empirically, the importance of a male-breadwinner norm has been studied from different perspectives. Some studies have focused on the labour-market participation of women at various points in time by using survey and census data.<sup>41</sup> Other studies have dealt with the design of welfare institutions. Some welfare states have been built on the premise that married women are not employed in gainful work, whereas others, Sweden for example, have facilitated female labour market participation.<sup>42</sup> Yet another orientation of research has been to investigate the political discourse, or the public opinion as expressed in newspapers.<sup>43</sup> These studies have shown that demands for imposing marriage bars were raised in many countries faced with high unemployment during the inter-war period.

Marriage bars, fairly often discussed in empirical research, may take at least two forms; either female workers are fired upon marriage or married female workers are not hired.<sup>44</sup> The Swedish inquiry into the gainful employment of married women, which published its final report in 1938, showed that marriage bars were found only in a minority of the investigated firms, covered a minority of the workers and employees in these firms, and were more common in the service sector than in manufacturing.<sup>45</sup> This pattern had its rationale.<sup>46</sup> Whereas piece-work was common in the manufacturing sector,

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<sup>41</sup> Lane 2004; Stanfors 2007; Roberts 2007.

<sup>42</sup> Lewis 1992; Sommestad 1997.

<sup>43</sup> Frangeur 1998; Neunsinger 2001; Roberts 2007.

<sup>44</sup> Goldin 1991.

<sup>45</sup> *Betänkande angående gift kvinnas förvärvsarbete m.m. Avgivet av Kvinnoarbetskommittén* 1938.

<sup>46</sup> Svensson 1995.

remuneration in the service sector was often related to seniority. At some point the wage came to exceed productivity and at that point the workers were no longer profitable for the employer. Marriage bars thus provided employers with a justification for releasing old workers.

Though we have a fairly clear picture of how common marriage bars were in Sweden during the 1930s, we do not know much about what employers' policies looked like in the preceding decade. Neither do we know much about how employers and workers responded in situations with shortage of work. Even though many firms did not impose formal marriage bars it is still possible that married women were particularly vulnerable in personnel reductions. That issue has never been investigated with regard to the Swedish context.

## 2.7 Principals and agents

The purpose of this study is not only to investigate how reductions were achieved and how workers were categorized and treated, but also to investigate the decision-making process. A useful point of departure is the principal-agent approach, which is about one party engaging another party to perform certain tasks in return for compensation.<sup>47</sup> When information is imperfect, the agent has incentives to cheat on the principal, taking the compensation but not doing the job agreed upon. Applied to companies, the principal can be the owner(s) and the agents the employees hired to manage the firm.<sup>48</sup> With regard to redundancies, it is reasonable to expect the principals to be more inclined to making reductions, and less interested in alleviating the consequences for redundant workers than the agents. This is because the managers are closer to those affected by the reductions and more exposed to protests. The managers may also have different goals to the owners, such as maximizing the size of the firm rather than the profits. Performance-based pay can be seen as a way of aligning the interests of the managers and owners and solving the principal-agent problem.

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<sup>47</sup> For a theoretical introduction, see Ross 1973. The principal-agent approach is discussed in relation to business history in Chandler 1992.

<sup>48</sup> The approach can, however, be applied on different levels of analysis. If focusing on the relationship between managers and workers, the managers can be considered as principals hiring workers as their agents.

The situation is different when the firm is owned by the state.<sup>49</sup> Since the state may have wider ambitions with its ownership than profit-maximization, the management of a state-owned enterprise may face several goals and constraints at the same time, which may be hard to measure or even contradictory. Constraints with regard to employment have been common historically. State-owned firms are typically expected to treat their employees and workers with care and to act as ideals for other employers. Many countries have given lifetime contracts to employees in state-owned enterprises and other parts of the public sector.<sup>50</sup> Personnel reductions can therefore be particularly sensitive for state-owned enterprises and their inability to adjust labour inputs is one reason why the World Bank and other actors have advocated privatization in the last decades.<sup>51</sup>

There is plenty of evidence of how the European tobacco monopolies were supposed to provide their workers with employment protection.<sup>52</sup> The most extreme example is the Portuguese monopoly, which was not allowed to lay off any of the workers employed when the charter was signed. The Spanish chartered monopoly was allowed to reduce the workforce with 25 percent at most. The instructions given to the Swedish Tobacco Monopoly were, as will be shown, more ambiguous.

The principal-agent approach is applicable not only to companies but also to examining the internal life of unions. Here, the principals are the members who appoint leaders as their agents. In a similar way to companies, there are potential conflicts of interest between the rank-and-file and the leadership of unions. Companies, as well as unions, have formal purposes – profit maximization on behalf of the shareholders and welfare maximization on behalf of the members – that leave some room for interpretation. Corporate managers, as well as union leaders, are subject to pressures from various interest groups and have to reconcile demands with the organization's formal purpose and with its long-run survival and growth. However, as emphasized by Arthur Ross, there

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<sup>49</sup> Shirley & Xu 1998, p 360.

<sup>50</sup> Svejnar & Terrell 1991, p 12.

<sup>51</sup> Shleifer & Vishny 1994, pp 995-996; Rama 1999. The recent discussion on labour retrenchment in state-owned enterprises seems to be particularly intense with regard to China, see for example Hu *et al* 2006, Dong & Putterman 2003 and Shirley & Xu 2001.

<sup>52</sup> *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del 3* 1911, pp 3, 18.

are fundamental differences between unions and companies.<sup>53</sup> Whereas the company's goal of maximizing profits can be measured in money, the union's purpose is multi-dimensional.<sup>54</sup> The welfare of the union members consists of aspects such as wages, working-hours, work environment, work intensity, employment conditions, employment security, protection from arbitrary treatment by supervisors and so on. How to reconcile these goals is far from obvious, which typically gives union leaders more room for discretion than corporate managers. Corporate managers and union leaders also differ in how they are appointed. Whereas shareholders only appoint senior managers, who in turn hire managers at lower levels, all union leaders are elected by the rank-and-file, directly or indirectly. Ross argues that union leaders, particularly at the local level, constantly face the risk of being replaced and therefore have to listen to their constituencies. Top-level union officials are more secure in their positions and develop a higher degree of identification with the organization as a whole. To observers, top-level union officials often appear to be more reasonable and moderate than local leaders.

As principals, the shareholders of a company are less heterogeneous than the union members. There are many potential dividing lines within unions, for example sex, age, marital status, occupation, political opinions and nationality. For the members, considerations of equity and fairness and comparisons with other groups are of great importance. The leaders have to find a reasonable compromise of interests in order to keep the organization together. However, the leaders may also identify themselves with certain groups and may have individual preferences that do not necessarily reflect the opinions of the organization.

With regard to the Tobacco Workers' Union, the composition of the leadership certainly did not reflect the composition of the members. While women were in the majority among the rank-and-file, the union was led by men. Thus, there was a principal-agent problem. Knowing that their actions could not be directly observed by the members, the leadership had an opportunity to favour men in negotiations with the management about reductions. It is an empirical question whether the leadership fell for this temptation or if it acted for the cohesion of the organization.

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<sup>53</sup> Ross 1948. Ross does not explicitly use the principal-agent terminology, but his reasoning is in the same spirit, as observed by Kaufman 2002, p 117.

<sup>54</sup> In that respect the union share a characteristic with the state-owned enterprise.

## 2.8 Previous research

As established in the introductory chapter, there are few studies with the primary purpose of investigating how firms have dealt with downsizing in the past. One reason for why so little has been done in the field is that labour management, in general, has been a neglected topic of historical inquiry; squeezed as it is between the two subdisciplines of business history and labour history.<sup>55</sup> Another possible reason is the tendency of concentrating research on industries that, with hindsight, were successful and played a leading role in the economy, rather than on industries that experienced decline. Still, there are a couple of studies that have dealt with personnel reductions and plenty that have touched upon the subject. With regard to those that mention reductions but do not investigate them in detail, the following research review in subsection 2.8.1 is delimited to more important works in the Swedish context. Subsection 2.8.2 concentrates on what has been written on downsizing in cigar production, internationally and in Sweden.

### 2.8.1 Downsizing and personnel reductions in general

Labour management in the past has been the object of study by researchers from various disciplines. Among labour economists and economic historians, there is an emerging current that aims to test hypotheses derived from internal labour market theories on evidence from individual firms.<sup>56</sup> These studies are often quantitative in nature and build on information from personnel records that have been coded and entered into databases. So far, most have focused on companies whose workforces have been stable or expanding over time. There are, however, a couple of examples where researchers have looked into internal labour markets in contraction.

Gary Solon *et al* have studied internal mobility and wages in two American firms during the inter-war period: Ford Motor Company (car manufacturing) and A M Byers Company (manufacturing of wrought-iron tubing and pipes).<sup>57</sup> Their study shows that internal reallocation of labour was important during recessions. Wages for specific jobs were, in the short term, kept constant, but workers were transferred up and down job ladders over the business cycle. In good times the

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<sup>55</sup> Gospel 1983.

<sup>56</sup> Baker & Holmstrom 1995; Seltzer & Simons 2001; Seltzer 2007; MacKinnon 1997; Howlett 2004; Hamilton & MacKinnon 1996.

<sup>57</sup> Solon *et al* 1997.

employers hired workers in low positions and some of the already employed were promoted. In bad times the employer reduced labour inputs by laying off workers in low positions and degrading workers at higher positions.

A similar pattern has been shown by Barton Hamilton and Mary MacKinnon in their study of the Canadian Pacific Railway for the period 1921 to 1944.<sup>58</sup> They argue that human capital theory may explain much of the company's personnel policy during the Great Depression; workers with general skills were laid off and workers with firm-specific skills were demoted.

In its focus on an individual company and in partly drawing on quantitative evidence from personnel records, our study has similarities with the line of research represented by Solon *et al* and Hamilton and MacKinnon. However, our study puts more emphasis on combining quantitative and qualitative evidence and in illuminating how labour management is shaped in interplay between company and union. In contrast to the two studies mentioned above, ours is about an industry that was not usually characterized by huge swings over the business cycle. Although a deep recession is a part of the story, other external shocks, such as changed preferences and technological change, are important as well. Finally, unlike most previous research in this field, our study deals with a workforce composed of both men and women.

Labour management in individual companies has also been studied with more emphasis on qualitative evidence. Many Swedish labour historians, inspired by Harry Braverman and his hypothesis about the degradation of work,<sup>59</sup> have focused on the struggle over the power to manage and lead work, often using individual firms as the level of investigation.<sup>60</sup> Apart from showing that often have the workers been more able to affect the design of work processes than previously thought,<sup>61</sup> an important contribution of this orientation of research has been to illuminate power relations and decision-making within firms. Lars Magnusson, for example, has described internal divides regarding the implementation of Tayloristic ideas between top-level managers and

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<sup>58</sup> Hamilton & MacKinnon 2001.

<sup>59</sup> Braverman 1974.

<sup>60</sup> More specifically, this wave of research has studied the implementation of Taylorism in individual workplaces and employers' attempt to increase work intensity. For Swedish examples of studies inspired by Braverman, see: Berglund 1982; Ekdahl 1983; Magnusson 1987; Isacson 1987; Johansson, Alf 1988; Wikander 1988; Johansson 1990; Eriksson 1991a; Berggren 1991; Greiff 1992; Sommestad 1992.

<sup>61</sup> Some cases were more in accordance with Braverman's hypothesis. Greiff 1992; Wikander 1988.



foremen.<sup>62</sup> The foremen were quite successful in resisting change, at least in the short run, at the engineering workshop studied by Magnusson.

As is evident, the main interest of these labour historians has not been reductions or downsizing. This is not surprising given their points of departure and the fact that much of their studies dealt with the mechanical engineering industry.<sup>63</sup> Although exposed to mechanization, increased specialization and other rationalization measures, employment in Swedish mechanical engineering factories grew substantially from the late nineteenth century until the 1970s. However, studies of the mechanical engineering industry recognize the industry's high exposition to business cycles. How to retain a core of skilled workers during slack periods was an important challenge for the managers.<sup>64</sup> If the skilled workers were laid off in downturns the companies would face problems meeting the increasing demand in upturns. This group of workers was offered permanent employment whereas less skilled occupational groups were hired on a temporary basis.

Labour market segmentation was not a unique feature of the Swedish mechanical engineering industry of the late nineteenth and early twentieth century. Numerous authors have observed the existence of temporary workers in labour markets of the past.<sup>65</sup> In agriculture, farmers hired so-called day labourers to complement the farmhands and the rural sawmill industry offered stable employment only to a small share of its workforce, hiring seasonal labour in the summer and autumn.<sup>66</sup> The phenomenon was also seen outside the private sector. The state offered high employment security to some servants and temporary terms to others.<sup>67</sup>

Workers hired on temporary terms are convenient for employers since they can be released without advance notice. However, the employers still have to make selections among temporary workers at times. What criteria governed

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<sup>62</sup> Magnusson 1987.

<sup>63</sup> Johansson 1977; Svensson 1983; Magnusson 1987; Isacson 1987; Isacson 1990; Johansson 1990; Berggren 1991; Lundh Nilsson 2007.

<sup>64</sup> Svensson 1983, pp 41-49. Lars Berggren has described how the board of *Kockums Mekaniska Verkstad* decided to produce ships without orders from customers with the purpose to keep skilled workers employed during recessions. Berggren 1991, pp 186-87, 205-206, 240. In the sawmill industry employers are reported to have transferred skilled and senior workers to maintenance work during slack periods and recessions. Gustafsson 1962, pp 125, 157.

<sup>65</sup> See for example Cornell 1982, p 70; Blomberg 1995, p 58; Hansson 2004, pp 220-226.

<sup>66</sup> Johansson, Alf 1988.

<sup>67</sup> Kvarnström & Waldermarsson 1996, p 16-17.

these decisions is not well researched. This is also the case with selection procedures and criteria applied in situations where permanent labour are laid off, which will be further discussed in chapter 9.

Several historians have described how employment contracts of permanent and temporary labour differed in aspects other than employment security. Permanent workers were not only protected from unemployment but also received higher wages and social benefits, such as company housing and pensions.<sup>68</sup> In some cases there were opportunities for temporary workers to attain permanent status by showing loyalty and ability but little has been written about how common such careers were. Likewise, our knowledge about how labour market segmentation in Sweden has changed over time is poor.

There is some scattered evidence that there has been a gradual equalization of conditions for permanent and temporary labour. Day labourers could, for example, according to collective agreements from the early nineteenth century, have more or less permanent contracts.<sup>69</sup> Differences between permanent and temporary labour seem to have become less pronounced within the manufacturing industry, in the countryside as well as in urban areas.<sup>70</sup> There is also some evidence indicating that the share of permanent labour increased as industrialization went on.<sup>71</sup> Such a development is understandable; with increased capital intensity it becomes more important for employers to attain high and even utilization of equipment and facilities.<sup>72</sup> Many technological changes have also had the effects of making production less dependent on natural sources of power and their seasonality.

Temporary labour is one way of dealing with short-term swings. Another strategy is to cut working-hours. The importance of hours-reductions in the Swedish labour market has yet to be systematically researched, but there is plenty of anecdotal evidence showing that short hours was certainly not unknown in the first decades of the twentieth century. Previous historical research on hours-reductions is further accounted for in chapter 7.

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<sup>68</sup> Svensson 1983, chapter 3 & 4; Blomberg 1995.

<sup>69</sup> *Kollektivavtal angående arbets- och löneförhållanden i Sverige, III: Arbetstidens längd och arbetslönens storlek inom olika näringsgrenar enligt källande kollektivavtal (1907/08)1908.*

<sup>70</sup> Larsson 1986, p 147; Johansson, Christina 1988, p 118; Svensson 1983; Sommestad 1985, pp 38-39, 44.

<sup>71</sup> Svensson 1985, pp 50-53; Cornell 1982, pp 72-73; Norstedt 1994, p 117; Gustafsson 1962, p 178-181.

<sup>72</sup> Gustafsson 1962, p 181.

Although not the focus of in-depth studies, companies' attempts to deal with short-term swings are quite frequently mentioned by business and labour historians. Long-run reductions of the workforce have less often been taken up in accounts concerning the first half of the twentieth century and before. One exception regarding the Swedish context is the rationalization of the sawmill industry in the 1930s, which has been studied by Bo Gustafsson and Lena Sommestad.<sup>73</sup> Gustafsson provides a broad picture of labour relations in the sawmill industry on the basis of official statistics and inquires. He observes the existence of various phenomena, such as hours-reductions, attrition, transfers and employer support for retraining redundant workers. However, he does not make any effort to estimate the importance of different measures and ends up with the rather vague conclusion: "That compensation in the form of new employment did occur is beyond doubt, likewise that the transition could be made more or less convenient."<sup>74</sup> Gustafsson attaches considerable importance to how the work process changed in the sawmill industry and on what tasks and occupations were lost through rationalization. This perspective is shared with Sommestad, who focuses on a single company. She does not discuss how the workforce changed in other respects – for example with regard to age and sex – but gives a brief account of the downsizing process.<sup>75</sup> According to her, the workers' were negative to the rationalization efforts and their discontent was directed towards the newly appointed manager that was responsible for the changes. His way of dealing with transfers and layoffs was a particular source of discontent.<sup>76</sup> Nevertheless, the company also made some efforts to support redundant workers. In order to facilitate the transition to other occupations an aid committee was created, whose members included the executive manager and the chairman of the trade union.

Turning to the latter part of the twentieth century there are more accounts of downsizing industries and firms. Facing increased competition from low-cost producers in developing countries, many industries in the Western world, including Sweden, got into trouble. These industries had been providing employment opportunities for thousands of workers and their decline had great

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<sup>73</sup> Gustafsson 1962, pp 159-191; Sommestad 1985.

<sup>74</sup> Swedish: "Att kompensation i form av ny sysselsättning förekom är ostridigt, likaså att övergången kunde göras mer eller mindre smidigt." Gustafsson 1962, p 167.

<sup>75</sup> Sommestad 1985, pp 16-17.

<sup>76</sup> The management was, for example, accused for having made political considerations when establishing the order of selection. Exactly what that meant is unclear. Possibly, the management took the chance of getting rid of workers with radical opinions.

consequences for labour markets in general, and for certain regions in particular. 'Deindustrialization' became a concept and the subject of research.<sup>77</sup> The focus of this literature is somewhat different from our thesis. Studies of deindustrialization are often more concerned with the relationships between firms and the surrounding societies than about the relationships between employers and workers. Much emphasis is put on how politicians responded to plant closures; less emphasis is put on what happens within companies.

A part of the societal response to plant closures was to initiate historical research since it was considered important to preserve the memory of the industrial era. This was the background of a project on the Swedish steel industry carried out by a group of economic historians from Göteborg and Uppsala, which resulted in a number of monographs. Of these, Bengt Berglund's study on the trade union response to the structural crisis is most relevant to mention here.<sup>78</sup> Berglund observes that the age structure of the workforce in the steel industry changed during the crisis in the 1970s as the companies released old workers and tried to strengthen the bonds with young workers.<sup>79</sup>

The vulnerability of old workers was also an important theme in a study of the declining textile industry. Like their counterparts in the steel industry, owners of textile factories faced tough competition and from 1950 to 1969 domestic production fell by 15 percent.<sup>80</sup> However, employment fell even more as labour-saving technology was introduced as a response to foreign competition. The number of workers in the industry was halved in this period. The rationalization measures did not only imply fewer workers but also great changes for the survivors. Many old workers found it hard to cope with the new era characterized by frequent transfers between jobs and a higher work pace.<sup>81</sup> Retreat positions, that is, less demanding jobs to which workers previously had been moved after reaching a certain age, had largely disappeared. Finding a new job after being laid off was particularly difficult for old workers since many employers had imposed age bars for hiring; the limit could be set as low as 35 years.<sup>82</sup> The situation for senior workers was frequently discussed by the trade union and led to demands for stronger employment protection.<sup>83</sup> The Textile

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<sup>77</sup> See for example Stråth 1987.

<sup>78</sup> Berglund 1987.

<sup>79</sup> Berglund 1987, pp 55-56.

<sup>80</sup> Andersson *et al* 1986, p 36.

<sup>81</sup> For a similar discussion about the development in the printing industry, see Olsson 1986.

<sup>82</sup> Andersson *et al* 1986, p 46.

<sup>83</sup> Andersson *et al* 1986, pp 54-58.

Workers' Union, for example, pressed for a central agreement on severance pay for redundant workers, which became a reality in the 1960s.<sup>84</sup>

## 2.8.2 Cigar production

Although most research on downsizing, and related themes, has dealt with the period after World War II, there are certainly examples of industries that did not follow the general pattern of increasing employment in the first half of the twentieth century. The cigar branch of the tobacco industry is one such example.

Cigar production was the most important branch of the tobacco industry during the nineteenth century, in terms of employment, in many countries. The latter part of the decade, however, saw the spread of a competing product – the cigarette. The invention of machines for cigarette rolling, of which the most famous one has become known as the Bonsack machine after its inventor, made it possible to mass produce and market low-price cigarettes.<sup>85</sup> All over the world people abandoned expensive cigars in favour of cheap cigarettes.<sup>86</sup> The tougher competition gave producers of cigars stronger incentives to rationalize production.<sup>87</sup> Moulds for cigar rolling and suction plates that allowed leaf cutting by foot press may be seen as early attempts in this direction. Devices for stemming – removing the mid rib of the tobacco leaf – were also introduced in the 1880s but it was not until the end of World War I that machines for cigar rolling came into use.

The labour-saving potential of the machines was immense, but the magnitude and pace of the mechanization process varied between countries. The transformation of labour relations in cigar manufacturing in the United States is described as quite dramatic by historian Patricia A Cooper.<sup>88</sup> She notes that more than 56,000 jobs were eliminated between 1921 and 1935 and that many more individuals were made redundant since employers often hired untrained workers for machine work. This development was devastating for the Cigar Makers' International Union of America, which had once played a leading role in the labour movement in the United States. The union was based on the principle of craft autonomy and was only open for skilled cigar makers. Consequently, its membership fell drastically in the 1920s.

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<sup>84</sup> Edebalk & Wadensjö 1980, pp 28-33.

<sup>85</sup> Cox 2000, pp 26-30.

<sup>86</sup> Cox 2000; Gálvez Muñoz 2006, p 3.

<sup>87</sup> Manning & Byrne 1932, p 2.

<sup>88</sup> Cooper 1987, pp 311-313. See also Manning & Byrne 1932 and Creamer & Swackhamer 1937.

In Spain, where the tobacco industry was run by a chartered company, the downsizing process was smoother, as observed by Lina Gálvez Muñoz.<sup>89</sup> Although the female workforce was reduced by 70 percent between 1887 and 1945, no layoffs were carried out and the reduction was accomplished by attrition. The reason for this policy was that the chartered company had to make social and political considerations when downsizing. If mechanization had been implemented more rapidly, it could have caused serious unemployment, at least locally, and potential social unrest. There were also other factors of importance. One was that the Spanish consumers had strong preferences for hand-made cigars. The incentives to mechanize were simply not as strong in Spain as in the United States. Another factor was that the majority of the female cigar workers were married and in need of flexible work schedules. Gálvez Muñoz maintains that a culture of flexibility that allowed absenteeism reduced the need to lay off workers. This last argument is not totally convincing and it may also have been the opposite; that the management hesitated to mechanize because of high absenteeism.<sup>90</sup>

When it comes to published research on the Swedish Tobacco Monopoly, there are basically only anniversary publications initiated by the company (or its successors) or the union. These publications underline the high social ambitions of the company;<sup>91</sup> one of the authors describes it as “a social pioneer” that introduced many features that later would become obvious duties for firms or the public sectors.<sup>92</sup> The same author also considers the company’s personnel policy of such interest that it merits a study of its own. The reductions in the inter-war period are only mentioned briefly. In this respect the Tobacco Monopoly is said to have been characterized by social responsibility. Walter Loewe, for example, establishes that “[t]he number of employed was reduced through pensions. Those who were too young to be pensioned off got compensation from [the Tobacco Monopoly] and help with retraining for another occupation.”<sup>93</sup> Another piece of evidence that confirms the image of

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<sup>89</sup> Gálvez Muñoz 2003, pp 215-218; Gálvez Muñoz 2006; Gálvez Muñoz & Comin 2000.

<sup>90</sup> Garcia-Ruiz 2002, p 361.

<sup>91</sup> Vasseur 1940, pp 393-410; af Trolle 1965, pp 12, 67-70. This judgement of the Tobacco Monopoly’s personnel policies are also seen in the union chronicle. Lindbom & Kuhm 1940, pp 230-232.

<sup>92</sup> af Trolle 1965, p 12.

<sup>93</sup> Loewe 2002, p 51.

social responsibility is that the management “for long” manned cigar machines with four workers instead of three, which was the required number.<sup>94</sup>

The union historians, Tage Lindbom and Evert Kuhm, who are concise in their treatment of the downsizing process, describe how the union demanded short hours in order to avoid layoffs and how it tried to convince the government to impose import restrictions.<sup>95</sup> They mention that many workers were transferred from cigar to cigar-cigarette production, that the reductions led to an internal conflict between male and female members, and claim that the national union leaders tried to hold back demands from male members to lay off women.<sup>96</sup> Axel Uhlén, who wrote a chronicle for the 50 year anniversary of the Malmö branch, is equally brief in his treatment of the reductions. He only states that no “[...] group of workers in our country has been affected by a greater catastrophe than the tobacco workers”.<sup>97</sup> Uhlén describes how mass-layoffs and pensions followed the rationalization measures introduced by the Tobacco Monopoly and maintains that this was associated with a feminization of the workforce.<sup>98</sup>

## 2.9 Summary

As established in the introductory chapter, this study has three main themes: downsizing strategies, categorization of workers, and decision-making. This chapter has introduced a conceptual framework for studying reductions of labour inputs, discussed what some general labour market theories have to say about reductions and reviewed previous historical research in the field. Taken together,

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<sup>94</sup> af Trolle 1965, p 39.

<sup>95</sup> Lindbom & Kuhm 1940, pp 256-257.

<sup>96</sup> Lindbom & Kuhm 1940, pp 270-271. This episode has also been treated by Göran Petersson (1999), who concludes that the local branch, in contrast to the leadership, defended the interests of the male cigar workers.

<sup>97</sup> Swedish: ”[...] ingen arbetarekår i vårt land drabbats av en större katastrof än tobaksarbetarkåren”. Uhlén 1933, p 65.

<sup>98</sup> However, the figures he uses to support this claim rather indicate the opposite. While the total number of male workers at the Malmö factory decreased in the period 1919 to 1932, their share of the diminishing workforce actually increased (see table 11 in Uhlén 1932, p 68). With regard to the reductions, Uhlén also observes that compensation to redundant workers was an important issue for the Malmö branch, but he refrains from further treatment of the issue since it is “too long and complex”. Uhlén 1933, p 65.

these endeavours may help in organizing and analyzing the empirical material from the Swedish tobacco industry in the inter-war period. However, the theoretical and empirical accounts in this chapter are not exhaustive; various themes are further elaborated in the subsequent chapters.

After establishing that reductions in labour inputs are necessary or desirable, the first choice for an employer is to what extent reductions should be accomplished by adjusting working-hours or the number of workers. Human capital theory suggests that investments in specific skills make workforce reductions less likely. The trade-off can also be affected by institutional factors, either in the form of social norms or formal rules.

To the extent that workforce reductions are opted for, decision-makers can basically choose attrition, or induced quits or layoffs. This trade-off is, like the one above, not necessarily a matter of either or. The decision-maker may well come up with a combination of measures. In any case, workforce reductions are associated with the selection of workers to be affected by various measures. According to human capital theory, and some theories of internal labour markets, workers with firm-specific skills will be protected during downsizing processes, as long as downsizing is not caused by technological changes that depreciate idiosyncratic skills. Thurow's queue theory puts less emphasis on skill specificity. It also emphasizes the importance of skill transmission in general, which may require employment protection for senior workers. Employers are also said to rank workers on the basis of various background characteristics. One central basis for ranking has historically been sex. Reskin and Roos argue that employers, partly because of deeply rooted social norms, tend to prefer male to female labour in spite of having to pay a higher price for male labour. Although not static over time, the gender division of labour has attributed different tasks to men and women. According to the male-breadwinner norm, men bear the prime responsibility of bringing in cash incomes to the family, whereas women care for the home. As far as it is applied in practice, this norm should have had implications for personnel reductions. However, it is not obvious whether it protected all men, or only married men, from job losses. Correspondingly, it is not obvious whether all women, or only married women, were exposed to higher risks of being released.

The choice between various downsizing strategies and the selection of workers in association with reductions may certainly be influenced by social norms, but the decisions are made by actors in the company, with or without participation of union representatives. These actors can be divided into principals and agents. The principals are, in this context, the company owners and the union members. These principals have engaged managers and leaders to



look out for their interests. However, the principals do not have complete information about the undertakings of the agents who may have some scope to act on their own. The agents may also have different priorities and preferences to the principals. A further complicating aspect is that the principals can consist of different groups, with diverging interests. This is particularly likely in the case of state-owned enterprises and trade unions.

There are few historical studies of personnel reductions. Personnel reductions are often mentioned or briefly described but seldom analyzed in detail. With regard to early twentieth century Sweden, the most commonly discussed aspect is how companies have dealt with temporary redundancies. Long-term downsizing is more often described in the decades after World War II, but then typically with an emphasis on politics.

With regard to cigar production, it has been established that mechanization in Spain, where production was in the hands of a chartered company, was smoother than in the United States. In Spain, no workers were laid-off because of mechanization, and reductions were achieved by attrition. In the United States, where the industry was in private hands, thousands of workers, in particular men, were displaced. The literature on the Swedish Tobacco Monopoly stresses the company's ambitious personnel policy but does not devote much attention to reductions. The literature also mentions an internal gender-related conflict in the Tobacco Workers' Union.

## Chapter 3

# Sweden in the inter-war period: Economy and society

### 3.1 Introduction

The purpose of this chapter is to put the thesis in a wider perspective. A company is never an isolated part of the society; the actions of both management and workers are to a certain extent restricted by the environment, such as existing norms and the general state of the labour market. Context is also important when discussing general implications of this study.

This chapter starts off with an outline of the Swedish economy during the inter-war era followed by an account of the rationalization movement, which was a prominent feature of the economic and social development in the period. These sections show that the challenges faced by the Tobacco Monopoly were not isolated events, but were parts of general patterns. The effects of labour-saving technology were often offset by increasing demand, but in some industries employment decreased in absolute terms. The experiences of three of these industries are briefly described in this chapter. The focus then turns to the characteristics of industrial relations in Sweden. Here, it is established that the parties in the labour market were highly organized and that there were recurring disputes regarding the employers' authority to hire and fire workers. Another important issue of dispute in the Swedish society of the time was the position of married women, which is treated in a special section. Thereafter, the state as an owner of companies and employer and how the Tobacco Monopoly came to be are discussed.

### 3.2 The Swedish economy in the inter-war period

The early phase of industrialization in Sweden, beginning in the mid-nineteenth century, was mainly built upon the exploitation of natural resources, such as iron ore and wood. Towards the end of the century, relative prices of the factors of production changed due to mass emigration over the Atlantic combined with the inflow of capital from the European continent. Changed factor prices stimulated

more capital-intensive production. In this era a number enterprises were created around technical innovations. These companies, which often belonged to the mechanical engineering industry, took Sweden into the Second Industrial Revolution, characterized by increased mechanization and the use of electrical power, in the early twentieth century.<sup>1</sup>

While the European continent was devastated by World War I, Swedish industry, particularly those branches that produced for the domestic market, was working at full capacity. The German submarine blockade of 1917, in combination with bad harvests in 1916 and 1917, led to scarcity of goods and a sharp increase in the price level.<sup>2</sup>

The Swedish manufacturing industry experienced an even greater upturn after the end of the war. The future looked bright and the will to invest was high. A speculative boom prevailed at the stock market in Stockholm, but the boom came to an abrupt end. During the spring of 1920 prices started to fall rapidly. Since nominal wages were stable in the short-run, this led to falling profits. The government did not abandon the restrictive monetary policy it had recently formulated; the goal being to get the Swedish currency back to its pre-war parity with the dollar.<sup>3</sup> Sweden was the first European country that managed to re-impose the gold standard after the war, but at the cost of further deflation. Between 1920 and 1922 the general price level fell by 35 percent. The recession that started in the autumn of 1920 was the most severe economic crisis in the modern history of Sweden. Numerous companies went bankrupt or cut back their production substantially. Industrial production fell by 15 percent in 1921. Some branches were hit harder than others; export businesses, such as the sawmill industry and the mechanical engineering industry, experienced particularly difficult times. Unemployment reached a previously unseen level. Among unionized workers, unemployment increased from around 4 to 25 percent.<sup>4</sup> The wide prevalence of collective agreements on the Swedish labour market delayed general wage cuts until 1922 when nominal wages fell by 20 to 35 percent.<sup>5</sup>

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<sup>1</sup> Schön 2007b.

<sup>2</sup> Magnusson 1996, p 367; Schön 2007a, pp 278-280.

<sup>3</sup> Östlind 1945, p 9.

<sup>4</sup> This figure may overestimate the general unemployment level on the Swedish labour market since unionization was higher among workers in branches that were severely hit by the depression, such as the building sector and mechanical engineering industry. Schön 2007a, p 288.

<sup>5</sup> Magnusson 1996, pp 367-368; Schön 2007a, pp 287-291; Fregert & Jonung 1992, p 153.

In macro-economic terms, the Swedish experience of the post-war crisis was painful but brief. In 1922 the economy began to grow at a fast pace and the upswing was not broken until the Great Depression reached the country. In 1932, Sweden experienced a financial crisis connected to the death of Ivar Kreuger, owner of the world's largest match company. Unemployment, which had remained at high levels particularly among young workers since the early 1920s, assumed endemic proportions. Nevertheless, Sweden fared relatively well during the world-wide downturn in the early 1930s. This has often been attributed to the Social Democratic government that came into power in 1932, which increased public spending and stimulated demand. However, by the time this policy was implemented, the crisis was almost over. Other circumstances also have to be considered in order to understand why the crisis was so smooth; such as the abandonment of the Gold Standard, flexible factor markets, comparatively strong demand facing Swedish export industries and favourable complementarities between industries that had been created by previous technological change.<sup>6</sup>

The Great Depression marked a change in macroeconomic policy, the beginning of a long-term Social Democratic political dominance and welfare state expansion.<sup>7</sup> Although the origins of the Swedish welfare state can be traced back to the late nineteenth century, it was not obvious that the state should take the prime responsibility for the provision of social security. In Sweden, as in other countries, there were strong currents that emphasized employers' social responsibility.<sup>8</sup> Whether motivated politically or by business reasons, some employers introduced a wide variety of welfare arrangements, such as: old age pension, medical services, insurances, housing, child care, libraries and the like.<sup>9</sup> Some of these arrangements were later taken over by the state.<sup>10</sup>

### 3.3 The rationalization movement

Throughout history, man has tried to find ways to make production more efficient by making the most of raw material and labour. During the Second Industrial Revolution these efforts became more systematic and came to affect

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<sup>6</sup> Schön 2007, pp 349-354.

<sup>7</sup> Magnusson 1996, pp 370-374.

<sup>8</sup> Östlund 2003; Carlson 2003; Ibsen 1995.

<sup>9</sup> See for example Svensson 1983, pp 80-87, Magnusson 1987, pp 223-244.

<sup>10</sup> Björck 2002.

all aspects of society. The rationalization movement had a technical side as well as an organizational side. Both demand and supply side factors affected technological development in the late nineteenth and early twentieth century; demand for labour-saving machines increased as real wages rose and key innovations opened up many opportunities to rationalize production. An important aspect in this regard was the replacement of steam power with electricity. Electricity and combustion engines made it possible to connect each machine to a separate power source.<sup>11</sup> This saved space, improved flexibility and made production less vulnerable to power cuts. As a consequence of this development the demand for technicians and engineers increased.<sup>12</sup>

In organizational terms, rationalization meant concentration, standardization and increased division of labour. Big factories, producing long runs of standardized products, replaced small workshops with customized production and the control over production was also concentrated. This development was, for example, seen in industries producing matches, rubber, sugar, beer and tobacco. It was not considered as a threat by contemporary observers. On the contrary, many argued that the concentration process was positive and facilitated rationalization.<sup>13</sup>

As with other aspects of rationalization, division of labour was not a new phenomenon; the new thing in the early nineteenth century was a more pronounced division of labour between blue-collars and white-collars. This development is often associated with the American engineer and management consultant Frederick W Taylor, who advocated increased division of labour and separation of the planning and performance of work tasks. Taylor's ideas of Scientific Management were introduced in Sweden in the early twentieth century and were widely discussed among engineers and business leaders as well as in the labour movement.<sup>14</sup> By the mid-1920s about 40 percent of the workers in the metal engineering industry were employed in firms that had implemented time studies, and in 1940 the equivalent share was close to 80 percent.<sup>15</sup> A factor of importance in this context was certainly the shortening of the working week to 48 hours in 1920.<sup>16</sup> As the reduction of the working week assumed constant wages, it was necessary to increase efficiency, which was

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<sup>11</sup> Schön 2007a, p 313.

<sup>12</sup> Berner 1981, p 135.

<sup>13</sup> af Trolle 1965, p 97.

<sup>14</sup> Berner 1981, chapter 10; de Geer 1978.

<sup>15</sup> Lundh 2002, pp 149-151.

<sup>16</sup> Isidorsson 2001.

partly accomplished by making the demarcation between work and leisure stricter, and partly by increasing work intensity.

Initially, the Swedish labour movement did not endorse rationalization.<sup>17</sup> Some union representatives feared that increased efficiency would lead to unemployment. Other arguments were that time studies and performance-based wages could weaken worker-solidarity and that work itself would be degraded. It seems like most of the criticism concerned Scientific Management. Few union representatives gave voice to hostility towards technological change as such. In a journal interview from 1911, the LO chairman even accused Swedish employers of not making enough investments in modern technology.<sup>18</sup> A contemporary investigation from the same phase showed that Swedish workers had developed a wide variety of strategies for restricting output and resisting rationalization,<sup>19</sup> but these strategies seldom involved obstructing or refusing to work with new machinery.<sup>20</sup>

Except for a temporary backlash during the Great Depression, the labour movement's attitude towards rationalization, including Taylor's programme, became increasingly positive over time.<sup>21</sup> In the light of the eight-hour day and the post-war depression, influential trade unionists began to see the benefits of having production organized more efficiently, since it was expected to result in growth and improved living standards. Probably, this changed view was also related to increased centralization of the trade union movement and to the strengthened position of the Social Democratic Party. The endorsement of

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<sup>17</sup> Johansson 1989, pp 43-45.

<sup>18</sup> See Johansson 1989, p 37.

<sup>19</sup> See Johansson 1989, pp 39-40.

<sup>20</sup> The study of workers in the printing industry by Lars Ekdahl provides an illustration of this point. Although the printing workers were initially hostile towards new technology, their union eventually adopted a more pragmatic view. Instead of stopping technological change, the union tried to slow down and shape the development so that skilled workers were not replaced by unskilled ones. Thus, quite detailed demands about manning and the use of apprentices were made in wage negotiations. Ekdahl 1983, pp 152, 166-169. See also Olsson 1986, p 155.

<sup>21</sup> Uhlén 1928; Johansson 1989, pp 47-52, 54, 56; Hjalmarsson 1991, p 254. There were certainly opposite tendencies as well, particularly among the radicals elements of the labour movement. Wallentin 1978, p 50; Andréasson 2008, p 175. There was also a growing distrust towards mechanization in the late 1920s in the movement of unemployed. A local branch of this movement, for example, proposed that an unemployment insurance could be financed by a tax on machines. However, in practice the organizations of the unemployed mainly opposed the public unemployment policy. Andréasson 2008, pp 173-176.

technical and organizational changes is often seen as a precondition for the spirit of mutual understanding between the Swedish labour market parties in the 1930s.

### 3.4 Examples of downsizing in an era of expansion

Although plagued by unemployment, the inter-war period in Sweden was an era characterized by long-term industrial expansion. The two depressions were only temporary interruptions of an upward trend and in spite of intense rationalization efforts, most industries experienced long-term growth of employment as well. Compared with 1920, the total number of workers in the manufacturing sector had increased by more than 20 percent at the outbreak of World War II.<sup>22</sup> Thus, in aggregate terms, it seems like the effects of labour-saving technologies were offset by increasing demand. Still, there were industries that deviated from the general trend; three examples are shown in figure 3.1. These examples show that decreasing employment was not only seen in the tobacco industry during the inter-war period.<sup>23</sup>

Some industries experienced decline as buyers turned to other producers and other products. Firms in these industries either faded away or responded by trying to lower production costs, for example by investing in new machinery. The sawmill industry, which had played a central role in the initial phase of industrialization in Sweden, is one example of this pattern. Around 1900, more than 40,000 workers were employed on an annual basis in the industry, which constituted 16 percent of the workforce in the manufacturing sector as a whole. The sawmills began to face problems as Russia and Finland, and other countries, entered the international market for sawed wood and new building and packaging materials, which could replace wood, became widespread. Simultaneously, the supply of easily available and cheap raw timber began to decrease along the northern coast of Sweden. The industry experienced low profitability in the first decades of the twentieth century, but employment showed no long-run tendency to decline until the Great Depression broke out. The depression hit the Swedish sawmills hard; particularly export mills in the

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<sup>22</sup> *Rationaliseringsutredningens betänkande. D. 2, Verkställda undersökningar 1939*, p 60.

<sup>23</sup> There are also some other significant examples of long-term contraction of employment at industry level not described here: coal mining, production of artificial fertilizer, spirits and peat.

**Figure 3.1** Index of employment in the Swedish manufacturing industry as a whole and in three selected industries, 1918-1939 (1924=100)



Source: *Rationaliseringsutredningens betänkande. D. 2, Verkställda undersökningar 1939.*

North.<sup>24</sup> Around 5,000 workers lost their jobs in plant closures and the surviving companies met the crisis by rationalizing production, with personnel reductions as a consequence. In total, about 10,000 sawmill workers is thought to have been displaced during the 1930s.

Another example of an industry facing structural problems in the inter-war era was the match industry, which had already made the transition from manual production to automatic machine production in the late nineteenth century.<sup>25</sup> In the early decades of the twentieth century, production was concentrated, and eventually, all the match factories were in the hands of one company – Swedish Match (*Svenska Tändsticks AB*). Under the leadership of Ivar Kreuger, Swedish Match expanded internationally, but the world market was shrinking. Changing consumption patterns and the increased standard of living, along with the introduction of a rival product – the petrol lighter – affected the demand for matches negatively. When countries imposed protective measures during the Great Depression, Swedish Match experienced difficulties in finding outlets for its products. This situation was particularly problematic since it was revealed that Kreuger’s concern had a very weak solidity. After the death of Kreuger,

<sup>24</sup> *Rationaliseringsutredningens betänkande. D. 2, Verkställda undersökningar 1939*, pp 114-120; Gustafsson 1962; Sommestad 1985, p 1; Schön 2007a, p 342. This development has become known as ‘the death of the sawmills’ (*sågverksdöden*).

<sup>25</sup> Hildebrand 1985.



Swedish Match was reconstituted, but not without considerable reductions of the workforce. Between 1930 and 1935 the number of workers employed in Swedish match factories was cut down by more than 50 percent.

The sawmill industry as well as the match industry faced stagnating or even declining product demand in the period of our investigation. This was not the case with the sugar industry. From 1920 to 1936, the consumption of sugar *per capita* in Sweden increased by 41 percent. However, the strong demand was accompanied by an even stronger increase in the supply of sugar on the world market in the 1920s.<sup>26</sup> The Swedish Sugar Company (*Svenska Sockerbolaget*), which controlled most of the country's sugar production, responded by introducing an extensive programme of rationalization, involving concentration of production as well as labour-saving measures within factories.<sup>27</sup> The number of sugar refineries was reduced by half and production was increasingly mechanized and electrified. These measures continued after the industry was protected from foreign competition in 1931. In fact, most of the reduction of employment in the Swedish sugar industry took place in the 1930s, and interestingly, the labour-saving measures had a tendency of evening out the seasonal fluctuations that characterized the industry.

There were two kinds of production facilities in the sugar industry: refineries and raw sugar mills and (some combined facilities also existed). Whereas the refineries could process imported sugar cane, the mills only used domestically grown sugar beets as inputs. Since the beets could not be stored, production and employment in the mills were highly seasonal and dependent on local harvests. During the so-called beet campaigns in the autumns the sugar mills hired huge numbers of temporary workers. The workforce reductions by the Swedish Sugar Company in the 1920s and 1930s "almost exclusively" affected this group.<sup>28</sup>

### 3.5 Industrial relations and the power to hire and fire

The Swedish labour market of the inter-war period was characterised by high degrees of organization, both among workers and employers. The trade union

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<sup>26</sup> Kuuse 1983, pp 49-50.

<sup>27</sup> *Rationaliseringsutredningens betänkande. D. 2, Verkställda undersökningar 1931*, pp 137-145; Kuuse 1983, pp 54-60.

<sup>28</sup> Kuuse 1983, p 58.

movement had its roots in the last decades of the nineteenth century when craftsmen were the first to organize, but eventually industrial unions – open to all workers in an industry – became the dominant form of organization. The Swedish Confederation of Trade Unions (*Landsorganisationen*, hereafter abbreviated ‘LO’), which included the Tobacco Workers’ Union, was founded in 1898. At that point in time, about 10 percent of the workers were organized. Union density increased dramatically until 1909 when a huge conflict broke out. This conflict implied a temporary setback for LO, but during World War I the union movement began to grow rapidly again. At the end of the inter-war period union density exceeded 60 percent among blue-collar workers.<sup>29</sup> Although many employers were openly hostile towards the early trade unions, the main employer strategy on the Swedish labour market was to organize themselves and to accomplish central agreements with standardized conditions of work. The most important of the employer’s organizations was the Swedish Employers’ Confederation (*Svenska arbetsgivareföreningen*, hereafter abbreviated SAF), founded in 1902.<sup>30</sup> Some employers in the tobacco industry were members of SAF until 1915, but the Tobacco Monopoly never joined this organization.

Hiring and firing practices were important issues in the Swedish labour market in the early decades of the twentieth century. Ever since its founding, SAF had demanded that a formulation – the so-called article 23 – expressing the exclusive right of the employer to manage and allocate work and to hire and fire workers, should be included in all collective agreements.<sup>31</sup> The trade unions were reluctant to recognize the unrestricted authority of the employers in this regard, fearing that it would be used to discriminate against organized workers. In December 1906, the two parties reached a compromise where article 23 was complemented by a clause that protected the workers’ freedom of association.<sup>32</sup> This implied that employers could not use layoffs to get rid of unionized workers.

The agreement in 1906 was the breakthrough of collective bargaining in Sweden, but article 23 remained controversial. When conditions were favourable, some unions managed to impose restrictions of the employers’ authority in various respects, particularly if the employers in question were not members of SAF.<sup>33</sup> For example, seniority often governed the order of selection

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<sup>29</sup> White-collar workers organized themselves later and formed separate unions.

<sup>30</sup> Lundh 2002; Swenson 2002.

<sup>31</sup> Lundh 1987, p 65; Lundh 2002, p 105.

<sup>32</sup> Lundh 2002, p 110.

<sup>33</sup> Bengtsson 2006; Glavå 1999.

at layoffs. When demand for labour decreased, as it did during the depression in the early 1920s, the restrictions of article 23 were often left out of agreements.

Overall, labour market conflicts were common in Sweden in the first decades of the twentieth century and there were demands for state intervention. The fear of increased state regulations was one of the reasons for the negotiations between SAF and LO that eventually led to the famous Saltsjöbaden agreement of 1938. This agreement included rules for layoffs. Employers had to notify workers (who had been employed for at least one year) two weeks before a layoff and workers were given the right to report layoffs to a committee with representatives from both employers and unions (*Arbetsmarknadskommittén*). The committee would then investigate the circumstances around the personnel reduction in question. The agreement recognized the employer's right to select workers based upon "skill and suitability" when reducing the workforce, but, if workers were equivalent in this respect, the employer was to consider the length of service and maintenance obligations.<sup>34</sup>

### 3.6 Married women in gainful work

The connection of employment protection to maintenance obligations can be seen as an expression of a need principle, and one such need principle with particular relevance in the inter-war era was the male-breadwinner norm. This ideal was reflected on several levels in society, for example in political rhetoric, in the design and implementation of formal institutions and welfare systems and in actual labour market outcomes. A survey of these areas with regard to inter-war Sweden reveals a mixed picture. It is easy to find evidence of a male breadwinning norm, but in many respects there was a development over time towards increased gender neutrality in welfare systems and formal institutions. This development met resistance and the political debate indicates that married women's right to work outside the home was not at all a matter of course.

The most obvious expression of this resistance was triggered by the parliamentary decision in 1923 to abolish the female marriage bar in the public sector.<sup>35</sup> The opponents of equal rights for men and women in civil service

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<sup>34</sup> Casparsson 1966, p 262.

<sup>35</sup> Löfström 1981; Frangeur 1998; Neunsinger 2001. This debate was not a uniquely Swedish phenomenon. Married women's right to wage work was questioned all over the Western world during

constituted a considerable minority with supporters all over the political spectrum. As a response to their activities a public inquiry into married women's wage work was initiated in 1935. With reference to the low birth rates the inquiry came up with proposals of increased gender equality. The investigators wanted to strengthen women's employment protection so that mothers would be able to return to wage work after their children had reached a certain age.<sup>36</sup>

Formally, the parliamentary debates on married women's right to work were confined to the public sector, but the proponents of the male-breadwinner ideal hoped that the state could serve as a role model for the rest of the economy. The tendency to question married women's participation in wage work was also seen in other arenas. In 1931, the issue was raised at the LO congress and the next year at the Social Democratic Party congress. Furthermore, a populist organization on the political right wing with the prime purpose of defending men's interests in the labour market was active during the 1930s.<sup>37</sup>

The abolishment of the marriage bar for women in civil service was one of many important institutional changes that took place in early twentieth-century Sweden. The foundations of the Swedish welfare state were laid during this period, and some of the systems were gender neutral while others were not.<sup>38</sup> On the one hand, the Marriage Act of 1920 made husband and wife equally responsible for providing for the family,<sup>39</sup> but, on the other hand, the taxation system reduced the incentives of married women to work.<sup>40</sup> The entitlements of the Old Age Act introduced in 1913 were universal, but women got lower benefits in relation to their contributions than men.<sup>41</sup> Some welfare systems also changed over time and this was not always in a gender-neutral direction. In the

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the inter-war years. Humphries 1976; Kessler-Harris 1982; Neunsinger 2001; Roberts 2007, chapters 4 & 5.

<sup>36</sup> This decision was remarkable if seen in an international context. Women in many other countries had to wait for decades to be protected by the same type of legislation. Gustafsson 1994, p 50.

<sup>37</sup> Frangeur 1998; see also Sommestad 1992, pp 244-245.

<sup>38</sup> According to Sommestad the reason for the weak state support of the male-breadwinner ideal was not so much ideological as economic and demographical. Sweden was a poor country that experienced mass-emigration. A majority of the emigrants were young men. Consequently, women had to play an important role in the labour market.

<sup>39</sup> Widerberg 1989, p 71.

<sup>40</sup> Stanfors 2007.

<sup>41</sup> Sommestad 1997, p 169.

case of the public unemployment support,<sup>42</sup> both men and women initially got benefits on the same terms, but, in the post-war depression, the unemployment commission wished to exclude married women from support. Although this demand was turned down by the Social Democratic government it seems like the commission managed to attain its goal in practice by directing the support to breadwinners, who were assumed to be men. Married women could only get unemployment support if their husbands were absent.<sup>43</sup> With respect to unemployment support, the amounts were related to the total income of the family. Researchers disagree on whether this should be seen as an indication of the male-breadwinner norm or an acceptance of the fact that women could also be breadwinners.<sup>44</sup>

According to official statistics, few married women participated in the regular labour market in inter-war Sweden.<sup>45</sup> In 1920, less than 4 percent of the married women were employed in gainful work as compared with more than 52 percent of the unmarried. But there was an upward trend in the labour force participation of married women and being married and gainfully employed had become twice as common in 1930 as it was ten years earlier. Thereafter the development slowed down somewhat and married women were not a common feature on the Swedish labour market until the 1960s. However, the picture given by the official statistics is problematic since the definition of 'gainfully employed' did not include farmers' wives, even though they certainly did participate in production, or those who worked part-time or took temporary jobs. Furthermore, much of the work performed by married women in cities was informal and therefore not captured by the statistics.

### 3.7 The state as company owner and employer

In Sweden, like in many other countries, industrialization was associated with increased state involvement in communications and transports, such as telegraphs, railroads and canals. These projects were considered to be of strategic importance for the country's economic development and demanded huge amounts of capital.<sup>46</sup> The state interventions were not limited to financing

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<sup>42</sup> Eriksson 2004.

<sup>43</sup> Eriksson 2004, pp 116-117.

<sup>44</sup> Eriksson 2004, pp 118-119; Wegerman 2004, p 122.

<sup>45</sup> Stanfors 2007, pp 82-83; Frangeur 1998, pp 67-71.

<sup>46</sup> Magnusson 1996, p 384.

infrastructure but were also extended to operating the services, and public agencies, so-called *affärsverk*, were created for that purpose.

Basically, there were three types of employment contracts in the state infrastructure enterprises: ‘ordinary’, ‘extra-ordinary’ and ‘extra’. Wages and other conditions of the ordinary employed were determined directly by Parliament without negotiations.<sup>47</sup> The ordinary employees were expected to be loyal, obedient and objective and in return they could expect lifelong employment. Higher civil servants could only be dismissed after a court decision. Civil servants of lower rank and workers had somewhat weaker employment protection, but could only be fired if they were guilty of more serious official misconduct. The extra-ordinary status may be seen as a form of apprentice contract, which was intended to lead to ordinary employment. The extra employees were hired on a temporary basis, depending on the demand for labour. The conditions of the extra-ordinary and extra employed were not determined by Parliament, but by the managements of infrastructure agencies.<sup>48</sup> In contrast to the ordinary, the conditions of the non-ordinary could be governed by collective agreements or personal contracts.

The state involvement in providing infrastructure services continued in the twentieth century, when the state also became an owner of limited companies producing goods or inputs.<sup>49</sup>

The first example of this development was in 1907 when the state acquired 50 percent of the shares of a mining company in the far north – LKAB (*Luossavaara-Kirunavaara AB*).<sup>50</sup> Several factors contributed to this acquisition, for example the threat of foreign intrusion and the wish to stimulate an underdeveloped region.<sup>51</sup> As the owner of the railroad that made it possible to exploit the iron ore commercially, the state had already interfered in the company’s business. The state ownership of the mines in Kiruna was not associated with an equivalent share of influence, rather the contrary. In the agreement that was made between the state and the former owner the shares were divided into ‘stem shares’ (*stamaktier*) and ‘preference shares’

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<sup>47</sup> The employment conditions of personnel in the infrastructure enterprises were annually regulated in the state budget. Parliament also debated and made decisions on the conditions of individual employees, for example regarding pensions. Kvarnström *et al* 1996, pp 14-15.

<sup>48</sup> Kvarnström *et al* 1996, pp 16-17.

<sup>49</sup> Waara, 1980.

<sup>50</sup> Eriksson 1998a, p 36.

<sup>51</sup> Waara 1980, p 136.

(*preferensaktier*).<sup>52</sup> The preference shares, which were held by the state, had only one tenth of the votes at the annual meeting and the state could only appoint one board member. However, it had the right to buy out the holders of the stem shares, which was done in 1957.<sup>53</sup>

The second state-owned limited company in Sweden was the Tobacco Monopoly, founded in 1915. Here, the state nationalized a whole industry, consisting of about 100 factories and employing more than 4,000 workers. The motives for the creation of the Tobacco Monopoly and some characteristics of the company will be described below.

Two years after the nationalization of the tobacco industry a third state-owned enterprise was founded – Wine & Spirits (*Aktiebolaget Vin- och Spritcentralen*).<sup>54</sup> This company was a consequence of the abolition of the marketing and sale of alcoholic beverages in private shops. When retailing was nationalized the politicians wanted to prevent wholesale traders and manufacturers from forming a trust, and they therefore decided to nationalize all parts of the commodity chain. Wine & Spirits' shares were divided into stem and preference shares and,<sup>55</sup> like the Tobacco Monopoly, Wine & Spirits carried through a downsizing process in the inter-war period. The number of workers decreased by more than 50 percent, from 1,352 to 659, between 1920 and 1932.<sup>56</sup> However, there is at least one principal difference between Wine & Spirits and the tobacco monopoly with regard to being employers. Whereas the Tobacco Monopoly was a monopsony, Wine & Spirits was not the sole employer of brewery workers in the country. The production of beer and non-alcoholic beverages was still in private hands.

The three early state-owned limited companies described above were created by bourgeoisie governments. When the Social Democrats for the first time formed a minority government in 1920 there were expectations of increased state involvement in the economy. A general radicalization of the political debate had taken place after World War I and the Russian revolution and the issue of industrial democracy was high on the agenda.<sup>57</sup> The Social Democratic Party had adopted a radical programme with the ultimate goal of socializing important parts of natural resources, banks, infrastructure and

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<sup>52</sup> Eriksson 1998a, p 36.

<sup>53</sup> Waara 1980, p 136.

<sup>54</sup> Marcus & Lyberg 1942.

<sup>55</sup> Marcus & Lyberg 1942, pp 93-94, 208.

<sup>56</sup> Marcus & Lyberg 1942, p 226.

<sup>57</sup> Lundh 1987.

manufacturing industries. One of the first measures taken by the new government was to appoint a committee to investigate how socialization could be accomplished.<sup>58</sup> The directives given to the committee were not as radical as the party programme and did not lead to any concrete proposals. Still, the committee came to play an important role in the political debate during the 1920s and the early 1930s.

State entrepreneurship continued to expand in these decades as a result of technological advances in the communication and transport areas and economic crises. The crisis of 1920-1922 led to state intervention in the bank sector and, with the motive of forestalling local unemployment, the state became part-owner of a sawmill in northern Sweden in 1926.<sup>59</sup> State-owned companies in the wood industry had been discussed since the first decade of the twentieth century in the light of the existing state ownership and management of forest resources. Several factories for wood goods were nationalized in the 1930s and were concentrated in a holding company in 1942.<sup>60</sup>

### 3.8 Nationalization of the Swedish tobacco industry

The establishment of the Tobacco Monopoly should be seen in the light of the expansion of the public sector that took place from the mid-nineteenth century onwards.<sup>61</sup> Increasing expenditures on infrastructure, defence and welfare programmes required new sources of income and tobacco was considered a suitable taxation object.

The idea of creating a state monopoly, brought before Parliament in 1902, was more controversial. State involvement in infrastructure projects had a wide political support but the nationalization of a manufacturing industry was a different matter. After even ballots in the two chambers, a committee was appointed for the investigation of how tobacco taxation could be best accomplished. The committee was formally not allowed to consider nationalization, but these instructions were partly ignored. The committee could not refrain from concluding that a state monopoly would give “incomparably bigger” incomes than other alternatives. A state monopoly would also have

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<sup>58</sup> Waara 1980, pp 143-146.

<sup>59</sup> Waara 1980, pp 136-143.

<sup>60</sup> Waara 1980, pp 122-125.

<sup>61</sup> If not otherwise stated, the description of the origins of the Tobacco Monopoly builds on Hellner 1940.



advantages of scale since it could buy raw tobacco in great quantities and would not have to spend money on marketing. The weakening of incentives for technical rationalization associated with the removal of the private profit interest was not seen as a big problem. Reference was made to France, where the state monopoly spent huge sums to invent more efficient methods of production. Thus, the committee that was appointed to investigate all other forms of tobacco taxation except for nationalization came to propose further investigation of exactly that measure.

In 1909, Carl Schwartz – a previous member of the committee – became Minister of Finance in a right-wing government and brought the issue of tobacco taxation up again. Schwartz had conflicting interests in the issue. On the one hand, he was responsible for the state budget, and, on the other hand, he was also the owner of a tobacco factory. Schwartz put concern for the state budget before his personal interest and advocated nationalization. The main motivation for Schwartz, and many other proponents of nationalization, was that the fragmented structure of the tobacco industry, which at the time consisted of about 100 companies, made other forms of taxation hard to implement. Consequently, Schwartz appointed another committee, which submitted its report in 1911 and came to the same principal conclusion as its predecessor; tobacco taxation was almost impossible to control without nationalization of the industry. Only some weeks after the report was presented, a Liberal government came into power. While this government was thinking about the tobacco taxation issue, some factory owners tried to remove the argument for nationalization by forming a holding company – *Förenade Svenska Tobaksfabriker*. In 1913, this trust included 47 companies and the production was concentrated to 19 factories. At the same time the nationalization idea was heavily criticized by organizations in the business world as well as by the National Board of Trade (*Kommerskollegium*).

For a time it appeared as if nationalization was out of date, but, in 1913, the Minister of Finance began to doubt the private actors' capacity to concentrate production on their own. The Liberal government did not manage to carry out its proposition before it was replaced by a right-wing government, faced with an imminent need to increase state revenues in order to finance rearmament. A proposition implying nationalization was formulated in short time and presented to Parliament. When the issue was to be decided in the autumn of 1914, its outcome was highly uncertain, as it had divided the traditional parties. In the debate the Minister of Finance referred to the threat of foreign intrusion, arguing that an Anglo-American trust, the British American Tobacco Company had taken over a great part of tobacco production in neighbouring countries and

could do the same in Sweden. A Social Democratic Member of Parliament rejected the idea that the state should become dependent on incomes from products that were damaging for the public health. The main argument for the opponents was, however, that nationalization of the tobacco industry could pave the way for nationalization of other industries. Advocates of nationalization replied that this had hardly been the case in other countries, such as Spain and Austria, and that Bismarck had wished to impose a state monopoly in tobacco production in Germany.

The tobacco taxation issue was not so much a conflict between right and left as between idealism and pragmatism. In the end, the pragmatists won a decisive victory. The state needed incomes and nationalization was thought to be the best way to accomplish that goal.

The decision to nationalize the tobacco industry implied that a limited company with the state as a majority owner was established. The Tobacco Monopoly's shares were divided into stem shares and preference shares, where the state held the former and the private owners the latter.<sup>62</sup> The shared ownership was an adaptation made to avoid potential drawbacks associated with nationalization. It was thought that a company directly run by the state would be less flexible and less inclined to rationalize production and there was also a fear that direct state management could draw the government into troublesome social conflicts (that is, labour conflicts).<sup>63</sup>

### 3.9 Summary

The Swedish economy and society of the inter-war era were hit by two severe crises and characterized by a rationalization movement. While employment in the manufacturing sector as a whole expanded during the period of our investigation, there were some industries, in addition to the tobacco industry, where the introduction of labour-saving technology led to reduced employment, for example the sawmill industry, the match industry and the sugar industry.

After some initial resistance, the Swedish labour movement came to adopt an accepting attitude towards rationalization measures, but the disagreement between the parties in the labour market remained regarding the employer's

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<sup>62</sup> The original document of foundation is reproduced in *Svenska tobaksmonopolet 1915-1940*, pp 488-490. Initially, the stem shares amounted to 18 million *kronor* (the amount was later revised to 29 million) and the preference shares amounted to 17 million. cf Trolle 1965, p 22.

<sup>63</sup> Vasseur 1940, p 341; Lindbom & Kuhm 1940, pp 206-210.

right to lead and manage work and to hire and fire workers. In some cases the labour movement managed to restrict the employers' power, for example by imposing seniority rules for layoffs. Seniority seems to have been a social norm of potential importance for a downsizing firm such as the Tobacco Monopoly. Another much discussed norm at work in the inter-war period was the male-breadwinner ideal. From time to time, voices were raised in favour of men being more protected from unemployment than women, but the evidence of this in practice is mixed.

The Swedish state became increasingly involved in the ownership and management of enterprises during the late nineteenth and early twentieth centuries. This involvement initially concerned infrastructure enterprises, but was later expanded to other types of activities. The Tobacco Monopoly was one of the first cases where the state became owner of a manufacturing enterprise and thereby employer of blue-collars.

## Chapter 4

# The company and workers

### 4.1 Introduction

The last chapter described how the Tobacco Monopoly came to be. This chapter takes a closer look at labour relations in the tobacco industry before and after nationalization, and describes preconditions of importance for understanding the subsequent personnel reductions. Although considerations about the state budget were in the focus of the political debate on tobacco taxation, the issue also had crucial implications for the tobacco workers. Their attempts to defend their interests had some success and influenced the character of the Tobacco Monopoly. In its contract with the state, the company not only promised to run the industry efficiently but also to offer the tobacco workers a certain degree of employment protection. This is important to keep in mind when studying the personnel reductions in the subsequent chapters. Another central point in this chapter concerns the character of the Tobacco Workers' Union; while most of the members were women, the leadership of the union was all male.

### 4.2 Propositions and decisions

As made clear above, the idea of nationalizing tobacco production was discussed back and forth from 1902 onwards. The tobacco workers were highly affected by the outcome of the political process, which they also tried to influence by calling upon decision-makers. Basically, the tobacco workers were concerned about the prospects of becoming unemployed, and about having only one employer, particularly if the company was run by private interests.

Previously, tobacco workers could always look for jobs in other factories if mistreated or dismissed. With the creation of a monopoly this exit possibility would disappear. It was feared that a monopoly with private interests involved would cut wages and treat the workers arbitrarily. Against this background, the union demanded guarantees from the state of fair treatment of workers by the future employer. Instead of a company jointly owned by the state and private

actors, which was what the government had proposed, the union wanted a company directly managed by the state.<sup>1</sup>

Neither the investigators behind the report on tobacco taxation published in 1911 nor the government thought that nationalization would lead to great unemployment among tobacco workers.<sup>2</sup> This optimistic view was not shared by the Tobacco Workers' Union. The union relied on an estimate in the government proposition stating that increased taxation would cause the consumption of cigars, cigar-cigarettes and cigarettes to decrease by 20 percent, and the consumption of other tobacco products to decrease by 10 percent. This would place the jobs of about 1,000 tobacco workers at risk. The union argued that tobacco workers were particularly vulnerable to unemployment due to "[...] the stamp the occupation is already setting on the worker in young ages [...]", and to the fact that many of the workers, particularly the male ones, had physical disabilities.<sup>3</sup> This frailness was not only caused by the work, but also adverse selection as the conditions in the tobacco industry allowed the employment of people who could not get jobs in other parts of the labour market.<sup>4</sup>

After a general meeting in July 1914, the union decided to put a list of demands to the government.<sup>5</sup> In addition to the previously mentioned demand for direct state management, the list included demands concerning unemployed tobacco workers' rights to compensation.

The demands of the union were also put forward by Social Democrats in Parliament, among others the well-known economist and sociologist Gustaf Steffen, who remarked that the government proposition did not say much about

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<sup>1</sup> Lindbom & Kuhm 1940, pp 210-212.

<sup>2</sup> The investigators rejected the idea that the company would make considerable workforce reductions in the foreseeable future. On the contrary, they argued that domestic production and labour demand would increase since the monopoly would attempt to restrict import. Thus, even if the monopoly mechanized production in the future, a considerable amount of manpower would still be required. *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del I*, Stockholm 1911, pp 75-76. When explaining the proposition in front of the other members of cabinet, the Minister of Finance said that the monopoly was expected to employ all who had been previously employed in the industry. *Bihang till riksdagens protokoll 1914*, Proposition nr 254, p 100.

<sup>3</sup> Swedish: "[...] den prägel yrket sätter på arbetaren redan i unga år [...]". Lindbom & Kuhm 1940, pp 216-217.

<sup>4</sup> See Fogelström 1965, p 204. Referring to the United States, Cooper (1987, p 64) also writes about "[...] physically handicapped men who were attracted to the trade because of its sedentary nature."

<sup>5</sup> Lindbom & Kuhm 1940, pp 218-219.

the relationship between the future monopoly and its workers.<sup>6</sup> Like the Tobacco Workers' Union, the introducers of the bills preferred the monopoly to be directly managed by the state. Moreover, they underlined that it was in the state's own interest to bring about a good relationship between the tobacco workers and the future company. They argued that the tobacco workers should have the same rights – when it came to wages, pensions, vacation, sick benefits, participation, apprenticeships and employment protection – as other state employees. Employment protection was especially emphasized. When arguing that tobacco work required “[...] a quite particular skill, which is hard to replace”,<sup>7</sup> the reasoning of Steffen and his comrades was thus very similar to Becker's human capital theory.

Worth noting is that some of these demands had not been put forward by the union, but had been added by the introducers of the bills themselves, perhaps without reflection. To demand treatment equal to that of other civil servants was not unproblematic since that in some respects could mean worse conditions. At the time, the civil servants had not yet acquired the right to negotiate collectively and wages were unilaterally decided by Parliament.<sup>8</sup>

Anyhow, the bills were given a positive reception in the committee work. Although the committee did not award the tobacco workers equal status to civil servants, it recognized more generous and inclusive compensation rights in comparison with the government proposal. Furthermore, the committee made the following statement, emphasizing the importance of employment protection for the tobacco workers in the future:

In addition to what is contained in the bill, the committee would like to point out the desirability that the workers in a company, which as a planned monopoly would have exclusive control of a particular trade over the whole country, are made secure to the greatest possible extent against the risk, through future concentration of production or of layoffs, of being denied the possibility of continuing their livelihood through professional work. A certain guarantee that the workers' interests in the event of the introduction of a state monopoly [...] will not be overlooked seems to be provided by the fact that half of the members of the monopoly board will be appointed by the [government]. In the committee's

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<sup>6</sup> Bihang till riksdagens protokoll 1914, Motioner i första kammaren nr 106; Bihang till riksdagens protokoll 1914, Motioner i andra kammaren nr 263.

<sup>7</sup> Swedish: ”[...] en alldeles speciell yrkeskunnighet, som är svårersättlig.” Bihang till riksdagens protokoll 1914, Motioner i första kammaren nr 106, p 5.

<sup>8</sup> Lundh 2002, pp 97-98.

opinion consideration should be given to whether any additional measures for the workers' security can be taken.<sup>9</sup>

In this respect the committee mentioned an “[...] arrangement, which exists in the private railroad companies”.<sup>10</sup> What the committee had in mind was most likely pension schemes. However, it did not make any special request in this matter but presupposed that the government would undertake “[...] the measures [...], which the workers' legitimate interests may require”.<sup>11</sup>

With some exceptions, the position taken by the committee became the decision of Parliament. Although the workers did not persuade the political majority to let the monopoly be directly managed by the state, some acknowledgements concerning the workers' rights in the future company were made. An important feature of the decision was that redundant tobacco workers were awarded the right of compensation if laid off before 1 June 1920. The compensation issue is further discussed in chapter 10. The following section concentrates on the guidelines that the state set up for the Tobacco Monopoly in general and for its relation with the workers in particular.

### 4.3 Between rationality and responsibility

The Tobacco Monopoly was surrounded by an institutional framework consisting of special legislation, articles of association and a contract with the

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<sup>9</sup> Swedish: ”Utöver vad i motionen härutinnan anförts anser sig utskottet särskilt böra framhålla önskvärdheten av, att arbetarna hos ett företag, vilket såsom det planerade monopolbolaget skulle hava ensamrätt till viss yrkesverksamhet i hela riket, kunde i möjligaste mån säkerställas mot risken att genom ett på grund av framtida koncentring av driften eller av liknande anledning föranlett avskedande bliva berövade möjligheten till fortsatt försörjning genom sitt yrkesarbete. En viss garanti för, att arbetarnas intressen i händelse av införande av statsmonopol i enlighet med Kungl. Maj:ts förslag icke skulle komma att bliva förbisedda, synes ligga redan däri, att halva antalet ledamöter i monopolbolagets styrelse enligt förslaget skulle utses av Kungl. Maj:t. Enligt utskottets förmenande torde visserligen kunna ifrågasättas, huruvida icke någon ytterligare åtgärd för arbetarnas säkerställande kunde vidtagas.” Bihang till senare riksdagens protokoll 1914, Särskilda utskottets nr 3 utlåtande nr 1, p 37.

<sup>10</sup> Swedish: ”[...] den anordning, som förefinnes vid de enskilda järnvägarna”. Bihang till senare riksdagens protokoll 1914, 11 saml 3 avd 1 häft, Särskilda utskottets nr 3 utlåtande nr 1, p 37.

<sup>11</sup> Swedish: ”[...] de åtgärder [...], som arbetarnas berättigade intressen skäligen må anses kräva.” Bihang till senare riksdagens protokoll 1914, Särskilda utskottets nr 3 utlåtande nr 1, p 37.

state (a charter). The legislation concerning the tobacco industry stipulated that all production of tobacco goods in the country should be run by one company jointly owned by the state and private interests. Import of tobacco goods was still allowed, on the condition that importers paid a licence fee, equivalent to the company's expenses and profit.<sup>12</sup>

According to the articles of association, the board of the Tobacco Monopoly was to consist of six or eight members, of which the government would appoint half the number, including a chairman and a so-called director on duty (*jourhavande direktör*), who would be responsible for controlling the administration on a daily basis. Though, the state was the majority owner, the private owners had a significant influence since they appointed the remaining half of the board members, including the managing director.

Between 1915 and 1929 the position of managing director was held by Oscar Wallenberg, a member of the famous Wallenberg family. He had previously been a naval officer and was often called "captain". His professional background is not without importance for this story since he found some inspiration on how to deal with personnel reductions in the armed forces. Wallenberg's closest employee was the technical director Pehr-Olof Holsti, who was an engineer by profession and often assisted Wallenberg in negotiations and was responsible for much of the contacts with the union.

Besides regulating issues such as the taking over of property, tax payments and accounts, the charter included articles of huge relevance for labour management, although the message was somewhat ambiguous.<sup>13</sup> To put it simply, the company had to strike a balance between rationality and social responsibility. On the one hand, the company board had to manage the business efficiently; all opportunities for cost-saving measures were to be taken. The ultimate purpose of the company was, after all, to deliver incomes to the state. On the other hand, politicians had made certain concessions to the tobacco workers. The charter stipulated that the company: "[...] as far as possible provide employment for those persons who otherwise would be entitled to compensation [...]".<sup>14</sup> As will be seen in chapter 10, the employment protection concerned workers that had been steadily employed in the industry before

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<sup>12</sup> af Trolle 1965, pp 22-23.

<sup>13</sup> The charter is reproduced in *Minnesskrift utgiven med anledning av Svenska Tobaksmonopolets tjugofemåriga verksamhet den 1 juni 1940: 1915-1940*, pp 494-499.

<sup>14</sup> Swedish: "[...] i så stor utsträckning som möjligt bereda anställning för personer, som eljest skulle vara ersättningsberättigade [...]". *Minnesskrift utgiven med anledning av Svenska Tobaksmonopolets tjugofemåriga verksamhet den 1 juni 1940: 1915-1940*, p 497.



nationalization. In addition to the charter, the government gave its board representatives instructions to treat the workers “[...] with that special responsibility which came from the company’s position as the sole employer within the tobacco industry”.<sup>15</sup>

Since this instruction left some room for interpretation, the ideological beliefs of the state representatives on the board had some importance. In this respect it should be mentioned that there was always one member of the board belonging to the Social Democratic Party during the whole period of our investigation. Initially, this representative was Gustaf Nilsson, who was a Member of Parliament and had been involved in the committee work on tobacco taxation. Nilsson was very active in issues concerning the workers and often had opinions that differed to those of the board majority. Nilsson was at times invited to the meetings of the union leaders. He died in 1926 and was succeeded by the Member of Parliament and former storage foreman Anders Johan Bärög.<sup>16</sup>

The institutional framework surrounding the Tobacco Monopoly changed over time. For example, the politicians put restrictions on the dividends made by the company. In connection with the renewal of the charter in 1924 it was obvious that the Tobacco Monopoly was a highly successful business. At that time the company’s accumulated dividends were greater than the total costs associated with nationalization and over twice the size of the capital invested. Since high profitability could undermine public confidence in the company, an amendment was made to the charter stipulating that the company should not set prices higher than was required to get fair revenues. Still, not even the following price cuts could squeeze profits and two years later the dividend was limited to 13 and 7 percent for preference and stem shares, respectively, in another amendment to the charter.<sup>17</sup> The high profitability of the Tobacco Monopoly during the period of our investigation is a factor to keep in mind when assessing how the company and the union responded to shortage of work.

After the first prolongation of the charter (in 1924) a public inquiry looked into the administration of the company. This inquiry, which published its final report in 1928,<sup>18</sup> showed that although the Tobacco Monopoly was not expected

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<sup>15</sup> Swedish: ”[...] med den särskilda hänsyn, som betingades av bolagets ställning såsom ensam arbetsgivare inom tobaksindustrien.” Vasseur 1940, p 346.

<sup>16</sup> SM, STM, Styrelsens protokoll, 17 May 1926.

<sup>17</sup> af Trolle 1965, pp 74-75. The maximum dividends were later lowered to 5.5 percent (for both stem and preference shares). af Trolle 1965, p 79.

<sup>18</sup> *Monopolkontrollutredningens betänkande angående anordnandet av den statliga kontrollen av Aktiebolaget Svenska tobaksmonopolets verksamhet* 1928.

to be profit-maximizing, there were certainly expectations that the company would minimize costs.

The conclusion was that the administration was satisfactory in some respects, and less so in other respects. For example, the management was praised for its purposeful and successful efforts to mechanize production.<sup>19</sup> Still, the investigators noticed a significant gap between the prices of domestically produced tobacco goods and that of imported ones and suspected that there was potential for further rationalization measures.<sup>20</sup> This could, according to the investigators, be accomplished by concentrating production to fewer plants, “of course [...] considering the employees legitimate interests”.<sup>21</sup>

The investigators’ were less satisfied with areas such as financing, purchase of inputs, accounting procedures and auditing.<sup>22</sup> In general, they thought that the managing director had too much freedom and that the control function of the director of duty had not been working properly. More specifically, the investigators called attention a substantial loan granted by the managing director to a senior employee in the company’s service.

In order to set things right, the investigators proposed to abolish the position of director on duty and to strengthen the auditing. They also wanted to formalize an already existing managerial body.<sup>23</sup> This board of directors was originally a committee for handling purchasing matters and other issues of greater concern for the company. In addition to the managing director, the committee consisted of the director on duty, a director’s assistant and reporting officials. The managing director made decisions at the meetings but the other participants could state differing opinions, which were noted in the minutes. The investigators wanted to regulate the composition of the committee, its purpose and competence. They thought that the chairman of the company board should be the chairman of the committee, thereby restricting the power of the managing

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<sup>19</sup> *Monopolkontrollutredningens betänkande angående anordnandet av den statliga kontrollen av Aktiebolaget Svenska tobaksmonopolets verksamhet* 1928, 27, p 198, 215.

<sup>20</sup> *Monopolkontrollutredningens betänkande angående anordnandet av den statliga kontrollen av Aktiebolaget Svenska tobaksmonopolets verksamhet* 1928, p 215.

<sup>21</sup> Swedish: ”Vid genomförandet av dylika åtgärder bör givetvis hänsyn tagas till de anställdas befogade intressen.” *Monopolkontrollutredningens betänkande angående anordnandet av den statliga kontrollen av Aktiebolaget Svenska tobaksmonopolets verksamhet* 1928, p 216.

<sup>22</sup> *Monopolkontrollutredningens betänkande angående anordnandet av den statliga kontrollen av Aktiebolaget Svenska tobaksmonopolets verksamhet* 1928, p 185.

<sup>23</sup> *Monopolkontrollutredningens betänkande angående anordnandet av den statliga kontrollen av Aktiebolaget Svenska tobaksmonopolets verksamhet* 1928, pp 205-206.

director. Besides dealing with purchasing of inputs, pricing and marketing, the investigators explicitly included wage issues in the committee's area of competence.<sup>24</sup> While being quite detailed concerning raw material purchases, the instructions provided no guidance on labour related issues. Nevertheless, it seems like labour related issues were affected by the formalization of the management's authority since "personnel issues" was a standing item on the board agenda from 1931 onwards. Various types of welfare arrangements for the workers were often treated under this heading.

After the criticism of the investigators, Wallenberg resigned in 1929.<sup>25</sup> He was replaced by Gustaf Åkerlindh, who served as managing director until 1939. The shift in leadership did not mark any radical change with regard to the personnel policies of the company.<sup>26</sup> However, it is worth noting that the new managing director, like the managerial body, got formal instructions. The instructions emphasized that he should try to accomplish the greatest possible savings of expenses and the greatest possible rationalization and to constantly be aware of possible ways to concentrate production and introduce labour-saving methods.<sup>27</sup> As with the instructions to the board of directors, the instructions to the managing director made no references to the blue-collars.

#### 4.4 Welfare arrangements

Paternalism had not been a characterizing feature of the Swedish tobacco industry before nationalization.<sup>28</sup> Corporate welfare programmes were introduced by the company in its early existence and were subsequently expanded under the auspices of a personnel department. One of the first initiatives was to hire employees with specific responsibility for the workers' welfare. This idea was introduced to Wallenberg by the occupational *inspectrice* Kerstin Hesselgren.<sup>29</sup> The welfare secretaries were called personnel consultants

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<sup>24</sup> This last area was not mentioned in the instructions for the board of directors that were issued in 1930. SM, STM, Styrelsens protokoll, 16 December 1930, Bilaga I, "Instruktion för direktörsrådet i Aktiebolaget Svenska Tobaksmonopolet".

<sup>25</sup> af Trolle 1965, pp 78-79.

<sup>26</sup> af Trolle 1965, p 93.

<sup>27</sup> SM, STM, Styrelsens protokoll, 16 December 1931, Bilaga J, "Instruktion för verkställande direktören i Aktiebolaget Svenska Tobaksmonopolet".

<sup>28</sup> Lindbom & Kuhm 1940, p 37.

<sup>29</sup> af Trolle 1965, p 70; Carlson 2004, p 367.

or simply “factory sisters”. The first two, Herta Svensson and Ester Loftman, had a strong influence on the further development of the company’s welfare activities.<sup>30</sup>

An important part of that development was the establishment of so-called interest offices at six locations around the country in 1918.<sup>31</sup> They were run by the personnel consultants and offered a number of services to the workers. Some of these services were of economic nature. For example, the interest offices operated as banks – took care of savings and payments – and helped workers to get access to plots for the cultivation of potatoes. The offices also supported workers with “advice and information and promoted hygiene and pleasure”.<sup>32</sup> In practice this meant that they built libraries, offered courses, sports activities and child care facilities.<sup>33</sup>

Before nationalization, the tobacco workers had formed their own health insurance fund. The Tobacco Monopoly took over the responsibility for this fund in 1917.<sup>34</sup> The company paid an amount, equivalent to about one third of the workers’ membership fees, to provide the health insurance scheme with facilities and a clerk. From then on, all new workers, who were not members of another health insurance, had to join the scheme.<sup>35</sup> In addition to health insurance, the tobacco workers also enjoyed free medical care, provided by the company’s doctors.<sup>36</sup>

Like many other big companies, the Tobacco Monopoly tried to support the workers by offering subsidised consumption goods and meals during the period of rapidly rising prices in connection with World War I.<sup>37</sup> Initially, goods

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<sup>30</sup> af Trolle 1965, p 70.

<sup>31</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1918: Styrelsens förvaltningsberättelse*, p 16.

<sup>32</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1919: Styrelsens förvaltningsberättelse*, p 12.

<sup>33</sup> Vasseur 1940, p 409; *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1919: Styrelsens förvaltningsberättelse*; *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1920: Styrelsens förvaltningsberättelse*.

<sup>34</sup> Vasseur 1940, p 407.

<sup>35</sup> Some were, however, excluded from becoming members due to their poor health status or high age. For those workers, the Tobacco Monopoly promised to provide roughly equivalent benefits as long as they paid their fees. Vasseur 1940, p 407; af Trolle 1965, p 69.

<sup>36</sup> Vasseur 1940, p 408.

<sup>37</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1919: Styrelsens förvaltningsberättelse*, p 12.

distribution was run by local factory managements or interest offices, but as the situation became worse the activities expanded. The company headquarters started to buy large quantities of food and other necessities directly from producers.<sup>38</sup> In 1917 canteens were built, which eventually would serve about 2,000 workers daily.

Some parts of the company's welfare arrangements were particularly closely related to personnel reductions.

Old age pension was one such example. The higher clerks were insured in 1917 followed by the lower clerks one year later.<sup>39</sup> At that point it was clear that the company would eventually provide pensions for blue-collars as well; money had already begun to be put aside for this purpose in 1916. But the launching of the system would not take place until the autumn of 1921, in connection with an extensive personnel reduction. The circumstances around the introduction of the pension scheme, as well as the characteristics of the scheme, are further described in chapter 6.

As mentioned in section 4.2, workers who became unemployed in connection with the nationalization were entitled to compensation. Initially this was thought of as a temporary measure to be applied in the first five years of the company's existence. In practice, the company also continued to pay compensation to redundant workers after the formal obligation had expired. In the words of af Trolle, it was "[...] a natural obligation for the management of the monopoly to facilitate the situation for the dismissed".<sup>40</sup> Thus, it seems like a custom was established at the company.<sup>41</sup>

Another interesting way of alleviating the consequences of reductions was to provide retraining courses. In this field the Tobacco Monopoly was probably a pioneer since it actively helped redundant workers to find another occupation. This was done by sending them to occupational schools and by offering courses under its own auspices.<sup>42</sup> The personnel consultants put some effort into figuring

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<sup>38</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1917: Styrelsens förvaltningsberättelse*, p 14.

<sup>39</sup> af Trolle 1965, pp 68-69.

<sup>40</sup> Swedish: "[...] det var en naturlig förpliktelse för monopolets ledning att underlätta de entledigades situation." af Trolle 1965, p 69.

<sup>41</sup> The severance payments are analyzed in greater detail in chapter 10.

<sup>42</sup> Material regarding the courses for unemployed tobacco workers has been preserved in the collections of Herta Svensson. GU, KA, Tobaksarbeterskorna, box 47.

out the jobs that would be most promising for young women to pursue.<sup>43</sup> It seems like the best prospects for future employment were thought to be found in domestic work occupations; most of the Tobacco Monopoly's own retraining courses were filled with subjects such as needlework, cooking, cleaning and washing.

The Tobacco Monopoly's welfare initiatives can be explained by a combination of personal motivations of the board members and a general belief that a monopoly – and particularly a state-owned one – had a responsibility for its workers.<sup>44</sup> On some occasions the social responsibility was enforced by immediate problems. It seems like the establishment of welfare activities was carried out *ad hoc* and was relatively uncontroversial, at least to judge from the minutes of the company board. However, over the years the activities expanded, both in size and diversity, and came to be an issue of dispute at the annual meetings of shareholders.<sup>45</sup> When the board was criticized for having granted loans to employees in 1927, its response was to initiate an inquiry into the company's social activities in general.<sup>46</sup> This inquiry led to the decision that the activities should continue with about the same magnitude, though under tighter reins and with increased monitoring of costs and direction.<sup>47</sup>

There are several explanations in the research literature for why companies engage in welfare programmes for its personnel. Some authors emphasize the employers' wish to reduce costly personnel turnover, whereas other mainly view corporate welfare as a way of forestalling unionization.<sup>48</sup> None of these explanations fit the Tobacco Monopoly. Here, personnel turnover was rather something the management wanted to induce and it made no clear attempts to pursue an anti-union policy. The main motivation given in a letter from the company board to the annual meeting of shareholders in 1928 was that the welfare programmes enhanced the workers' productivity.<sup>49</sup> Interestingly, the point of departure was the high share of married women in the workforce and

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<sup>43</sup> Herta Svensson's collections include brochures, small booklets and press cuttings about employment opportunities and existing vocational training programmes. GU, KA, Tobaksarbeterskorna, box 47.

<sup>44</sup> af Trolle 1965, p 64.

<sup>45</sup> af Trolle 1965, p 12.

<sup>46</sup> SM, STM, Styrelsens protokoll, 21 March 1927.

<sup>47</sup> SM, STM, Styrelsens protokoll, 17 October 1927.

<sup>48</sup> Carlson 2003, pp 44-46; Fishback 1992; Ibsen 1995; Berggren 1991, pp 267-274.

<sup>49</sup> SM, STM, Styrelsens protokoll, 19 March 1928, Bilaga G.

many of the welfare programmes aimed to facilitate life for this group. Childcare could bring about:

[...] more peaceful surroundings conducive to work and [give married women] the ability to focus all their attention to the work, which of course is of greatest importance, particularly within a mechanized production system as is now the case in the tobacco industry.<sup>50</sup>

Practical courses with the purpose of making housework more rational were also intended to help married women increase their effort in the factories. In addition to facilitating the workers' daily lives, the company's educational programmes had the aim of bringing together and improving cooperation between white-collars and blue-collars.

## 4.5 A union led by men

The tobacco workers had already been well organized before nationalization. There was a country-wide organization for all categories of tobacco workers since 1889. The supreme body of the Tobacco Workers' Union was the congress, held every fifth year or so. The congress appointed a salaried chairman and a board. From 1918 onwards, the congress also appointed an executive committee, consisting of the chairman and four additional board members.<sup>51</sup> The chairman who represented the union in the transition to monopoly and in the most intense downsizing phase was Albin Kindstrand. He was replaced in 1928 by Axel Eliasson, who had had a central position as a salaried official since 1919.<sup>52</sup> The Tobacco Workers' Union had local branches where there were factories,<sup>53</sup> and, like many other early unions in Sweden, it had a strong element of direct democracy as collective agreements and other important decisions had to be approved by the members in ballots.

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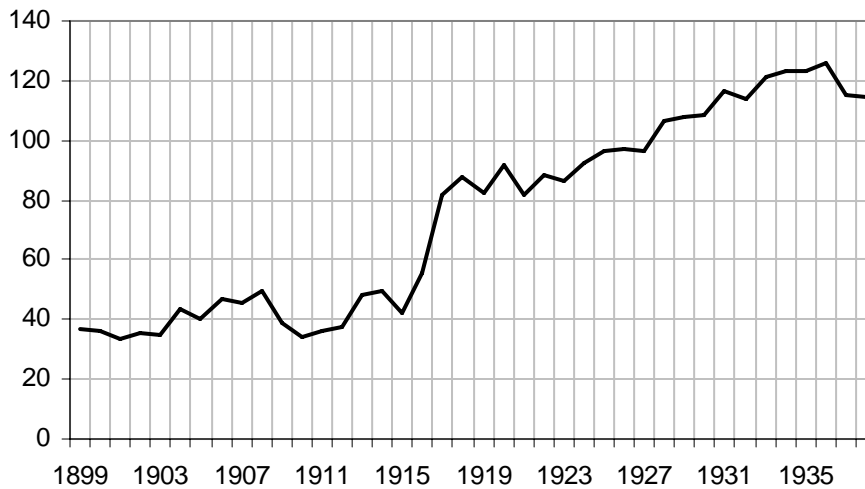
<sup>50</sup> Swedish: “[...] större arbetsro och förmåga att koncentrera hela sin uppmärksamhet och sin kraft på arbetet, vilket givetvis är av största vikt särskilt inom en så maskinellt anordnad drift, som nu är rådande inom tobaksfabrikationen.” SM, STM, Styrelsens protokoll, 19 March 1928, Bilaga G.

<sup>51</sup> Lindbom & Kuhm 1940, p 246. From 1933 onwards the executive committee was denoted ‘board’, and the board denoted ‘representative assembly’. Lindbom & Kuhm 1940, p 288.

<sup>52</sup> Lindbom & Kuhm 1940, p 277.

<sup>53</sup> Each branch could also be divided in sections and groups according to occupation, but it seems like this part of the organization was less well developed. Uhlén 1933, pp 33-34.

**Figure 4.1** Union density (in percent) in the Swedish tobacco industry, 1899-1938



Note: Union density has been calculated by dividing the total number of members reported to LO by the average number of workers according to the official industrial statistics. The fact that the union density exceeded 100 percent from the late 1920s onwards suggests that some redundant and retired tobacco workers continued to be union members.

Source: *Sifferuppgifter och grafiska framställningar över Landsorganisationen och de svenska fackförbunden 1888-1912*; *Sifferuppgifter och grafiska framställningar över Landsorganisationens och förbundens verksamhet åren 1913-1930*; *Sifferuppgifter över Landsorganisationens och förbundens verksamhet 1931-1940*; *Fabriker och handverk 1900-1912*; *Industri 1913-1939*.

In the years preceding the General Strike of 1909, the union density in the tobacco industry had approached 50 percent, as seen in figure 4.1. The conflict was detrimental to the workers in the short-run as the member base and funds were eroded.<sup>54</sup> The Tobacco Workers' Union was not as seriously affected by the defeat as other unions, but the recovery in the following years was hampered by the uncertainty associated with nationalization. At the turn of the year 1914-1915, the industry was in a difficult position and many tobacco workers left the union because of unemployment. The decline was greater than after the General Strike; during 1915 the number of members decreased by more than a third (from 2,334 to 1,519) and it was described as “[a] year of affliction [...]” in the

<sup>54</sup> Lindbom & Kuhm 1940, p 176.



union chronicle.<sup>55</sup> At the same time the board of the union was almost completely changed, and the rebuilding of the organization could start as conditions in the industry became more stable. The efforts of the new leaders were successful and within a couple of years the Tobacco Workers' Union had more members than ever before. By 1920 the union density had exceeded 90 percent, which was almost three times higher than the national average for blue-collar workers at the time.<sup>56</sup> During the following year union density decreased by 10 percentage points, which probably reflects the income losses, due to hours-reductions and transfers, experienced by many tobacco workers. Thereafter, the union regained its numerical strength and it even seems like many redundant and retired workers continued to pay their membership fees. In economic terms the Tobacco Workers' Union also gained strength over time. From 1920 to 1930 the organization's capital stock per member more than tripled.<sup>57</sup>

As an industrial union, several occupations were united in the organization, the most important group being the cigar workers, who had been the originators of the union and outnumbered all other groups. There was some mistrust among other occupational groups about the dominance of cigar workers and it was decided at the congress of 1923 that workers in the other branches and storage workers should have at least one board representative each.<sup>58</sup> The geographical composition of the union board was also discussed at the same congress.<sup>59</sup> Here it should be noted that much of the tobacco industry was concentrated in Stockholm, Göteborg and Malmö. Thus, most of the tobacco workers shared the experience of living in urban areas, but since the executive committee met several times a month it was practically impossible for members outside Stockholm to attend meetings. The congress therefore decided that all the members of the executive committee should reside in the capital. Malmö and Gävle were guaranteed at least one representative each on the board. This concentration of power to Stockholm would, as will be shown, give rise to some internal tensions within the organization. Politics was another potential source of internal strife. Many Swedish trade unions were plagued by conflicts between

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<sup>55</sup> Swedish: "[e]tt hemsökelsens år [...]". Lindbom & Kuhm 1940, p 233.

<sup>56</sup> Lundh 2002, p 101.

<sup>57</sup> The Tobacco Worker's Union had a quite solid economy in comparison with other unions. Compared with the average for the LO unions in 1930 the Tobacco Worker's capital stock per member was about 65 percent higher. *Sifferuppgifter och grafiska framställningar över Landsorganisationens och förbundets verksamhet åren 1913-1930* 1932.

<sup>58</sup> Lindbom & Kuhm 1940, p 263.

<sup>59</sup> Lindbom & Kuhm 1940, p 263.

radicals and reformists. Some syndicalist tendencies had also been seen among the tobacco workers in connection with the General Strike but were not prominent in the period investigated in this study.<sup>60</sup> A more fundamental dividing line was based on gender.

Originally, tobacco production was considered as a male domain but the composition of the workforce changed considerably over the course of the nineteenth century.<sup>61</sup> Around 1900, women constituted 60 percent of the workforce and their share continued to increase. The presence of women in the industry became so strong that they could not be ignored or directly opposed by the early male trade unionists. Contrary to some other early unions, the Tobacco Workers' Union allowed both men and women to be members.<sup>62</sup> At the constituting congress of this organization, the representatives supported, without reservation, a statement that the union, together with its sister organizations in the other Nordic countries, should strive for equal wages for men and women.<sup>63</sup>

In 1915, the gender composition of the members of the union reflected the gender composition of the workforce fairly well.<sup>64</sup> Historian Kristina Rosslund, referring to the period before nationalization, has argued that women made a comparably good showing in the union.<sup>65</sup> However, when it came to influence, men dominated the organization. It is hard to disregard the fact that female tobacco workers were strongly underrepresented, or not represented at all, among union leaders. Although women were in the majority among the rank-and-file, it was men who were in charge of the union and represented it in negotiations with the employer.<sup>66</sup> As seen in table 4.1, there was only one female representative on the union board and none on the executive committee until 1933.<sup>67</sup> In the same period, more than 80 percent of the members in the union were women. However, women made some advances at the congress of 1933, when their number of representatives increased from one to three, of which one got a position in the executive committee.

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<sup>60</sup> Lindbom & Kuhm 1940, p 184.

<sup>61</sup> *Undersökning af tobaksindustrin i Sverige 1899*, p 57; Lindbom & Kuhm 1940, p 38; Rosslund 1995, p 79.

<sup>62</sup> Lindbom & Kuhm 1940, pp 38-39, 46.

<sup>63</sup> Lindbom & Kuhm 1940, p 68.

<sup>64</sup> See table in Lindbom & Kuhm 1940, p 234.

<sup>65</sup> Rosslund 1995, p 86.

<sup>66</sup> The underrepresentation of women in the LO-unions is discussed by Qvist 1974, pp 61, 70.

<sup>67</sup> Worth noting is also that none of the female board representatives held their positions for more than one congress period until 1933.

**Table 4.1** Female representation in the union leadership (absolute numbers)

<b>Year</b>	<b>Board members</b>	<b>Women on the board</b>	<b>Executive committee members</b>	<b>Women on the executive committee</b>
1906	6	0	-	-
1913	7	1	-	-
1918	10	1	5	0
1923	13	1	7	0
1928	13	1	6	0
1933	14	3	6	1
1938	14	3	6	1

Note: The board was renamed ‘representative assembly’ in 1933.

Source: Lindbom & Kuhm 1940, pp 172, 187, 246, 264, 275, 288, 292.

## 4.6 Dealing with disputes

Overall, industrial relations in the tobacco industry were fairly well developed before nationalization in 1915. A nation-wide collective agreement, one of the first in Sweden, which, among other things, included an institution for dealing with disputes – a conciliation board – was concluded in 1904.<sup>68</sup> After nationalization, the conciliation board was replaced by the classification board, whose main task was to handle disputes concerning wages and piece-rates in connection with the introduction of new products or technology.<sup>69</sup> In 1920, the classification board got a more permanent form with the adoption of a general order of negotiation, according to which disagreements, concerning wages or other working conditions, were not allowed to result in strikes, lock-outs, boycotts or blockades.<sup>70</sup> The order of negotiation prescribed that disagreements should be treated in three instances. First, negotiations should be carried out directly between the employer and the involved workers. If that failed, the issue was to be brought before the local factory boards. The third instance was the central board. If this board failed to solve the dispute it could, on the demand of

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<sup>68</sup> *Kollektivaftal angående arbets- och löneförhållanden i Sverige, II, 1: Förteckning å gällande kollektivaftal* 1908; Vasseur 1940, p 389; Lundh 2002, p 111. For a general overview of the origins of conciliation on the Swedish labour market, see Lundh 2006.

<sup>69</sup> Vasseur 1940, p 383.

<sup>70</sup> Vasseur 1940, p 389.

either of the parties, reconstitute itself and form an arbitration board with the authority to make binding judgements. The central board had an equal number of members appointed by the employer and the trade union. It was led by a chairman appointed by both parties, but if they could not agree, the official arbitrator in Stockholm became the chairman.<sup>71</sup>

The institutional framework of industrial relations in the tobacco industry is considered to have contributed to the avoidance of open conflicts. The only significant exception to the relative peacefulness occurred in 1918 and was caused by the introduction of new cigar brands and transfers of workers.<sup>72</sup> The strike, known as “the conflict regarding the ‘tip-less’ cigars”,<sup>73</sup> started in Stockholm, went on for two weeks and was spread to most of the tobacco industry around the country.<sup>74</sup> This conflict will be further commented on in chapter 11.

The first national collective agreement for the tobacco industry (from 1904) did not include formulations about the employers’ exclusive rights to lead and allocate work. Such formulations were included later, probably after pressure from SAF. Thus, in the national agreement for cigar workers from 1914 it was stipulated that: “[...] the employer has the right to lead and allocate work, to freely hire or fire workers and to use workers, irrespective of whether these are organised or not”.<sup>75</sup>

Although the Tobacco Monopoly, because of the state ownership, did not join SAF the same formulation remained in the collective agreements throughout the period of our investigation. In negotiations with the company in 1915, the union managed to improve its position. The same formulation about the right to lead and allocate work and hire and fire workers remained, but the foremen’s freedom of action was regulated. If workers did not accept firing decisions they had the right to appeal, first to the factory manager, and thereafter to the company headquarters. It was also underlined that being fired from one of

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<sup>71</sup> Vasseur 1940, p 389.

<sup>72</sup> The union chronicle also mentions two other strikes but these were brief and only involved a small number of workers. Lindbom & Kuhm 1940, p 253.

<sup>73</sup> Swedish: ”Striden om de spetslösa cigarrerna”. Lindbom & Kuhm 1940, p 247.

<sup>74</sup> Vasseur 1940, pp 393-393; Lindbom & Kuhm 1940, pp 247-249; af Trolle 1965, p 68; Colliander 2001, pp 20-32.

<sup>75</sup> Swedish: ”Med iakttagande af aftalets bestämmelser i öfrigt äger arbetsgifvaren rätt att leda och fördela arbetet, att fritt antaga eller afskeda arbetare samt att använda arbetare oafsedt om dessa äro organiserade eller ej.” MS, FHK, Arbets- och löneavtal, F8F: 1, *Öfverenskommelse mellan Svenska cigarrfabrikantföreningen och Internationella tobaksarbetareförbundet i Sverige* 1914.

the company's workplaces would not exclude being re-hired at another workplace.<sup>76</sup>

## 4.7 Employment protection

The tobacco workers had already begun to demand stronger guarantees for employment protection before the great reductions in the 1920s. During the first monopoly years, there was great concern among those workers who had not been compensated in connection with nationalization that they would be laid off as soon as the company's formal obligation to compensate redundant workers expired on 1 June 1920. At the congress of 1918 it was proposed that the union should try to attain formulations in the collective agreement that hindered layoffs of 'non-compensated' workers.<sup>77</sup> At the same congress, a bill demanded that government or Parliament instruct the Tobacco Monopoly not to lay off skilled workers.<sup>78</sup> The union board considered these demands for increased employment protection for certain groups of workers unrealistic. As an alternative, the board proposed that the union should strive for participation in issues concerning layoffs and dismissals.<sup>79</sup> As mentioned, the collective agreement had already before granted the union the right of appeal and getting such matters tried on a higher level in the company. This was insufficient, the board argued, and gave its consent to yet another bill that demanded the introduction of a special institution for dealing with layoffs and dismissals, which was approved by the congress.

With hindsight, it can be established that such an institution was never realized. The issue was brought up in the negotiations for a new collective agreement in 1918.<sup>80</sup> The management acknowledged the "sensitivity" of redundancies, but was not ready to accept the union's demand. The Tobacco Workers' Union had to be content with reacting to the management decisions in this respect. However, in the same negotiations, the union made another advance with regard to employment protection as it managed to include a formulation

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<sup>76</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets cigarrfabriker* 1915.

<sup>77</sup> ARAB, STF, Kongressprotokoll, A01, 1918, p 8.

<sup>78</sup> ARAB, STF, Kongressprotokoll, A01, 1918, p 9.

<sup>79</sup> ARAB, STF, Kongressprotokoll, A01, 1918, p 17.

<sup>80</sup> ARAB, STF, Förhandlingar, F01: 3, 5 November 1918.

about the precedence of hours-reductions in temporary recessions.<sup>81</sup> This issue is further treated in chapter 7.

The idea of the congress in 1918, of turning to political decision-makers in order to get stronger employment protection, returned ten years later when the state was about to issue a new charter for the Tobacco Monopoly. In a bill to the congress of 1928, it was proposed that the union should take this opportunity to get the government to obtain protection for old workers. If that move was unsuccessful, the idea was to demand early retirement with an annual compensation equivalent to 70 percent of the previous incomes for those workers who had turned 50.<sup>82</sup> Among the union leaders there was, at this time, a certain acceptance of the management's wish to rejuvenate the workforce. This was clearly expressed by the coming chairman Axel Eliasson: "Besides, one cannot totally deny S.T.M. [the Swedish Tobacco Monopoly] every right to hire younger people in some positions."<sup>83</sup> In its statement regarding the bill, the union board did not advocate stronger employment protection for old workers but preferred the second option; early retirement on generous terms.<sup>84</sup>

## 4.8 Relative wages and wage forms

Although wages are not the central focus of this study, there are reasons to consider the remuneration of labour when studying personnel reductions. First, the wage level compared with that of other companies is a main determinant of the quit rate; few workers will voluntarily leave a firm that pays relatively high wages, thus limiting the potential of attrition and making other alternatives to accomplish workforce reductions more likely. Relative wages are also interesting since a wage gap between men and women in the same occupation can indicate the existence of a male-breadwinner norm. Yet another aspect of remuneration that is of relevance for this study is whether workers are paid by the hour or on the basis of their performance. As will be discussed in chapter 9, the wage form affects the employer's incentives when establishing the order of selection at layoffs.

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<sup>81</sup> ARAB, STF, Förhandlingar, F01: 3, 6 November 1918.

<sup>82</sup> ARAB, STF, Kongressprotokoll, A01, 1928, p 25.

<sup>83</sup> Swedish: "För övrigt kan man ju inte helt och hållet bestrida STM all rätt att taga in yngre folk på vissa platser." ARAB, STF, Kongressprotokoll, A01, 1928, p 20.

<sup>84</sup> ARAB, STF, Kongressprotokoll, A01, 1928, pp 27-28.

With respect to wages, the tobacco workers lagged behind many other groups of blue-collar workers in the first decade of the twentieth century. Both employers and trade union leaders were hesitant to make new agreements because of the uncertainty regarding the future destiny of the industry.<sup>85</sup> The situation was considerably improved in connection with nationalization. In 1919, female cigar makers earned 60 percent more annually than the average for women in manufacturing as a whole. The lead halved over the following two years and thereafter conditions were stabilized so that female cigar makers earned between 23 and 37 percent more than the average for women in the manufacturing industry. As seen in figure 4.2, the lead remained throughout the 1920s and 1930s and applied to male cigar makers as well. Thus, cigar makers and other tobacco workers had weak incentives to look for jobs in other companies. Even if they had found a job, which was hard considering the high unemployment rate, it would probably have been lower paid.

A striking pattern with regard to the tobacco workers' earnings relative to workers in other industries is the strong increase in the years following nationalization and the strong decrease during the post-war depression. The principal reason behind these sharp swings was the formal connection of the tobacco workers' wages to the general price level. As the birth of the Tobacco Monopoly coincided with high inflation that hollowed out wages, the union demanded compensation. Initially, the company's measures to alleviate the hardships were of temporary character and governed by the need principle; cash benefits were handed out to workers with maintenance obligations, particularly to married men with children.<sup>86</sup> When the state began to pay wage additions, related to the cost of living index published by the National Board of Health and Welfare (*Socialstyrelsen*), to its white-collar workers in 1918, the Tobacco Monopoly soon followed. The white-collar workers of the company got cost of living additions, like their state counterparts, in a general wage revision at the turn of the year 1918-1919. In a collective agreement made in 1919 the blue-collar workers were also formally connected to the index. The inclusion of blue-collar workers in such a system seems to have been an uncommon measure and should probably be seen as a result of state involvement in the company.<sup>87</sup>

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<sup>85</sup> ARAB, STF, Kongressprotokoll, A01, 1913, p 7.

<sup>86</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1920: Styrelsens förvaltningsberättelse*. This practice was fairly common in the manufacturing sector at the time. Fregert 1994, p 140.

<sup>87</sup> In the annual report of 1928 it is noted that a formal connection between the wage system and the public costs of living index was not generally applied by employers. *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1928: Styrelsens förvaltningsberättelse*, p 24. This statement seems

With regard to the gender wage gap, it can be established that there were different hourly wage scales for young men and women at the Tobacco Monopoly. The discrimination against women in this respect was less pronounced in the youngest age groups and became increasingly marked among young adults. According to the agreement of 1919, for example, the female to male wage ratio was 0.72 for workers between 17 and 18 years and 0.57 for those who had turned 21. Over time, the gender wage gap for workers paid on an hourly basis narrowed. According to the agreement of 1930, the female to male wage differential for the age group 17 to 18 was 0.79 and 0.65 for 21 year olds.

Although no systematic inquiry into wage bargaining in the tobacco industry has been made, the impression after having gone through the negotiation minutes of meetings between the company and the union is that the gender wage gap was a firmly established norm that seldom was discussed or motivated. Overall, men and women were not compared with each other but with men and women in other industries. Although the Tobacco Workers' Union formally adhered to the idea of equal pay for equal work, the leadership made no real efforts to abolish the gendered wage scales since they were afraid that wage equalization would lower men's wages to the same level as that of women.<sup>88</sup>

For workers on piece-rates, who were the majority, the gap seems to have remained fairly constant, at least between 1920 and 1934, as revealed by figure 4.3. It seems like female piece workers suffered greater hourly earnings losses than their male colleagues during the post-war depression, but that the women's position was improved a couple of years later. Unlike for hourly wages, there was no formal wage discrimination with regard to performance-based pay; the collective agreements did not include different piece-rates for men and women. Instead, the gender wage gap was caused by the allocation of better paid jobs – that is, finer grades – to male workers.<sup>89</sup> This practice was not imposed by the company, but was an old tradition that also could be observed in tobacco production in other countries.<sup>90</sup>

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to be correct. Indexation of collective agreements was not common in the manufacturing sector as a whole during the years after World War I and existed to a "limited extent" in the non-traded sector. Fregert 1994, p 140.

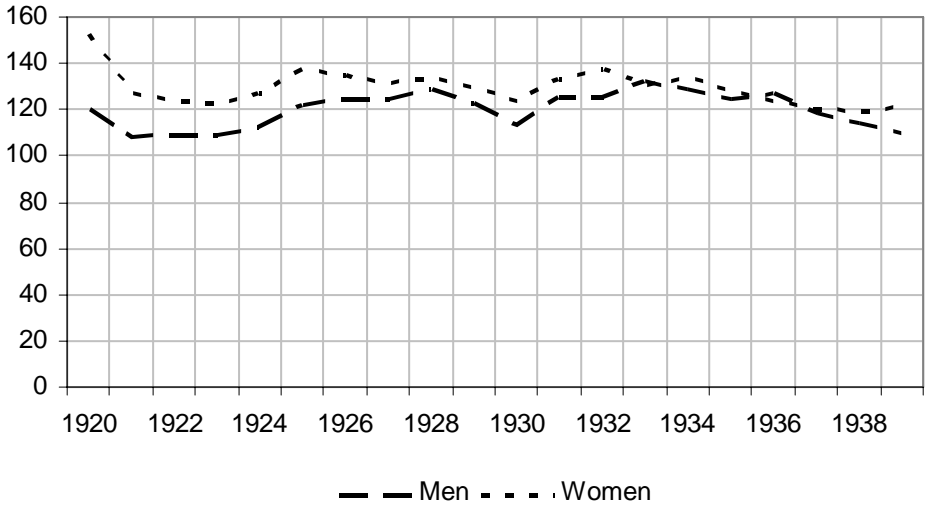
<sup>88</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 2 May 1928.

<sup>89</sup> Marcus 1911; Karlsson & Stanfors 2007.

<sup>90</sup> Webb 1891, p 639; Murray & Keith 2004.



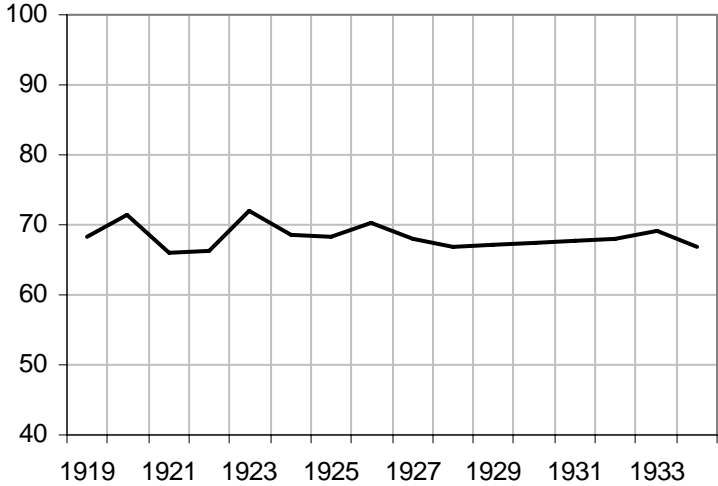
**Figure 4.2** The annual earnings of male and female cigar workers in relation to the average for male and female workers in the manufacturing sector as a whole, 1920-1939



Note: Earnings do not include overtime and benefits.

Source: Annual reports of the Tobacco Monopoly 1920-1939; *Sociala meddelanden* 1921-1929; *Lönestatistik årsbok* 1930-1940.

**Figure 4.3** Female to male average hourly earnings for cigar workers on piece rates, 1920-1934



Source: Annual reports of the Tobacco Monopoly 1919-1934.

As has been indicated, tobacco workers could be 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>91</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.

As far back as the early twentieth century most cigar and cigar-cigarette workers were paid by the piece.<sup>92</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>93</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.

The workers were initially hostile to the premium bonus system, which was one of the causes of the strike in 1918. Eventually, the system gained some support but continued to be an issue of internal divide within the union. Basically, the high performing workers were dissatisfied whereas the low- and average-performing workers supported the premium bonus wage.<sup>94</sup>

Unlike the hourly rates, the piece-rates were not related to individual characteristics but connected to the job. If new types of products or new production methods were introduced during the period of agreement, it was up to a classification board, consisting of representatives of employer and union and an independent chairman, to decide upon piece-rates. In 1918, it was

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<sup>91</sup> The scales spanned from 17 to 22 years of age for female workers and from 17 to 24 for male workers.

<sup>92</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>93</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>94</sup> The issue was debated at the congress of 1923 and led to the compromise of trying to improve the prevailing system. Petersson 1999, p 33.

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>95</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 set somewhat higher than the hourly wages. Thus the hourly wages became accepted as minimum wages, although that concept as such was not used in the agreements.

## 4.9 Summary

The establishment of the Tobacco Monopoly had a profound impact on labour relations in the industry and there were great concerns among the tobacco workers. Their protests led to certain acknowledgements made by the state that the company should pursue a considerate personnel policy. The workers’ interests were also looked out for by the Social Democratic representative on the company board. Other features of the industrial relations remained fairly intact. The Tobacco Workers’ Union kept its strength and male workers retained their power over the union’s internal affairs. Institutions for dealing with disputes had been in place before nationalization and were further developed after 1915, and relations between employer and union were, with one significant exception, peaceful throughout the period of our investigation. Tobacco workers enjoyed a certain degree of employment protection after nationalization but the directions were not clear cut. The union unsuccessfully proposed the creation of a particular institution for deliberation on dismissals.

The Tobacco Monopoly adopted fairly generous welfare programmes for its workers. During the inflation years following World War I cost-of-living clauses were included in the collective agreement, a practice that was uncommon for Swedish blue-collars at the time. As a consequence of the deflation during the depression of 1921 the tobacco workers’ earnings fell significantly, but stayed at a level well above the average for workers in the manufacturing sector as a whole. Whereas the wage gap between male and female workers paid by the hour narrowed in the period of our investigation, the

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<sup>95</sup> MS, FHK, F8F, Arbets- och löneavtal, *Arbets- och löneföreskrifter vid Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1924.

gender wage gap remained constant for the big group that was paid by the piece, indicating a division of labour where highly paid jobs were reserved for men.



## Chapter 5

# Depression and mechanization

### 5.1 Introduction

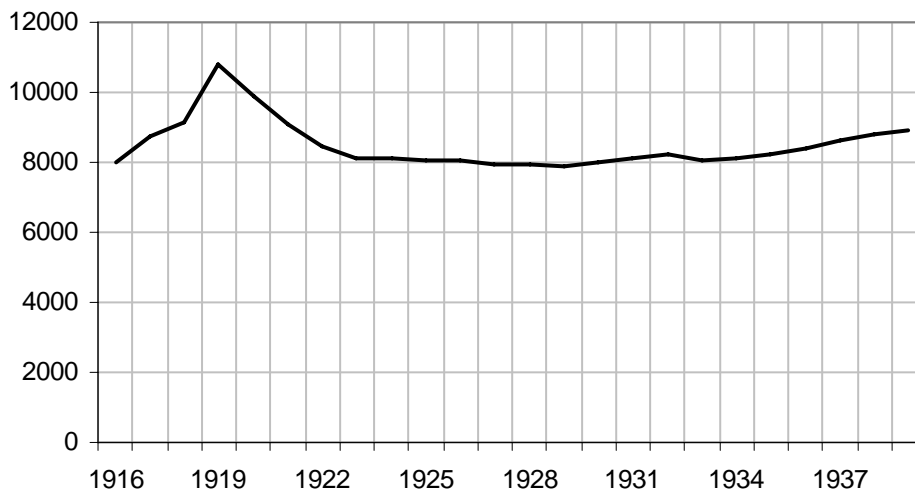
Downsizing may be reactive as well as proactive. In some cases, companies respond to external stimuli, in other cases, companies' actions are characterized by advance planning. Reductions caused by falling demand would be an example of the former, whereas reductions caused by labour-saving technology typically would be seen as measures of the latter kind. In practice, the distinction between reactive and proactive downsizing is not always clear-cut. As shown in chapter 3, the Swedish sawmill and sugar industries responded to declining markets by rationalizing production; reactive and proactive measures thus coincided. This was also the case in the tobacco industry. However, in the tobacco industry, rationalization was not caused by falling demand. It had been clear from the start that production of cigars and cigar-cigarettes should be mechanized, and the machines had been ordered before the post-war depression and plans were not altered because of the slump.

This chapter describes the causes of the downsizing process of the Tobacco Monopoly. Section 5.2 looks at how the sales of tobacco goods developed over time and how the management tried to affect sales. Section 5.3 examines the various rationalization measures – including concentration of production and mechanization – undertaken by the Tobacco Monopoly during the period of our investigation. Section 5.4 discusses how the technological changes affected work and training. Section 5.5 focuses on the reactions of the Tobacco Workers' Union to the post-war depression and the technological changes.

### 5.2 Production and sales of tobacco goods

The first years in the history of the Tobacco Monopoly was characterized by World War I. The war was associated with increased demand for tobacco products, but at the same time interrupted trade flows and supply links. In 1917, the import of raw tobacco only constituted 25 percent of the total amount needed to satisfy demand. Other inputs were also scarce and attempts were made to find

**Figure 5.1** Total sales of tobacco products in Sweden (tons), 1916-1939



Source: Vasseur 1940, p 429.

substitutes.<sup>1</sup> As sales increased gradually, the company found that it could not meet the incoming orders.<sup>2</sup> As evident in figure 5.1, the sales increased even more after the end of the war. From 1918 to 1919 the quantity of cigars delivered increased by about 50 percent. Sales of cigarettes and chewing tobacco also increased remarkably fast.<sup>3</sup> Because of the continuing shortage of raw tobacco, the management announced changes in the range of goods and transfers of workers in June 1918, which resulted in the strike mentioned in section 4.6.<sup>4</sup>

Eventually, raw tobacco became less scarce, and sales continued to rise. In the early autumn of 1919, the board considered it impossible to meet the demand and made an agreement with the German firm *Leopold Engelhardt & Biermann* to import 50 million cigars.<sup>5</sup> This turned out to be a mistake as the company began to experience signs of a severe recession in the following year. Stocks increased at a worrying pace and Nilsson held that the situation was partly self-

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<sup>1</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1917: Styrelsens förvaltningsberättelse*, p 12.

<sup>2</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1917: Styrelsens förvaltningsberättelse*, p 9.

<sup>3</sup> For sales of particular products, see appendix 3.

<sup>4</sup> ARAB, STF, Cirkulär, B03: 2, 21 June 1918, "P. M. Omläggning av cigarr- och cigarrcigarett-tillverkningen".

<sup>5</sup> SM, STM, Styrelsens protokoll, 18 August 1919, STM, SM; *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1920: Styrelsens förvaltningsberättelse*, p 25.

inflicted by the import agreement.<sup>6</sup> Attempts were thereafter made to cancel the contract. After negotiations in the spring of 1920, the German firm agreed to stop deliveries in return for reparation amounting to 800,000 *reichmark*, which was considered to be “quite advantageous” by the company board.<sup>7</sup>

The difficulties experienced by the tobacco industry were not unique. The Swedish government’s attempt to re-establish the gold standard made imported goods cheaper and put industries exposed to foreign competition under great pressure. Although protected by a licence fee, domestically produced tobacco goods lost market shares. A more specific factor was that the company lacked expertise in marketing and forecasting and had to rely on the judgement of retailers.<sup>8</sup> Time after time, sales forecasts proved to be wrong. The company board was aware of this problem, but did not initiate any systematic work in the area.

The negative development continued in 1921, when sales of cigars almost halved. Sales of cigarettes, chewing tobacco and snuff also decreased considerably, whereas sales of cigar-cigarettes were stable and smoking tobacco increased somewhat. In order to encourage sales of domestically produced cigars, retailers were given discounts and sales bonuses.<sup>9</sup> At first, this initiative seemed to be a success and the board observed a slight increase in the sales of cigars in 1922,<sup>10</sup> but in the following year cigar sales again went down. Encouraged by the discounts, some retailers had probably bought more cigars than needed in 1922.<sup>11</sup> Anyway, the behaviour of the company is interesting. The attempts to first renegotiate the agreement with the German exporter and, later, to encourage the sales of domestic products show that the company tried to protect the employment of its workers.

In 1923, sales of tobacco products stabilized at a level that was retained throughout the inter-war period (see figure 5.1). Overall, the Swedish tobacco industry was spared from the Great Depression. As the currency depreciated

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<sup>6</sup> SM, STM, Styrelsens protokoll, 13 December 1920; SM, STM, Styrelsens protokoll, 14 March 1921; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 15 July 1921.

<sup>7</sup> SM, STM, Styrelsens protokoll, 18 April 1921.

<sup>8</sup> af Trolle 1965, pp 59-63.

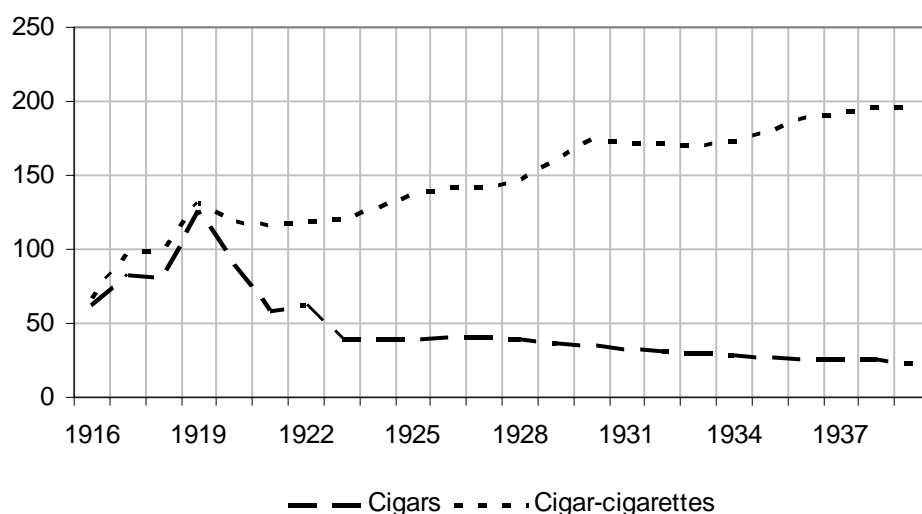
<sup>9</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1920: Styrelsens förvaltningsberättelse*, p 24.

<sup>10</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1922: Styrelsens förvaltningsberättelse*, p 22.

<sup>11</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1923: Styrelsens förvaltningsberättelse*, p 17.



**Figure 5.2** Production of cigars and cigar-cigarettes (million pieces), 1916-1939



Source: Vasseur 1940, pp 432-433.

there was also a clear trend for foreign imports to decrease. By the late 1920s this trend had become so strong that the government proposed to lower the taxes on imported cigars, since it was thought that the Tobacco Monopoly needed competitive pressure to uphold quality and cost efficiency.<sup>12</sup>

Looking at specific branches, the composition of tobacco consumption underwent considerable changes in the inter-war period. While demand for cigars collapsed in the early 1920s and continued to fall throughout the whole period of our investigation, the demand for cigar-cigarettes showed a positive trend, as shown in figure 5.2. Many smokers abandoned cigars for the cheaper cigar-cigarettes during the post-war depression and continued to buy cigar-cigarettes after the crisis as well.<sup>13</sup> There were also other changes in the composition of tobacco production over time.<sup>14</sup> Cigarettes, which had already been the most important product with regard to total sales value at the beginning of the company's existence, increased its share of the total turnover at a particularly high pace in the latter part of the 1920s. The expansion was interrupted in the early 1930s and stabilized at a new higher level. Demand for chewing tobacco and snuff was declining, although more rapidly in the former case than in the latter, whereas demand for smoking tobacco was stable.

<sup>12</sup> Bihang till riksdagens protokoll 1927, Proposition nr 187.

<sup>13</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1923: Styrelsens förvaltningsberättelse*, p 17.

<sup>14</sup> See table A3.1.

## 5.3 Rationalization measures

According to the contract with the state, the company was obliged to organize its production as efficiently as possible. At the onset of its activities there was certainly huge potential for rationalization since the Swedish tobacco industry had a fragmented production structure and was backward with respect to technology.<sup>15</sup>

### 5.3.1 Concentration and standardization

By the time of nationalization, there were, in round figures, 100 tobacco factories and about as many small businesses. The new company was allowed to decide on which of the existing production facilities to keep and which to close down. It was initially decided that 32 factory departments at 13 locations should remain.<sup>16</sup> From there on, structural rationalization continued. The most intense period of plant closures occurred when the total number of workers was increasing. Twelve departments were closed down before 1920, to compare with five in the 1920s and four in the 1930s. 12 departments were left at the end of 1939.<sup>17</sup> Workers were generally offered transfers to another factory and support for the expenses associated with such a move in the event of plant closures.<sup>18</sup>

Plant closures may be complicated for a state-owned company, particularly if factories are important actors in local labour markets. Politicians from the affected communities have strong incentives to turn to the government or to

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<sup>15</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1928: Styrelsens förvaltningsberättelse*, p 24. One indication of the backwardness of the Swedish tobacco industry is the fact that Finnish tobacco manufacturers made direct investments in Sweden at the beginning of the twentieth century, which was quite remarkable since the Swedish industry in general was more advanced than its Finnish counterpart. Fellman & Hjerpe 2001, pp 262-267; Fellman 2006, pp 294-297. The fragmented ownership structure and the uncertainty caused by the prolonged political discussions about nationalization have been mentioned as reasons for why the Swedish tobacco industry was late in adopting new technology. af Trolle 1965, p 37.

<sup>16</sup> Some factories consisted of more than one department.

<sup>17</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1928: Styrelsens förvaltningsberättelse*, p 24; af Trolle 1965, pp 31-33.

<sup>18</sup> SM, STM, Styrelsens protokoll, 17 September 1923, Bilaga C, "P.M. angående cigarrarbetet"; SM, STM, Styrelsens protokoll, 21 December 1931; ARAB, STF, Styrelsens protokoll, A02: 4, 11-15 April 1923; ARAB, STF, Styrelsens protokoll, A02: 4, 27 September 1923; ARAB, STF, Styrelsens protokoll, A02: 5, 26 April 1929.

their colleagues in Parliament and protest against planned downsizing measures. This, for example, was the case in Charlottenberg, where the Tobacco Monopoly manufactured chewing tobacco and snuff. Ideas about shutting down production at this location were met with protests from local politicians on several occasions and the Charlottenberg factory remained until 1941.<sup>19</sup> Similar protests were also heard from other places where tobacco production was threatened and there is some evidence of how the company took regional considerations into account when allocating production.<sup>20</sup>

Besides concentration, economies of scale may also be attained by standardization of products. Before nationalization, the number of different tobacco brands was huge. One of the first measures taken by the management was to limit the range, but there was no consistent standardization tendency during the following years. The number of cigar brands was halved between 1916 and 1920. In the latter part of the 1920s, the range started to become more varied again and in 1940 the number of cigar brands was exactly the same as it had been in 1916. It is only for chewing-tobacco and snuff that we can speak about a clear standardization trend.<sup>21</sup>

### 5.3.2 Mechanization

The biggest potential for labour-saving technological progress in the Swedish tobacco industry at nationalization was in the production of cigars and cigar-cigarettes; the branch which employed the greatest number of workers and where most tasks were performed manually.<sup>22</sup> The need and potential to

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<sup>19</sup> SM, STM, Styrelsens protokoll, 31 August 1917; SM, STM, Styrelsens protokoll, 25 April 1933; SM, STM, Styrelsens protokoll, 28 June 1933. In 1919 the management even decided to move chewing tobacco from Malmö to Charlottenberg. SM, STM, Styrelsens protokoll, 10 March 1919.

<sup>20</sup> SM, STM, Styrelsens protokoll, 18 November 1918; SM, STM, Styrelsens protokoll, 18 March 1929; SM, STM, Styrelsens protokoll, 21 December 1931; SM, STM, Styrelsens protokoll, 13 June 1934. The company was criticized by the auditors in 1927 for not having concentrated production enough. af Trolle 1965, p 33.

<sup>21</sup> See table in af Trolle 1965, p 362.

<sup>22</sup> Historian Lars Olsson has expressed a somewhat different opinion regarding the technological level of cigar manufacturing in Sweden; stating that this branch was mechanized during the latter part of the nineteenth century. This statement is dubious since it is based on sparse information from the official industrial statistics on machines and patents. As is well known, patents do not necessarily indicate that the technology is actually in use. Furthermore, Olsson is not fully clear in his own judgements as he

mechanize this branch were already acknowledged in the spring of 1915, before the company began its production, when Wallenberg informed the board that four cigar machines had been bought in Berlin and that 50 hand-driven machines for bunch making had been ordered from a domestic firm.<sup>23</sup> However, these investments did not matter much for production at large and it would take five years for a more sweeping mechanization of cigar and cigar-cigarette production to begin. In 1920 the company ordered 80 ‘fresh-work’ machines for cigar-making from the United States, of which most were delivered and installed the following year.<sup>24</sup> Contemporaries described the machine as “almost human” but its production capacity was certainly far beyond that of manual work.<sup>25</sup> While a hand worker could produce about 35 cigars per hour, the machine could produce 400 per hour.<sup>26</sup> Since each machine was operated by three workers, labour productivity was almost fourfold. In addition to cigar-machines, the company bought “a great number” of machines for making cigar-cigarettes from the Swedish company *Formator*.<sup>27</sup>

The timing of events is interesting. It took some years of increasing demand before the management began to make serious investments in labour-saving technology. This was probably partly because of the disrupting effects of World War I, but there was also a degree of uncertainty about the actual potential of the new technology in this phase, as will be further discussed in chapter 7. When the decision was eventually taken, a deep recession was imminent. Nevertheless, the management acted according to plan. No attempt was made to stop the deliveries and to postpone mechanization, as had been the case with the import agreement.

By the autumn of 1924, about 65 percent of the cigars and 88 percent of the cigar-cigarettes sold by the company were machine-made.<sup>28</sup> Possible doubts

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also writes that the technology used for making cigars in the early twentieth century can hardly be regarded as “machine production in its proper sense”. Olsson 1980, pp 119-122.

<sup>23</sup> SM, STM, Styrelsens protokoll, 23 April 1915.

<sup>24</sup> See *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1920: Styrelsens förvaltningsberättelse*; *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1921: Styrelsens förvaltningsberättelse*.

<sup>25</sup> Manning & Byrne 1932, p 1.

<sup>26</sup> af Trolle 1965, p 39.

<sup>27</sup> af Trolle 1965, p 39.

<sup>28</sup> These estimations have been made by combining information in an internal memo and the annual report for 1924. SM, STM, Styrelsens protokoll, 23 September 1924, Bilaga E, ”Maskiner”; *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1924: Styrelsens förvaltningsberättelse*. The degree of mechanization in the Swedish tobacco industry appears to have been comparatively high in

about the new technology were gone.<sup>29</sup> The management saw a number of advantages of mechanization in addition to its labour-saving and deskilling effects, for example: better hygiene, more even production, greater work discipline, less consumption of raw tobacco, book-keeping, supervision and reduced space requirements. Furthermore, the management thought that machines would imply greater flexibility, making it possible to adapt production to demand swings.<sup>30</sup> By 1928, the production of cigar-cigarettes was fully mechanized whereas there were still some cigar brands that were made by hand.<sup>31</sup> Over the course of the decade, machines for parts of the preparation work were also introduced.<sup>32</sup>

As will be further described below, the production of cigars and cigar-cigarettes may roughly be divided into two steps: preparation work and the making of the actual cigar.<sup>33</sup> Initially, technological change mainly affected the latter part of the process. Although machines for stemming tobacco leaves existed in some countries in the late nineteenth century, preparation work was generally much harder to mechanize than bunch making and rolling. For a long time, there were doubts about whether it was possible at all. It was thought that raw tobacco was too fragile and expensive to be handled by machines.<sup>34</sup> In comparison with machines for cigar and cigar-cigarette making, the early stemming machines were not as labour-saving. At best they could do the job of two manual stemmers and they were not suitable for all grades of raw tobacco.<sup>35</sup> The Tobacco Monopoly introduced some stemming machines in 1920s but the great advance in this respect was not made until the 1930s.<sup>36</sup>

In contrast to cigar-making, machines were already important for parts of cigarette production in 1915. Fed by manually prepared raw tobacco, machines

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this phase. Only about 18 percent of the cigars produced in the United States in 1926 were machine-made. Cooper 1987, p 311.

<sup>29</sup> SM, STM, Styrelsens protokoll, 23 September 1924, Bilaga E, "Maskiner".

<sup>30</sup> SM, STM, Styrelsens protokoll, 23 September 1924, Bilaga E, "Maskiner".

<sup>31</sup> In the annual report for that year the company board noted that it was, "out of consideration for the employed", not possible to reduce the number of cigar workers as much as motivated by the degree of mechanization. *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1928: Styrelsens förvaltningsberättelse*, p 24.

<sup>32</sup> af Trolle 1965, p 39.

<sup>33</sup> See subsection 5.4.1.

<sup>34</sup> af Trolle 1965, p 89.

<sup>35</sup> Manning & Byrne 1932, p 33.

<sup>36</sup> af Trolle 1965, pp 39, 89.

could manufacture cigarettes both with and without holders. Machines for cigarettes with holders had a capacity of 50 to 60 cigarettes every minute. Machines for cigarettes without holders could produce about 300 per minute. The most important technological advances in cigarette production were the introduction of machines for packaging in 1917 and the mechanization of preparation work in the 1930s.<sup>37</sup>

As with cigarettes, snuff production was an area where some considerable technological progress had already taken place before 1915. The work in snuff production was heavier than work in other branches, but at the same time relatively simple. Improvements continued after nationalization and machines had been introduced for all tasks by 1930.<sup>38</sup>

The manufacturing of smoking and chewing tobacco involved a lot of manual preparation, which was hard to replace with machines. Some machines for packing were tried out in the 1920s but not very successfully. There was thus little technological change in this branch.<sup>39</sup>

### 5.3.3 Increased labour productivity

Taken together, the rationalization efforts at the Tobacco Monopoly resulted in increasing labour productivity. In comparison with productivity growth in the Swedish manufacturing industry, the tobacco industry was well above the average.<sup>40</sup> From 1924 to 1936 output per working hour increased by 94 percent in tobacco production whereas the average for the manufacturing industry as a whole was 41 percent.<sup>41</sup> Productivity growth in the tobacco industry was remarkably rapid and in contrast to that in many other industries, associated with a reduction in the absolute number of workers employed.<sup>42</sup> Until 1920, the most rapid development was seen in cigarette production.<sup>43</sup> As the machine investments shifted focus, productivity growth was the highest in cigar and cigar-cigarette production, where output per worker increased by 94 percent in

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<sup>37</sup> af Trolle 1965, pp 39-40, p 89.

<sup>38</sup> af Trolle 1965, p 40.

<sup>39</sup> af Trolle 1965, p 40.

<sup>40</sup> For a discussion about the comparative development of productivity in the tobacco industry in the early twentieth century, see Zitzewitz 2003, Hannah 2006a and Hannah 2006b.

<sup>41</sup> *Rationaliseringsutredningens betänkande. D. 2, Verkställda undersökningar 1939*, p 61.

<sup>42</sup> *Rationaliseringsutredningens betänkande. D. 2, Verkställda undersökningar 1939*, p 62.

<sup>43</sup> Marcus 1924.

**Table 5.1** Index of output per worker in the Swedish tobacco industry, 1919-1941 (1919-1920 = 100)

Years	Cigars	Cigarettes	Rolling tobacco	Chewing tobacco	Snuff
1919-1920	100	100	100	100	100
1929-1931	194	183	146	88	112
1939-1941	235	357	145	85	115

Note: 'Cigars' include cigar-cigarettes. Output measured in tons per worker.

Source: af Trolle 1965, p 365.

the 1920s, as shown in table 5.1.<sup>44</sup> Thereafter, the productivity growth in cigar production slowed down, whereas it continued at a rapid pace in cigarette production.<sup>45</sup>

## 5.4 The work process

We have now established that technological change in the tobacco industry was labour-saving. This section provides an account of how technological change affected the nature of work, skill requirements and training, with a particular focus on cigar production in the 1920s and 1930s.

### 5.4.1 Occupations and division of labour

The first step in the production process was to sort raw tobacco; more precisely to separate leaves of good quality from those of bad quality.<sup>46</sup> After that the tobacco was fermented. In order to bring back the elasticity of the raw tobacco, the leaves were then moistened. Finally, the stems were removed from the

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<sup>44</sup> If measured in pieces per worker, the productivity growth was even greater, which is explained by the increasing importance of cigar-cigarettes. af Trolle 1965, p 365. For other calculations of labour productivity in the Swedish tobacco industry, see Vasseur 1940, p 440 and *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1928: Styrelsens förvaltningsberättelse*, p 26.

<sup>45</sup> Note that the figures in table 5.1 do not take into account changes in the composition and quality of the goods produced.

<sup>46</sup> *Undersökning af tobaksindustrin i Sverige 1899*, pp 62-63.

**Table 5.2** Occupational composition of the workforce at Malmö Cigar Factory on 5 April 1921 (in percent)

Type of work	Men	Women	All workers
Preparation work	0	26	20
Cigar work	65	18	28
Cigar-cigarette work	3	26	21
Cigarette work	0	3	3
Machine work	0	2	2
Packaging	1	8	6
Boxes & storage	0	4	3
Other work	5	3	3
Day labour	17	9	11
Supervision	9	1	3
Total	100	100	100

Note: For more information on job titles and classification, see appendix 2.4.

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

tobacco leaves; a work known as stemming or stripping (*stripning*). All the steps described can be termed preparation work and were characterized by a pronounced division of labour and was mainly considered female work. Before the layoffs in April 1921 there were no male preparation workers at Malmö Cigar Factory, as shown in table 5.2.

After preparation, the actual manufacturing process began. A cigar has three elements: the filler, the binder and the wrapper. The filler is the innermost tobacco consisting of smaller parts of leaves, and is the body of the cigar. The binder is a middle wrapping of a whole leaf which served the purpose of holding together the filler. Finally, the wrapper – a whole leaf segment of fine quality – cover the cigar. To arrive at this product, the worker either collected filler in his hand, placed it in a binder and rolled it back and forth on a board (until the cigar got the right shape), or used a wooden mould. The half finished cigar was called a bunch and could either be further pressed and shaped by hand or be placed in a mould, before being covered by the wrapper. The wrapper, cut into a long strip with the help of a thin curved knife, was wound around the bunch so that it covered the bunch but, at the same time allowed some air to pass. Thereafter the



tip of the cigar was turned and shaped between the fingers and affixed with a binding agent. The finished product was then cut into appropriate length.<sup>47</sup>

The steps involved in cigar-making could be performed by the same person – a cigar maker – or divided between a buncher (*vickelmakare*) and a roller (*överrullare*).<sup>48</sup> There were also distinctions between hand work (*handarbete*), semi-hand work (*halvhandarbete*) and mould work (*formarbete*).<sup>49</sup> Hand work was when no moulds were used. In semi-hand work, the worker shaped the bunch by hand, but pressed it in a mould. Mould work was when moulds were used in all steps. Both men and women were employed in cigar making, but men more often worked with finer brands and seldom were bunchers or mould workers.

After being shaped, the cigars were sorted according to quality, packed into boxes and placed on frames in a drying room by a special occupational group – packers.<sup>50</sup> The boxes were assembled by box makers (*lådspikare*) and provided with labels by gluers (*klistrare*). Almost all packers, box makers and gluers were women in the period of investigation.

A cigar-cigarette, also known as a *cigarillo* or *cigarito*, is a smaller variant of a cigar, manufactured in basically the same way, although it was considered less qualified work. Cigar-cigarettes were almost exclusively made by women.

It is no exaggeration to say that the introduction of machines revolutionized work in cigar factories. The new cigar-machines required three operators, typically women, and could, if fed with prepared raw tobacco, do both bunch making and rolling. The making of cigar-cigarettes required two separate machines, one for making bunches and one for rolling. In between these steps, the product was placed in wooden moulds and stored for about a day. These manual tasks were eliminated in the late part of the 1920s, when *Formator* introduced a device that reduced the time needed for pressing.<sup>51</sup>

Important for the workers was that they had to adapt to the pace set by the machines and their colleagues. Previously, work was to a great degree done individually and workers could decide their own pace and, to a certain degree, come and go as they wished. After mechanization, work was done in small teams around a machine. Working-hours became more strictly regulated and the management increased its efforts to keep track of sick leaves and other forms of

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<sup>47</sup> *Undersökning af tobaksindustrin i Sverige* 1899, p 63.

<sup>48</sup> *Undersökning af tobaksindustrin i Sverige* 1899, p 64.

<sup>49</sup> Petersson 1999, p 24.

<sup>50</sup> This group was most often called *sorterare* in the Swedish tobacco industry.

<sup>51</sup> af Trolle 1965, p 39.

absence.<sup>52</sup> This is not a pattern specific to the Tobacco Monopoly or the tobacco industry. As noted by Alfred Chandler and others, higher capital-intensity requires a constant flow of materials through the plant, otherwise the potential benefits of mechanization will turn into a burden.<sup>53</sup>

Mechanization also brought along a new occupational group to the tobacco industry – metal workers. The most important professions in this exclusively male group were fitters and mechanics who worked on installing, adjusting and repairing machines.<sup>54</sup> Particularly when the quality of the raw tobacco was poor, the work-load of the fitters was high. In contrast to other workers, mechanics employed by the Tobacco Monopoly were initially not organized by the Tobacco Workers' Union but belonged to the Iron and Metalworkers' Union (*Svenska jern- och metallarbetareförbundet*). It turned out to be difficult for the Tobacco Monopoly to enter into an agreement with this group since the company was not a member of the Swedish Engineering Employers' Association (*Sveriges verkstadsförening*). How the issue of membership in this organization, which was raised at a company board meeting in 1920, was discussed is interesting since it reflects the importance of state ownership on industrial relations.<sup>55</sup> Nilsson moved that the membership proposal should be rejected. In his opinion the Tobacco Monopoly, with its particular relationship to the state, should not join an employers' association. This argument did not convince the other board members who decided to sanction the membership proposal with the motivation that in relation to the mechanics the Tobacco Monopoly was like any employer. The plans were never carried out.<sup>56</sup> By 1926, the mechanics had joined the Tobacco Workers' Union, after instructions from LO that all workers should be organized according to industry.<sup>57</sup>

#### 5.4.2 Learning the job

Skill requirements within tobacco production were to a great extent branch-specific. For example, it was not possible for workers to move between cigar and snuff production without retraining.<sup>58</sup> Within each branch there was a

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<sup>52</sup> Karlsson 2007b, p 62.

<sup>53</sup> Chandler 1992, p 81.

<sup>54</sup> Burchardt 1995, pp 58-59.

<sup>55</sup> SM, STM, Styrelsens protokoll, 12 April 1920.

<sup>56</sup> SM, STM, Styrelsens protokoll, 17 May 1920.

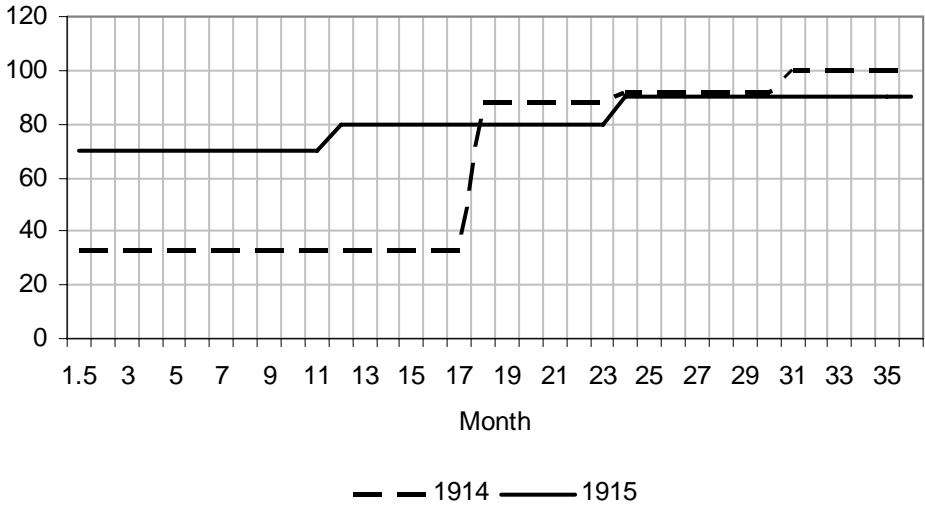
<sup>57</sup> ARAB, STF, Förhandlingar, F01: 4, 21 April 1926; SM, STM, Styrelsens protokoll, 17 May 1926.

<sup>58</sup> af Trolle 1965, p 39.

certain division of labour where different occupational groups carried out different tasks. Some tasks were easier and some were more difficult to learn.

In cigar production before mechanization, skill requirements were the lowest for the various occupations that prepared the raw tobacco.<sup>59</sup> Cigar-making was considered to be more difficult and require considerable dexterity. The sorting and packaging of the cigars was considered to be equally, or even more, difficult. The packer did not need to be handy but had to be able to distinguish between numerous colour shades and grade cigars according to quality.<sup>60</sup> Entrance into cigar-making and sorting often required a formal training period of three to four years, during which the apprentice worked on cheaper brands and at reduced piece-rates.

**Figure 5.3** Piece rates for cigar workers in training before and after nationalization



Note: Piece rates are expressed in percentage of the rates for regular workers. Workers in training had a fixed wage during the first six weeks.

Source: MS, FHK, Arbets- och löneavtal, F8F, Öfverenskommelse mellan Svenska cigarrfabrikantföreningen och Internationella tobaksarbetareförbundet i Sverige, 1914; MS, FHK, Arbets- och löneavtal, F8F, Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets cigarrfabriker, 1915.

<sup>59</sup> Undersökning af tobaksindustrin i Sverige 1899, pp 63-64.

<sup>60</sup> Undersökning af tobaksindustrin i Sverige 1899, pp 63-64.

The term ‘apprentice’ was abolished in 1915.<sup>61</sup> The principle of having a training period with reduced pay remained, but a striking difference compared with previous conditions was that workers in training received higher compensation, as shown in figure 5.3. From a theoretical perspective, this fact is not surprising; when the industry was nationalized, skills that formerly had been of general character became firm-specific. Since workers could not offer their services to competitors in the same industry, the company faced a lower risk when paying for training than previous employers had done.

Over time, formal training periods for tobacco workers were shortened as mechanization made work less demanding.<sup>62</sup> According to the agreement of 1918, the pay for new workers was raised stepwise over the first 28 weeks.<sup>63</sup> In the following year this training and trial period was cut to 26 weeks, which was the general norm until the mid-1920s when the training and trial period was halved to 13 weeks.<sup>64</sup> This formal stipulation remained unchanged throughout the rest of the period of our investigation.<sup>65</sup> During the 1930s, mechanization was so advanced that many jobs, according to a statement made by a management representative to a public inquiry, required only a few weeks or months of training.<sup>66</sup> According to this source, worker performance was more

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<sup>61</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Öfverenskommelse mellan Svenska cigarrfabrikanföreningen och Internationella tobaksarbetareförbundet i Sverige* 1914; MS, FHK, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets cigarrfabriker* 1915.

<sup>62</sup> *Arbetslöshetsutredningens betänkande i bilagor, band 2. Om den industriella rationaliseringen och dess verkningar särskilt beträffande arbetarsysselsättningen* 1931, p 69. How skill requirements changed during the Second Industrial Revolution is a much debated issue. For an introduction to the debate, see Lundh Nilsson 2007, pp 30-42.

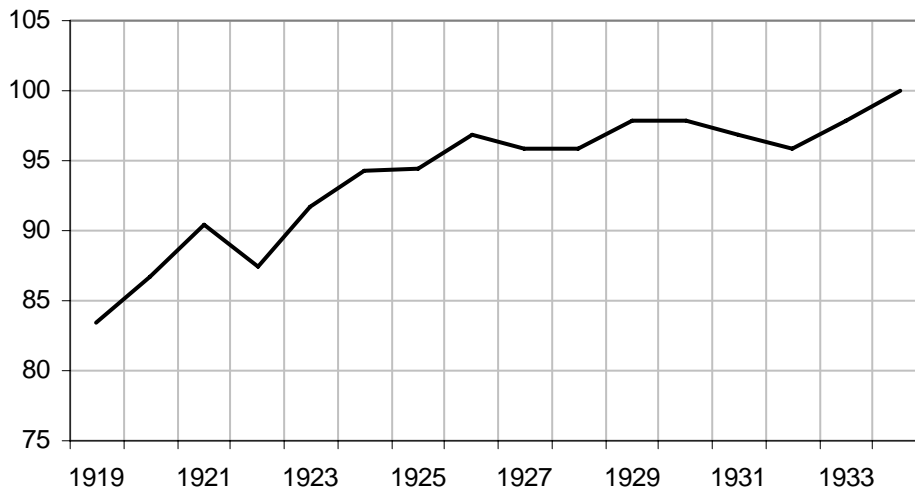
<sup>63</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1918.

<sup>64</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1919; MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1926.

<sup>65</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1930.

<sup>66</sup> *Betänkande angående gift kvinnas förvärvsarbete m.m. Avgivet av Kvinnoarbetskommittén* 1938, p 315.

**Figure 5.4** Average hourly earnings for female preparation workers relative to female cigar workers (in percent), 1919-1934



Source: Annual reports of the Tobacco Monopoly 1919-1934.

related to swiftness than experience. Therefore, young workers were preferred to old ones, the management representative explained to the investigators. Personnel turnover was regarded a positive phenomenon, which can be contrasted with the situation before mechanization, when employers complained over the mobility among cigar makers.<sup>67</sup>

Another indication of deskilling was the decreasing wage gap between occupations previously thought of as skilled and unskilled, for example cigar makers and preparation workers. As shown in figure 5.4, the average hourly earnings of a female preparation worker was about 20 percent below that of a female cigar maker. Ten years later the equivalent difference was slightly above 2 percent and by 1934 the gap had been closed.<sup>68</sup> After that year, the company board no longer distinguished between preparation workers and cigar makers in its annual reports. Average wages were simply stated for cigar workers in general.

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<sup>67</sup> See *Undersökning af tobaksindustrin i Sverige 1899*, p 94.

<sup>68</sup> This wage equalization was acknowledged and discussed in connection with rationalization by the board in the annual report of 1928. *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1928: Styrelsens förvaltningsberättelse*.

## 5.5 Union responses

From the account above, it is clear that the traditional skills and jobs of the tobacco workers were at stake. The question scrutinized in this section is how the union responded to these circumstances. Did it quietly accept the fact that its members became unemployed because of imports and machines or did it undertake measures to protect the jobs?

### 5.5.1 Protectionist tendencies

During the post-war depression there was a widespread mistrust of the company among the workers. Many were highly critical of the import agreement with the German firm. As they saw it, shortage of work was self-imposed, caused by bad management and by failing to protect domestic production.<sup>69</sup> By using raw tobacco of low quality the management had discouraged consumers.<sup>70</sup> There was also a rumour according to which the Tobacco Monopoly carried on production of cigars in Germany in an own factory.<sup>71</sup>

The union put some effort into achieving protection from foreign competition during the initial phase of the downsizing process. If nationalization had deprived the tobacco workers of the exit possibility, it had at the same time provided them with a stronger ‘voice’, to use the terminology of Albert Hirschman.<sup>72</sup> The Tobacco Workers’ Union seldom missed the opportunity to refer to the statements made by Parliament in 1914 in their correspondence with the management. Lobbyism, trying to affect public opinion and politicians, was also of great importance for the Tobacco Workers’ Union in the early 1920s. A first initiative was taken in the spring of 1921 when the union board wrote a public letter in which the company was accused of not living up to its responsibility as the sole employer in the industry and thereby causing the state huge costs for the support of unemployed tobacco workers.<sup>73</sup> Furthermore, the

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<sup>69</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 21 April 1921.

<sup>70</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 22 April 1921.

<sup>71</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 7 January 1921. Exports of raw tobacco to Germany were thought of as evidence of the existence of a factory. In order to get more information on the matter contacts were established with the German sister organization. ARAB, STF, Styrelsens protokoll, A02: 4, 18 April 1921; ARAB, STF, Styrelsens protokoll, A02: 4, 26 May 1921.

<sup>72</sup> Hirschman 1970.

<sup>73</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 22 April 1921.

union accused the Tobacco Monopoly of selling imported goods at greater discounts than domestically produced ones.<sup>74</sup>

In the summer of 1921, the union increased its efforts to influence decision makers and persuade them take actions to “[...] mitigate the unemployment and its consequences”.<sup>75</sup> Sigfrid Hansson, a Member of Parliament and editor of the LO journal *Fackföreningsrörelsen*, was invited to a conference where the precarious situation in the cigar branch was discussed by union leaders and representatives from some local branches.<sup>76</sup> The conference also sent a delegation to meet the leader of the Social Democratic Party, Hjalmar Branting and his colleague Per-Albin Hansson. The two dignitaries are reported to have been receptive to the arguments of the union representatives. It is said that Branting and Hansson found the union’s demands “[...] very moderate and thought it was highly remarkable that the company board did not take them into consideration”.<sup>77</sup> It is also said that Branting had taken the names of all the members of the company board and promised to take up the matter with the party board and inform the government.<sup>78</sup> If the company board did not listen, he saw the possibility to bring the matter to Parliament and then it “[...] could become rather unpleasant for the monopoly”, as paraphrased in the minutes.<sup>79</sup> A couple of days later Wallenberg gave an assurance that the gradual workforce reductions associated with mechanization would be “carefully studied and considered” and that no significant layoffs would be implemented during the coming months.<sup>80</sup> The union board then called off further actions for the time being.

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<sup>74</sup> One member of the union board registered a reservation against this statement. He argued that this was propaganda that only served the interests of the tobacco dealers. The reason why the Tobacco Monopoly sold imported cigars more cheaply than domestic ones was apparently the parallel import. If the company had used a higher price, the tobacco dealers could have turned to private importers. ARAB, STF, Styrelsens protokoll, A02: 4, 22 April 1921.

<sup>75</sup> Swedish: “[...] mildra arbetslösheten och dess konsekvenser.” ARAB, STF, Styrelsens protokoll, A02: 4, 7 July 1921.

<sup>76</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 30 July 1921.

<sup>77</sup> Swedish: “[...] mycket moderata och fann det högst märkvärdigt om icke monopolstyrelsen skulle taga någon hänsyn till desamma”. ARAB, STF, Styrelsens protokoll, A02: 4, 28 July 1921.

<sup>78</sup> Sweden was at the time administered by a caretaker government, lead by the Liberal Louis de Geer.

<sup>79</sup> Swedish: “[...] kunde bliva rätt så obehagligt för monopolet.” ARAB, STF, Styrelsens protokoll, A02: 4, 28 July 1921.

<sup>80</sup> ARAB, STF, Inkomna skrivelser, E01: 10, 30 July 1921.

An important channel of information and influence for the Tobacco Workers' Union was the Social Democratic representative on the company board. Nilsson often attended meetings of the union board or the executive committee where he provided information about considerations made on the company board. Nilsson also listened to the union views and encouraged the union's protectionist tendencies. At a meeting in the fall of 1921, he reported that the sales of imported tobacco goods had increased from 19 to 44 percent during that year and that he had made government representatives aware of this development.<sup>81</sup> By that time, the Social Democrats had formed a minority government and Branting is said to have been prepared to raise taxes on products from countries with low-valued currency. Nilsson also urged the Tobacco Workers' Union to contact the Prime Minister in the same matter. Such a petition was made but without success.<sup>82</sup> The Minister of Finance, Fredrik Vilhelm Thorsson, regarded import taxation a useless tool since the difference in labour costs was so great between countries. Thorsson also saw a political danger in accepting the union's proposal as both consumers and representatives of other industries would become dissatisfied. The consumers would complain over high prices and the other industries would demand the same protection as the tobacco industry.

### 5.5.2 Direct state management

Another issue that was connected to downsizing and import competition was whether the Tobacco Monopoly should be run directly by the state. Although positive to the idea of nationalizing the industry in principle, the Tobacco Workers' Union opposed the inclusion of private interests in the company. This opposition against what was described as “[...] a capitalist company with certain state interests” remained,<sup>83</sup> and the union demanded direct state management in its contacts with politicians on several occasions. One of the main reasons for this was to obtain the same employment protection as civil servants.<sup>84</sup> This was clearly expressed by a delegate at the congress in 1928 who had “[...] never

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<sup>81</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 1 November 1921.

<sup>82</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 22-23 November 1921; ARAB, STF, Styrelsens protokoll, A02: 4, 10 December 1921.

<sup>83</sup> Swedish: “[...] ett kapitalistiskt bolag med vissa statsintressen”. ARAB, STF, Kongressprotokoll, A01, 1918, p 7.

<sup>84</sup> ARAB, STF, Kongressprotokoll, A01, 1918, p 7-8; ARAB, STF, Kongressprotokoll, A01, 1923, p 25; ARAB, STF, Kongressprotokoll, A01, 1928, pp 23-24.



heard about a state company dismissing senior workers.”<sup>85</sup> It was also thought that a monopoly directly run by the state would be more efficient in restricting import competition.

A significant minority of the workers gradually came to accept the monopoly as it was. Interestingly, one of the representatives for this minority was the chairman himself, who had been objecting to direct state management since 1915 or before.<sup>86</sup> At the congress of 1923, when the issue was discussed intensely because of the coming renewal of the charter, Kindstrand argued that direct state management could imply decreased union influence over wages and other employment conditions and an increased dependence on political conjectures. This time he had to make way for the majority. When the issue came up at the following congress, in 1928, the union board thought it fruitless to actively strive for direct state management since it could not get support from LO and the Social Democratic Party.<sup>87</sup> The congress decided to stick with the opinion that the tobacco industry should be directly run by the state, but not to make any real efforts to convince the political decision makers. Instead, the congress decided to demand direct representation on the monopoly board. One explicit motivation for this standpoint was that a representative on the board could safeguard the workers’ interests in personnel reductions.

The union demand for direct board representation was not accepted by the government, but when the Tobacco Monopoly’s stock of shares was increased in 1931 the Minister of Finance turned to LO with an inquiry about suitable shareholders. The chairman of the Tobacco Workers’ Union became the holder of shares in the Tobacco Monopoly and the union gained access to the annual meeting of shareholders.<sup>88</sup> It is doubtful whether this had any direct influence on the remaining personnel reductions in the 1930s.<sup>89</sup>

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<sup>85</sup> Swedish: ”[...] aldrig hört att statliga företag avskeda äldre arbetare.” ARAB, STF, Kongressprotokoll, A01, 1928, p 24.

<sup>86</sup> ARAB, STF, Kongressprotokoll, A01, 1923, p 24.

<sup>87</sup> A representative from LO was present at the congress in 1923 and discouraged the tobacco workers from continuing to demand direct state management. He argued that the conflicts between employer and workers should remain in an enterprise directly run by the state and emphasized that the tobacco workers had relatively high wages. ARAB, STF, Kongressprotokoll, A01, 1923, p 24. See also ARAB, STF, Kongressprotokoll, A01, 1928, p 24.

<sup>88</sup> Lindbom & Kuhm 1940, pp 281-282.

<sup>89</sup> The minutes from the annual meetings of shareholders were not available when preparing this study.

### 5.5.3 The union and the machines

When studying the Tobacco Workers' Union in the inter-war era, it is striking how accepting the organization was of technological change. The union demanded compensation for costs associated with the introduction of machines, but did not try to stop the development. The union's acceptance was certainly not of the embracing kind. In his introductory speech at the congress of 1923, Kindstrand established that the machines had devalued traditional skills. When opening the congress five years later, he declared that "mechanization has been a phenomenon of good and evil. Great unemployment has followed its paths."<sup>90</sup> However, the solution was not to combat the development but to alleviate the negative consequences thereof.

There are several examples of the union leaders clearly taking a stand against those hostile to technological change. When a group of male cigar makers were about to be laid off due to mechanization in 1927, a member of the executive committee suggested that all possible measures, including a strike, should be considered to protect the jobs.<sup>91</sup> On this occasion, Eliasson immediately responded that a strike was out of the question since technological change could not be stopped. Another initiative to save the redundant male workers was to put forward a bill to Parliament, via the Social Democratic Party, with demands to strengthen the employment security of the tobacco workers. What this demand meant in practice was not made clear. The executive committee thought it was about forcing the Tobacco Monopoly to stick to old methods of production, an idea that the union leaders considered highly unrealistic.<sup>92</sup> For the union leaders, technological change was something unavoidable; a movement that ultimately depended on the efforts of technicians and engineers, not on the management of the Tobacco Monopoly.<sup>93</sup> Therefore, the priority was to make sure that redundant workers were generously compensated. After the actual downsizing process had ended, discussions about how to compensate remaining workers for the increased work intensity became more central.<sup>94</sup> Towards the latter part of the 1930s, paid vacation became a

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<sup>90</sup> Swedish: "Mekaniseringen har varit en företeelse på gott och ont. Stor arbetslöshet har följt densamma i spåren." ARAB, STF, Kongressprotokoll, A01, 1928, p 3.

<sup>91</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 29 January 1927.

<sup>92</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 13-15 July 1927.

<sup>93</sup> ARAB, STF, Styrelsens protokoll, A02: 6, 7-8 April 1931.

<sup>94</sup> ARAB, STF, Styrelsens protokoll, A02: 6, 12 April 1932.

prominent union demand motivated by the higher pace brought about by the machines.

One could suspect that the acceptance of technological change was greater among the union leaders than among the rank-and-file. There is some evidence pointing in this direction. In August 1921, the local branch in Malmö made a statement in which it condemned the management's plans to mechanize production, considering the depressed state of the labour market.<sup>95</sup> However, the section wanted to postpone changes, rather than to stop them permanently.<sup>96</sup> Ten years later, the Malmö branch motioned to the annual meeting of the union board to pressure the Tobacco Monopoly for information on how far the rationalization measures would be taken.<sup>97</sup> The idea was rejected by the union board, with reference to the company's contract with the state. The union leaders were well aware that the Tobacco Monopoly was bound to use the most efficient technology. Anyhow, the leadership did not think that the management was able to give the kind of information asked for by the Malmö branch.

It is likely that more evidence of a less accepting view on technological progress could be found if archives of the local union branches were systematically investigated. Still, it should be noted that tendencies to block mechanization did not appear at the union congresses. There was much less debate on the replacement of men by machines as such than on how to help the affected. The attitude of the Swedish tobacco workers seems to have differed from that of tobacco workers in some other countries. With regard to the United States, for example, it is told how hand cigar makers frequently refused to take service as machine operators.<sup>98</sup> The union of the Cuban cigar makers did not accept the introduction of machines in the industry until 1950.<sup>99</sup> After that, protests of independent cigar makers persuaded the Cuban president to prohibit the sale of machine made cigars in local markets.

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<sup>95</sup> ARAB, STF, Inkomna skrivelser, E01: 10, 10 August 1921.

<sup>96</sup> The same idea was launched from the Stockholm branch in 1933. ARAB, STF, Styrelsens protokoll, A02: 6, 11 April 1933.

<sup>97</sup> ARAB, STF, Styrelsens protokoll, A02: 6, 7-8 April 1931.

<sup>98</sup> Manning & Byrne 1932, pp 3, 31.

<sup>99</sup> *Time: The Weekly News Magazine*, 16 July 1951, "Men v. Machines".

## 5.6 Summary

Two forces – falling demand and technological change – created shortage of work in the Swedish tobacco industry during the 1920s. When the Swedish economy went into a depression in 1921, sales of cigars dropped and continued to sink throughout the decade as consumers switched to cigar-cigarettes. The difficulties of the Swedish tobacco industry during the post-war depression were partly caused by the inflow of cheap cigars from other countries and the Tobacco Monopoly responded by selling domestic goods at discounted rates. The Tobacco Workers' Union doubted the honest intention of the company and sought support from politicians to stop the foreign competition.

At about the same time as the Swedish economy went into a depression, mechanization of both cigars and cigar-cigarettes was initiated. This was not a response to the crisis but an implementation of already made-up plans. In this sense, the Tobacco Monopoly's downsizing measures were proactive. Mechanization had great implications for productivity and skill requirements. The new technology was both labour-saving and deskilling. More output could be produced with fewer hands, and the hands became easier to train. The union leaders did not take any active measures to stop the development; their main priority was rather to alleviate the consequences for redundant workers. In this respect, the position of the Tobacco Workers' Union was probably typical of the Swedish labour movement of the time.



## Chapter 6

# Shortage of work

### 6.1 Introduction

The Tobacco Monopoly made some efforts to avoid redundancies by introducing sales discounts during the post-war depression. The Tobacco Workers' Union pushed politicians to impose trade barriers with the same purpose. Redundancies caused by mechanization were harder to avoid. This chapter investigates how the parties reacted and interacted when facing the fact that reductions of labour inputs were imminent. Thus, we study the methods used for achieving reductions, how workers were categorized and what the decision-making looked like when downsizing.

The aim of this chapter is to reconstruct the sequence of events on the basis of qualitative sources and to show how various issues were interrelated. The outline of the chapter is therefore chronological; beginning with the first wave of mass-layoffs in 1921 and ending in the early 1930s when downsizing came to a halt.

### 6.2 The first wave of layoffs

Initially, the post-war depression affected the demand for smoking tobacco and cigarettes, two branches that employed relatively few workers.<sup>1</sup> The management responded by implementing hours-reductions at a couple of locations, but personnel reductions were not on the agenda of the company board in this phase. When cigar consumption began to fall, a development with the potential to affect a much greater number of workers, the board became more involved.<sup>2</sup> On 14 March 1921, Wallenberg announced that personnel reductions were necessary and that they were due not only to falling demand,

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<sup>1</sup> ARAB, STF, Cirkulär, B03: 3, 5 March 1920, B03: 3; ARAB, STF, Cirkulär, B03: 3, 6 May 1920; ARAB, STF, Cirkulär, B03: 3, 29 May 1920.

<sup>2</sup> SM, STM, Styrelsens protokoll, 13 December 1920; SM, STM, Styrelsens protokoll, 14 March 1921; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 15 July 1921.

but also the coming mechanization.<sup>3</sup> Being the sole employer in the industry, the company would make efforts to reduce the inconveniences associated with layoffs. He identified two ways of accomplishing this: (1) to arrange proper retirement of older workers and (2) to offer retraining courses for younger workers. How many individuals were to be affected by the proposed measures was not mentioned. This episode shows that the decision to downsize was made by the management, or in other terms, the agents. The management also decided on the magnitude of the reduction and came up with a proposal to the company board, the principals, about how to treat redundant workers. This division of labour between agents and principals was reasonable as the former was better informed about the position of the company than the latter. But the episode also shows that at least some of the principals wanted to control the costs associated with downsizing.

An objection was raised regarding the pension issue by a board member who feared that a provisional solution could become precedential and have implications for the future. This objection was accepted by the board and it was decided to defer the matter. Eventually, the pension issue turned out to be more complicated than first thought and it required a decision of the annual meeting of shareholders. Consequently, the first wave of layoffs affected young workers exclusively.

Another principal, Gustaf Nilsson, was more concerned for the workers.<sup>4</sup> The proposed pension was too low and though retraining was a good initiative, it was not enough to compensate for the inconveniences, Nilsson argued. He concluded his plea by demanding that no actions be taken before negotiating with the union. This wish from the Social Democratic board member was fulfilled.

In the first of two meetings, the union suggested that a shortening of the working week, preferably by cancelling work on Saturdays, was the best way to meet the recession.<sup>5</sup> This move was not successful, at least not initially. Soon after the meeting, the management reported that layoffs could not be avoided and that more than 300 workers were affected.<sup>6</sup> Later that figure was revised to 400. A new meeting with representatives of the management and union was held

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<sup>3</sup> SM, STM, Styrelsens protokoll, 14 March 1921.

<sup>4</sup> SM, STM, Styrelsens protokoll, 13 December 1920; SM, STM, Styrelsens protokoll, 14 March 1921; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 15 July 1921.

<sup>5</sup> The union strategy at this meeting was not discussed in advance by the executive committee. Thus, it seems like the union representatives simply followed established routines and norms for reductions.

<sup>6</sup> ARAB, STF, Cirkulär, B03: 3, 17 March 1921.

where it was agreed that layoffs should affect the female workers in the age group 19 to 21 hired most recently.<sup>7</sup> Furthermore, the parties agreed that the redundant workers would get pay for 12 weeks after the layoff. About half of the affected workers were offered places at retraining courses arranged by the company.

The layoffs, which affected about 8 percent of the company's total workforce, were implemented on 5 April 1921. At the same time, a considerable number of workers were transferred from one brand of cigars to another and from cigar production to cigar-cigarette production. According to Wallenberg, the measures disturbed neither production nor the calm atmosphere at the workplaces.<sup>8</sup> Whether this was a correct description of reality is of course hard to tell, but it can be established that the reduction did not cause a lot of protests from the union. By inviting the union to participate in decision-making the company avoided troublesome disputes.

Parallel to the talks concerning reductions, and against the backdrop of a general depression, negotiations for a new collective agreement were held. Apart from wage rates, the major issue of dispute was the duration of the new agreement; the management wanted the agreement to be valid until the end of 1922 whereas the union wanted to limit the duration to one year. With regard to wages, the outcome of a first round of negotiations was basically status quo but the management did not relinquish its claim regarding the period of validity.<sup>9</sup> A first agreement proposal was turned down by a considerable majority of the union members in a ballot held in early April.<sup>10</sup> In a second round of negotiations, the company agreed to shorten the period of validity. Worrying that another rejection eventually would end up in a strike, the union leadership strongly warned its members that a conflict would give the company an opportunity to fire even more workers.<sup>11</sup> This is one of many examples, in line with Ross' view, of top-level union leaders trying to moderate indignation among the rank-and-file. The appeal had effect and a second agreement proposal was accepted by the union in May.<sup>12</sup> With some exceptions, the tobacco workers managed to avoid cuts of nominal wages but it should be remembered that the wages in the tobacco industry were connected to the price level. While

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<sup>7</sup> SM, STM, Styrelsens protokoll, 18 April 1921.

<sup>8</sup> SM, STM, Styrelsens protokoll, 18 April 1921.

<sup>9</sup> ARAB, STF, Cirkulär, B03: 3, 28 March 1921.

<sup>10</sup> ARAB, STF, Cirkulär, B03: 3, 13 April 1921.

<sup>11</sup> ARAB, STF, Cirkulär, B03: 3, 26 April 1921.

<sup>12</sup> ARAB, STF, Cirkulär, B03: 3, 10 May 1921.



maintaining nominal hourly and piece-rates, the tobacco workers therefore experienced decreased incomes. As was pointed out in section 4.8, the annual earnings actually fell more in the tobacco industry than in the manufacturing sector as a whole during the post-war depression.

### 6.3 The second wave of layoffs

The mass-layoffs in April 1921, which mainly hit young female workers, were substantial but the stocks of unsold cigars kept growing. In the summer, the jobs of male cigar workers were threatened. The management refrained from carrying through permanent layoffs at this point in time. A gradual mechanization of cigar production was planned, but it was not decided whether to mechanize production of the more exclusive hand-made cigars where male workers were employed. Instead, the male cigar workers at Malmö Cigar Factory were temporarily laid off every other week.<sup>13</sup>

In August, temporary layoffs also affected female cigar-cigarette workers and a second round of mass-layoffs was taken up by the company board on 26 September.<sup>14</sup> At the board meeting, this measure was motivated by the approaching mechanization; no reference was made to the demand situation. Like in the spring, Wallenberg proposed retraining courses for younger workers and pensions for workers close to retirement age. Since the pension issue was not yet solved, he suggested that these workers should be temporarily laid off, pending the coming decision of the annual meeting of shareholders.

The proposed pension scheme was inspired by the pension scheme for civil servants, which prescribed different pension ages for men and women, 67 and 60 years respectively, but male tobacco workers were to be granted a pension at 62 and females at 57. The pension was to represent two thirds of “the basic wage” of the collective agreement. Two thirds of the pension was to be financed by the company and one third by the worker. The Tobacco Workers’ Union was not overly enthusiastic about the terms. In particular, the union, as well as the Social Democratic representative on the company board, complained that the pension amounts were too low for female workers. The defenders of the pension scheme did not refer to the male-breadwinner norm in this respect. Instead, they

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<sup>13</sup> MS, FHK, Cirkulärskrivelser, F8B: 3, 15 July 1921; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 30 July 1921.

<sup>14</sup> ARAB, STF, Utgående skrivelser, B04: 5, 23 August 1921; SM, STM, Styrelsens protokoll, 26 September 1921, Bilaga G.

explained that retired female workers had better opportunities to find other employment since they were retired at a younger age. There was also a fear that improved terms for the female workers would lead to corresponding demands from male workers. Furthermore, Per Nordenfeldt, the director on duty, thought that the company had to consider the wider impacts of its actions. Too generous terms at the Tobacco Monopoly could discourage private employers from even considering to introduce pension schemes, he reasoned.

Since the pension scheme only comprised workers who, at the time of the decision, were older than 21 and younger than 50 (men) or 45 (women), Wallenberg also proposed a detached scheme for those who were too old to join the regular scheme. These male and female workers were granted pensions of 1,060 and 600 Swedish *kronor*, respectively, after having reached the ages of 62 and 57 years.<sup>15</sup>

The annual meeting of shareholders approved the proposed pension schemes on 7 November 1921. After four years of preparations, the tobacco workers were finally affiliated to a nation-wide pension fund for wage earners employed in the private sector.<sup>16</sup>

Returning to the layoffs, it may be established that the reduction in October was of the same relative magnitude as in April. In total, 360 workers were laid off; 184 workers permanently and 176 older workers temporarily. Unlike in the spring, the reduction in the autumn was implemented with short notice. The company board was informed only one week before of the layoffs, which came into force on 4 October.<sup>17</sup> Another difference compared with the reductions in the spring of 1921 was that no negotiations between the management and the union were initiated before the reduction in the autumn. The union was informed less than a week before the measures were implemented, and the workers were given even shorter notice.<sup>18</sup> Interestingly, the union was told that the layoffs were motivated by decreased demand and not by mechanization, which was what Wallenberg told the company board. Maybe this was an attempt to adapt the message to the audience since the union was more likely to accept layoffs caused by forces beyond management control. If so, the attempt was not successful. The following protests, from union representatives in letters and at meetings, are further described in chapter 9.

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<sup>15</sup> Expressed as shares in percent of average annual incomes of cigar makers, the pensions were somewhat lower for female workers (26 percent compared with 29 percent).

<sup>16</sup> The fund was named *Sveriges privatanställdas pensionskassa*. Vasseur 1940, pp 393-394.

<sup>17</sup> SM, STM, Styrelsens protokoll, 26 September 1921, bilaga G.

<sup>18</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 30 September 1921.

After realizing that the management would not back down, the union launched another proposal: that laid-off workers should be able to switch places with survivors. In order to induce such behaviour the union leadership decided that the worker who gave up her place voluntarily was entitled to unemployment support from the union funds. But it also wanted the company to pay the same compensations to those who quit in this way as to those who were laid off.<sup>19</sup> When discussed at a conference in December the management dismissed the union initiative as “collective layoffs”. The union leadership quite soon dropped the whole idea. In January 1922, the executive committee decided to stop handing out unemployment benefits to those who quit voluntarily as it was shown that the system was abused and workers in desperate situations were induced to take hasty decisions. One can also imagine that the leaders feared internal conflicts among the workers, which would have weakened the union. The proposal was not taken up again by the union but, as will be seen, by the management, some years later.

## 6.4 Induced quits and preferential job rights

Eventually, the downturn was halted and demand was stabilized at the pre-war level. Some years followed without mass-layoffs and personnel reductions were achieved in smoother ways, for example by buyouts. In 1923, a number of male cigar workers were offered, and accepted, “a certain amount of compensation”.<sup>20</sup> Later the same year the board decided to compensate male cigar workers who moved from Stockholm to Malmö. Those who rather wished to quit were offered severance pay on the same terms as before.<sup>21</sup> In April 1924, 20 female preparation workers and three male cigar makers were given early retirement pension “[d]ue to the gradually continuing change of cigar production from manual manufacturing to machine manufacturing [...]”.<sup>22</sup> Early retirement of female preparation workers was applied in August 1926.<sup>23</sup>

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<sup>19</sup> ARAB, STF, Cirkulär, B03: 3, 8 December 1921.

<sup>20</sup> SM, STM, Styrelsens protokoll, 20 August 1923.

<sup>21</sup> SM, STM, Styrelsens protokoll, 17 September 1923.

<sup>22</sup> Swedish: ”[p]å grund av den successivt fortskridande omläggningen av cigarrindustrien från handtillverkning till maskintillverkning [...]”. SM, STM, Styrelsens protokoll, 24 April 1924.

<sup>23</sup> SM, STM, Styrelsens protokoll, 25 August 1926. See also SM, STM, Styrelsens protokoll, 27 September 1926, Bilaga D.

Although workforce reductions went on after the demand for cigars had stabilized in 1922, there was a certain inflow of workers. When vacant positions had to be filled in 1924, the union argued that previously laid-off workers should be given preference by referring to a statement made by the management in autumn three years earlier.<sup>24</sup> The management responded that it had never meant this to be a general principle; the promise was only valid for a particular group of skilled female workers who had been laid off in an extreme situation. Former workers had a “decisive advantage” in the competition for vacant positions, since they already knew the job but the management wanted to keep its right to choose freely from applicants. However, when the same discussion appeared again two years later, the argument had changed. Now the management stated that mechanization had made some skills obsolete and the “decisive advantage” of having been employed previously no longer existed.<sup>25</sup>

## 6.5 Getting rid of the remaining male cigar makers

The Tobacco Monopoly did not consistently rank men before women, as employers typically do, according to Reskin and Roos. On the contrary, local factory managers had wanted to reduce the male workforce ever since the beginning of mechanization.<sup>26</sup> Demand for the more expensive cigars manufactured by men had decreased and some of the brands could be manufactured by machines with good results. To transfer male workers to cheaper brands would be both “unsatisfactory and uneconomical”.<sup>27</sup> If not compensated for the income loss, transfers would result in unhappy male workers and if they were allowed to keep their higher piece-rates, production would obviously be irrational as women would have done the same job for less pay. By August 1926, the point had been reached when the management openly questioned whether men were needed in cigar production, except for as mechanical workers.<sup>28</sup> At this time, 115 male cigar makers remained; 88 were employed in Malmö, where there still was some manual production of cigars.

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<sup>24</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2 , 3 October 1924; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2 , 6 November 1924.

<sup>25</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2 , 2 March 1926.

<sup>26</sup> SM, STM, Styrelsens protokoll, 17 September 1923, Bilaga C, ”P.M. angående cigarrarbetet”.

<sup>27</sup> The release of female preparation workers was apparently not as sensitive; it did not require the involvement of the delegation. SM, STM, Styrelsens protokoll, 25 August 1926, Bilaga K.

<sup>28</sup> SM, STM, Styrelsens protokoll, 25 August 1926, Bilaga K.

However, most of the male workers at that location had been transferred and were employed on tasks that could as well be performed by women. The management wanted to keep 30 male cigar makers and release the rest through early retirement. Obviously, the issue was sensitive and the board postponed the decision.

The matter did not appear again until late December the same year, on the initiative of the local factory managers in Malmö and Stockholm.<sup>29</sup> The proposed reduction was somewhat more cautious this time and the managing director asked the board for permission to release about half of the male cigar makers. These were to be temporarily laid off, pending decisions on how to help each worker when releasing them permanently. This move was approved by the board, provided that the affected workers were given compensation of 70 percent of their average incomes while temporarily laid off.

For some reason, the layoffs were delayed about a month.<sup>30</sup> All the affected workers were then given written notice with the reason for the layoff and a description of the unemployment support they were going to receive from the company. The notice, which was concluded by urging to the workers to find other employment as soon as possible, gave rise to strong union protests and the management eventually changed its decision.<sup>31</sup>

The news about the personnel reduction is reported to have caused “gloom and bitterness” among the affected.<sup>32</sup> The union was harshly critical and made the management aware of the fact that many of those given notice could not get other jobs. It referred to the social responsibility that came with the position of sole employer in the industry; a responsibility that was not lived up to if the male cigar workers were fired on the proclaimed conditions. The union’s primary request was that “[...] the possibility of providing all of the skilled male cigar makers with employment should be examined”.<sup>33</sup> If that was not possible the union proposed that the affected workers should get early retirement amounting to 75 percent of their present incomes. In any case, the union demanded the layoff decision to be cancelled so that a delegation could get the chance to expound the workers’ view.

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<sup>29</sup> SM, STM, Styrelsens protokoll, 21 December 1926.

<sup>30</sup> According to Wallenberg the implementation was postponed “out of respect for” the affected workers. SM, STM, Styrelsens protokoll, 7 February 1927.

<sup>31</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2 , 27 January 1927.

<sup>32</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 4 February 1927.

<sup>33</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 4 February 1927.

The layoffs came into force as planned on 15 February but, apparently, the union reaction had some impact. After negotiations with union representatives the company board decided to recall 35 of the affected male workers and instead release an equal number of female machine workers.<sup>34</sup> The female workers were not laid off but induced to quit. Some problems getting the required number of volunteers were reported from Malmö. The local factory manager declared that if a sufficient number of married female workers did not resign, he would be forced to lay off the wives of male cigar makers. This was, however, not necessary. After the compensation amounts were raised somewhat, the substitution could be achieved.<sup>35</sup>

The attempt to release male cigar makers put the union solidarity to the test. There were diverging opinions among the union leaders about how to handle the situation. Although the disagreement partly concerned gender it was also a conflict between the executive committee, based in Stockholm, and the Malmö branch of the union, which was most affected by the measures. The episode followed the pattern described by Ross, according to which top-level union officials tend to give priority to the cohesion of the organization whereas local union officials tend to give voice to group interests. The episode was also particularly delicate since some of the involved decision-makers were among those who had been given notice. Personal interests and perceptions about fairness thus collided with strategic considerations about what was best for the union as a whole. The power game within the union during the first months of 1927 is intriguing and deserves a closer look.

When first informed about the personnel reduction, Eliasson tried to get the layoffs cancelled or at least deferred.<sup>36</sup> Thereafter, he called attention to the management's responsibility for the affected workers and demanded negotiations. This was the situation when the issue was first discussed by the union's executive committee on 29 January. In front of this congregation, Eliasson suggested that the main aim of the union should be to get the layoffs postponed in order to get time for negotiations on the size of the benefits. A negotiation committee consisting of the union functionaries and three representatives of the affected workers should be appointed for that purpose.

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<sup>34</sup> SM, STM, Styrelsens protokoll, 9 April 1927, Bilaga G & H; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2 , 29 April 1927.

<sup>35</sup> Styrelsens protokoll, 26 April 1927.

<sup>36</sup> Eliasson was temporarily in charge of the union since Kindstrand was sick at the time. Styrelsens protokoll, 29 January 1927.

One member of the executive committee who reacted to Eliasson's report argued that the male cigar makers were in a particularly vulnerable position and that all possible options should be considered to protect them; including a strike. Another member of the committee replied that it was "ridiculous" to emphasize the peculiarity of *cigar makers* in this context. Instead, he reminded that the Tobacco Monopoly had special obligations towards *all* its workers and referred to previous practice. This is one of the remarkably few incidences of tension, related to the downsizing process, between occupational groups. Of importance for the union's cohesion in this respect was probably the common repudiation of job bumping. When the idea of transferring male cigar workers to other jobs came up, it was with the proviso that such a measure should not have negative consequences for other workers. This was unrealistic, according to Eliasson.

For him, the focus was clearly on attaining the highest possible benefits for the affected workers. The standard union demand in similar cases had been early retirement with 70 percent of previous incomes, annually. At the meeting a proposal was made for the union to for tactical reasons, put the demand even higher – at 75 or 80 percent – referring to the fact that many of the laid-off workers were breadwinners.

The discussion ended by giving Eliasson approval to pursue his preferred course of action: to postpone the layoffs pending negotiations. One day later, the local branch in Malmö summoned its members for a meeting, where a resolution condemning the reduction was taken.<sup>37</sup> Like the executive committee, the Malmö branch wanted the implementation of layoffs to be deferred until the compensation issue had been solved. After a proposition from Erik Eriksson, the chairman of the local branch, the meeting took the position that layoffs could be avoided if married women quit voluntarily in return for certain compensation. If layoffs were necessary, they should take place according to age; beginning from the oldest worker, who was closest to retirement, continuing with the next oldest, and so on. Both these statements came into conflict with the position of the executive committee, which had basically accepted the order of selection. Overall, the Malmö branch was also unhappy about not being asked to send a representative to the meeting of the executive committee in Stockholm.

At the next meeting of the executive committee, Eriksson was present in Stockholm, along with another representative from the Malmö branch. Since the last gathering Eliasson had been in touch with Ernst Wigforss, a Social Democratic Member of Parliament, who had promised to use his connection

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<sup>37</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 31 January 1927; *Arbetet*, 31 January 1927.

with the Minister of Finance, if the Tobacco Monopoly refused to negotiate.<sup>38</sup> Eliasson had also been in touch with Holsti to set up meetings with Wallenberg and the company board.

After the initial report from Eliasson, Eriksson informed the committee about the reactions in Malmö. The idea of substituting men for married women got weak support from the executive committee. One objection was that there might well be some married women who would accept a buyout offer, but that it was unrealistic to put male cigar makers on machine work since this was more expensive for the company. A second objection was that the proposal from Malmö was short-sighted; even if the male workers were safe for the moment, it would not take long before their jobs were threatened again. A third objection was that it could hardly be regarded as “voluntary” when married women quit in order to make room for male colleagues. Finally, Eliasson gave some examples to underline the problems associated with the Malmö proposal. In spite of the scepticism, the idea of substituting male cigar makers for women was not completely rejected. Instead, the matter was deferred until later. The other proposal from Malmö, to establish the order of selection according to age, was rejected with less discussion.

Apparently, Eriksson had a strong conviction that the situation could be solved if married women left their jobs. Even without a clear decision from the executive committee regarding the married women, the leadership of the Malmö branch made the local factory management aware of the possibility.<sup>39</sup> Eriksson also put forward the idea, without asking the other union delegates, in the negotiations with the representatives of the company board and management.<sup>40</sup> His move was successful. In the new management proposal that came out of the negotiations, some of the laid-off male workers were to be recalled and given jobs performed by female workers.

As soon as the new proposal was announced, the union board was summoned to an extra meeting; a measure that was only undertaken on extraordinary occasions.<sup>41</sup> At the meeting, Eriksson was castigated for having acted without the consent of the other negotiators and for having a personal

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<sup>38</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 31 January 1927.

<sup>39</sup> Petersson 1999, p 39.

<sup>40</sup> The minutes from these negotiations were not accessible for this study. Eriksson's move is supported by the recorded discussion at a subsequent meeting with the union's executive committee. He was present at the meeting and did not deny the accusations that he had acted on his own. ARAB, STF, Styrelsens protokoll, A02: 5, 2-3 March 1927.

<sup>41</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 2-3 March 1927.



agenda in the matter. The union board thereafter decided to make a statement that all members, including married women, should be treated equally by the union.

However, Eriksson's coup during the negotiations was not the only reason why he was told off by the union board in Stockholm. The chairman of the Malmö branch had also been in contact with the Social Democratic politician Carl Lovén in February. This contact led to Lovén submitting a bill to Parliament.<sup>42</sup> Formally, the bill was about a government proposition on tobacco taxation and demanded higher taxes on imported cigars, but looking at the motivation the bill was clearly a protest against the recent reductions at the Tobacco Monopoly. Lovén argued that state-owned firms should achieve workforce reductions by attrition and early retirement, not by laying off permanent workers. He also protested against the Tobacco Monopoly's attempts to get rid of male workers. That a husband could be laid off while his wife was retained, in cases where both were employed by the same company, was in Lovén's eyes "absurd". He concluded that irrespective of taxes, the state should make sure that redundant tobacco workers got generous compensation by a "voluntarily agreement" between the company and the union.

Lovén's bill was not popular among the members of the executive committee for several reasons. First, it had small chances of being passed because of the present composition of Parliament.<sup>43</sup> Second, the bill was introduced in a sensitive phase when negotiations on the support for laid-off workers were still going on. Third, the union leadership thought that Lovén had not put much effort into keeping himself informed on the issue and that he had been careless with formulations.

Whether Eriksson actually encouraged Lovén to write the bill is unclear. Eriksson himself claimed that he had only urged Lovén to inform the leaders of the Social Democrats in Parliament. Still, many of the board members expressed sharp criticism against Eriksson's actions. Kindstrand even stated that the Malmö branch "[...] disturbs the whole foundation on which our organization is

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<sup>42</sup> Bihang till riksdagens protokoll 1927, Motioner i första kammaren nr 314.

<sup>43</sup> Eventually, the bill was rejected by Parliament without much discussion. Lovén's concern for the workers was, however, given a certain acknowledgement in the committee work. The committee referred to the instructions given to the state representatives on the company board. Bihang till riksdagens protokoll 1927, Bevillningsutskottets betänkande nr 39; Riksdagens protokoll, Första kammaren nr 2, 27 April 1927; Riksdagens protokoll, Andra kammaren nr 3, 27 April 1927.

built”.<sup>44</sup> He found it natural that there were different opinions but emphasized the importance for an organization to eventually rally around the leadership. At the board meeting it also became evident that there were tensions within the Malmö branch as the other representative from Malmö present at the meeting witnessed that there had been discussions concerning different options and that he himself had advocated the course of action taken by the executive committee. The same delegate also argued that Eriksson had given a biased picture of the actions of the union leadership when speaking to the members in Malmö.

## 6.6 Married and middle-aged women in the loophole

After the events during the spring of 1927, the management left the remaining male cigar workers at the Malmö factory in peace. Further reductions at this, and other locations, would primarily affect middle-aged and old women. Nevertheless, the internal problems of the union were far from over.

When hours-reductions were implemented at the Malmö factory in the beginning of the summer, the local branch wanted compensation for income losses.<sup>45</sup> The central union leaders refused, with reference to previous cases where compensation demands in connection with short hours had proved to be unsuccessful.<sup>46</sup> Thereafter, Eriksson resigned as the chairman for the Malmö branch and was replaced by Erik Bengtsson.<sup>47</sup> Bengtsson ignored the rejection of the executive committee. Emanuel Levin, the factory manager, faced with the demand to compensate workers affected by hours-reductions, in turn replied by announcing layoffs. The measure concerned about 55 workers and Levin suggested that “[...] elimination should be carried out by the workers

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<sup>44</sup> Swedish: ”[...] rubbar hela grundvalen på vilken vår organisation är bygd”. ARAB, STF, Styrelsens protokoll, A02: 5, 2-3 March 1927.

<sup>45</sup> This course of events has only been possible to follow through documents in the archives of the union headquarters.

<sup>46</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 14 June 1927.

<sup>47</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 12 July 1927.

themselves”.<sup>48</sup> This offer was rejected and the branch wired the union leadership in Stockholm, asking Eliasson to come down to clear up the situation.<sup>49</sup>

In Malmö, Eliasson attended a meeting with the branch board and then a general meeting where all members at the location were invited.<sup>50</sup> That there were serious frictions is beyond doubt. The chairman of the branch got the blame for the layoffs and the rest of the branch board had considered further cooperation impossible. Bengtsson resigned shortly afterwards and was replaced by Mads Madsen. Thereafter, a meeting with the factory management was arranged where the union representatives asked for avoidance of layoffs by going back to short hours and early retirement of workers older than 51. Levin was not prepared to make any decisions before being in touch with the company headquarters.

His meeting with the managerial body in Stockholm took place on 7 October.<sup>51</sup> This event, which was recorded and attached to the board minutes, provides us with unusual insights into the decision making process of the Tobacco Monopoly. Present at the meeting, apart from Levin, were Wallenberg (managing director), Holsti (technical director), Nordenfeldt (director on duty), and the manager of the two other cigar factories. The proceedings began by Levin informing the group that mechanization and declining demand for cigars had caused shortage of work, of a permanent nature, at the Malmö factory. Levin described how attempts had been made to avoid permanent layoffs by preparing raw tobacco for stock and temporary layoffs and how the union had been urged to participate in establishing the order of selection. Levin proposed that the reduction should be achieved by temporarily laying off 14 old female workers pending their retirement and permanently laying off 51 married women (of which 18 had husbands who were also employed at the factory). The selection took place without union participation, which was regretted since it was believed that the union had a better knowledge of the family situation of the affected individuals. Instead the selection was made on the basis of information in the factory's own records.

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<sup>48</sup> Swedish: "[...] gallring skall företagas av arbetarna själva". Observe that this statement is taken from a union source. ARAB, STF, Styrelsens protokoll, A02: 5, 27 September 1927.

<sup>49</sup> The executive committee accepted the invitation with certain hesitation, since the branch so often had failed to follow the decisions of the union leadership. ARAB, STF, Styrelsens protokoll, A02: 5, 27 September 1927, STF, A02: 5, ARAB. See also Lindbohm & Kuhm 1940, p 271.

<sup>50</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 11 October 1927.

<sup>51</sup> Note that this was before the managerial body was formalized.

Thereafter, Holsti reasoned around compensation amounts, reminding the participants of previous practice, and suggested that the workforce reduction could be achieved by voluntary quits if the compensation was generous enough. The factory management should, of course, have the possibility of rejecting applications from individual workers if these were considered “[...] suitable and needed for the production”,<sup>52</sup> Holsti added. The outcome of the meeting was thus that the factory managers should come up with a detailed proposition about severance pay, which included the possibility of having workers, who were given notice, replaced by volunteers.

A remarkable feature of the meeting of the managerial body was that only two of the participants spoke: the reporting manager, who accounted for the situation and had an idea about how to deal with it, and the technical director who decided the matter. There was no real discussion; Holsti clearly had the final word. It is interesting to note that the managers of the other cigar factories were present at the meeting and assisted in the preparation of the compensation scheme even though reductions were not imminent at their plants. Their presence indicates the company’s ambition to have a consistent personnel policy.

The compensation proposition, which was prepared during the same day, was approved, with some changes suggested by Wallenberg, by the company board on 17 October.<sup>53</sup> However, the matter was not solved in this instance without discussion. Some members of the board regarded the benefits as too high and wanted to add to the minutes that the decision had been taken with hesitation.

After the meeting of the company board, the laid off workers were noticed and an offer was sent out about compensation to those who quit voluntarily, as long as it could be done without disturbing the production.<sup>54</sup> The offered benefit terms caused discussion among the members of the union’s executive committee, leading to the statement that the redundant women should be given the same benefits as the men that had been laid off during the spring.<sup>55</sup> In the letter to the management, the union leadership referred to the seniority of the

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<sup>52</sup> Swedish: ”[...] lämpliga och behövliga för driften.” SM, STM, Styrelsens protokoll, 17 October 1927, Bilaga A.

<sup>53</sup> SM, STM, Styrelsens protokoll, 17 October 1927. In short, Wallenberg lowered the amounts for the temporarily laid-off and raised the upper limit for the duration of the benefits to the permanently laid-off. The compensation amounts are accounted for in greater detail in chapter 10.

<sup>54</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2 , 19 October 1927.

<sup>55</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 25 October 1927.

noticed workers.<sup>56</sup> Most of them had been employed in the industry since before nationalization. The proposed measure did not only imply that they lost their jobs but also their occupation. Furthermore, the union leadership argued that married women should have the same benefits as other workers if laid off. Older women could often in practice be breadwinners as their aged husbands had low capacity to work. Married women in all age groups did also face the risk of becoming widows. Marital status should therefore not affect the terms for redundant workers

Eriksson's actions during the spring the same year had put the union leadership in a difficult position in this respect.<sup>57</sup> Considering the fact that a union representative had openly declared that job losses were more costly for married men than for married women, the demand for equal treatment was easily rejected by the management. Anyhow, the pressure made Wallenberg to travel to Malmö in order to personally get informed about the situation.<sup>58</sup> The whole matter ended in a vague promise to make a renewed investigation of the situation for the affected workers.

Again, the union members in Malmö took their own initiatives to save their jobs. The branch formed a special committee to gather information on the procedures and terms offered at all reductions since the founding of the company. This committee also contacted politicians, the idea being to obtain stronger employment security for those who had begun their employment in the industry before nationalization. In contrast to the initiatives taken by the Malmö branch during the spring, Mads Madsen made sure that the executive committee was kept informed. The initiative from Malmö was the subject of lengthy discussions and the meeting was adjourned to the next day.

Eliasson argued that taking such a clear position regarding the employment security of a particular group could lead to internal tensions. Such tensions had already come up in Malmö; the workers on hourly wages – that is, those who had been employed relatively recently – had also been in contact with a member of parliament. Eliasson got support from several other speakers. One of the delegates pointed out that the proposal to obtain guarantees for workers employed before 1914 came into conflict with the union's declaration to treat all

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<sup>56</sup> ARAB, STF, Utgående skrivelser, B04: 7, 27 October 1927.

<sup>57</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 22 November 1927.

<sup>58</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 8 November 1927; ARAB, STF, Styrelsens protokoll, A02: 5, 22 November 1927. In a talk with Kindstrand, Wallenberg stated that he had met representatives from the local branch. Mads Madsen later denied that such a meeting had taken place. ARAB, STF, Styrelsens protokoll, A02: 5, 2 December 1927.

members equally. Another member added that, if successful, the bill would only lead to layoffs of other worker categories.

As they did in the previous debate regarding Lovén's bill, the union leadership believed that political initiatives could have adverse impacts on the organization's position in relation to the employer; that is, that the Tobacco Monopoly would be less willing to negotiate when seeing how the workers turned to their political representatives. If the bill was rejected, which was deemed likely, the union and the senior workers could be in a worse position than before since the committee work from 1914 then would be invalid. Probably, the union's officials also regarded the actions of the Malmö branch as failing the organization's, and their own, capacity to deliver results. Both Kindstrand and Eliasson emphasized the union's strength and that the Tobacco Monopoly had been reasonable on several occasions.

With four votes against two, the executive committee decided to continue the efforts to bring about negotiations with the company regarding the laid off female workers. If that turned out to be impossible, a bill to Parliament would be considered again.

Eventually, the union managed to bring about negotiations with the company, but while the talks were proceeding a new reduction was announced. This time up to 150 female cigar workers were affected.<sup>59</sup> Again, the workforce reduction was partly settled by early retirement, but most of the redundant workers were found in the age group 40 to 46.<sup>60</sup>

As in the past when it came to laid-off male workers, the union made an appeal for the redundant female workers referring to their difficulties in the labour market.<sup>61</sup> Considering their age, the prospects of finding jobs within the manufacturing industry were virtually non-existent, it was said. Furthermore, the union referred to the committee work that had preceded the establishment of the Tobacco Monopoly.<sup>62</sup>

In the first place, the union questioned whether layoffs were at all necessary and advocated hours-reductions. If short hours were not enough to

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<sup>59</sup> SM, STM, Styrelsens protokoll, 19 December 1927.

<sup>60</sup> SM, STM, Styrelsens protokoll, 19 December 1927, Bilaga C, "P.M. angående understöd, åt avskedade cigarrarbeterskor".

<sup>61</sup> SM, STM, Styrelsens protokoll, 16 January 1928.

<sup>62</sup> As mentioned, the committee statement from 1914 said that the monopoly had a particular responsibility to provide the workers with employment protection. The union argued that the statement meant that layoffs of old workers were not to be carried out if the company hired young workers at the same time. SM, STM, Styrelsens protokoll, 16 January 1928.

deal with the situation, the union wanted the affected workers recalled and layoffs to proceed according to straight seniority ('last in, first out'). The third alternative was to raise the compensation amount. In this respect, the union also referred to the parliamentary decision from 1914. Neither of the proposed alternatives was accepted by the company board, which did not even comment upon the possibilities of applying straight seniority.<sup>63</sup>

The redundant female workers, when informed about this rejection, sent a delegation to meet with Wallenberg and presented the same demands, in the same order of priority as before: (1) hours-reductions, (2) 'last in, first out', (3) higher compensation. Wallenberg informed the board but no measures were undertaken.<sup>64</sup> Still, the initiative is interesting since it represents the first example where female workers were agents in the downsizing process, at least in the material reviewed for this study.<sup>65</sup> That the female workers formed an own delegation is an indication of their mistrust of the union leadership. This mistrust was clearly expressed at the congress in 1928, where women for the first time made a concerted effort to be heard in the highest authority of the union. The male leadership was accused of not looking after the interest of women.<sup>66</sup>

The debate began with a specific complaint, put forward by Anna Larsson from Stockholm, particularly concerning the female workers that had been laid off at the end of 1927. Another female delegate, Hildur Rubin from Gävle, expressed criticism of a more general nature: "When it comes to men, great apparatuses are set into motion, but when women are laid off nothing is done. The discontent is also very great among the women. The men should be able to show a little benevolence."<sup>67</sup>

Apart from the ombudsman Eliasson, the male delegates did not explicitly deny this accusation. Indeed several of them replied that the women had to blame themselves for not having shown enough interest in union activities. One

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<sup>63</sup> SM, STM, Styrelsens protokoll, 16 January 1921, Bilaga B.

<sup>64</sup> SM, STM, Styrelsens protokoll, 6 February 1928.

<sup>65</sup> It is, of course, likely that more evidence of female action would have been found if the study had focused on material from the local branches.

<sup>66</sup> It is quite evident that this debate was foreseen, since the correspondence between union leadership and monopoly management concerning the reductions in 1927 had been sent the congress delegates in advance and was reproduced in the congress minutes, which was not common practice.

<sup>67</sup> Swedish: "Då det gäller männen ställas stora apparater i gång men när kvinnorna avskedas blir intet gjort. Missnöjet bland kvinnorna är också mycket stort. Nog borde männen kunna visa någon liten välvilja." ARAB, STF, Kongressprotokoll, A01, 1928, p 20.

male representative argued that "[i]t is not the men's fault that the women are so little interested and so little represented",<sup>68</sup> and another added that women were afraid of the responsibility of positions of trust. A counterargument, put forward by Hildur Rubin, was that women lost their interest in employment conditions since they could not make themselves heard. Here, she mainly had the relationship with the employer's representatives in mind, as indicated by the following quote: "When we put forward something to the management it is never possible to get any concessions if we do not have a man with us."<sup>69</sup>

Besides throwing the guilt back to the women, a couple of male delegates argued that the company management was more open to demands regarding men. This was because male workers were easier to transfer to other jobs and because the management's acceptance of the male-breadwinner norm. Except for this last remark, the congress debate in 1928 mainly concerned men and women, irrespective of civil status. The only delegate at the congress who openly advocated releasing married women before male-breadwinners was Eriksson, the former chairman of the Malmö branch.<sup>70</sup>

## 6.7 The personnel reserve

If 1927 was a difficult year for the union, it was also tricky for the management. Almost as a rule, layoffs were accompanied by lengthy discussions about compensation and priorities. Factory managers were put under great moral strain when implementing reductions. According to Wallenberg, these difficulties implied that the company could not fully realize the labour and space saving potential of mechanization. In a memo to the board in August 1928 he argued that having too many workers in the factories had negative indirect effects on production. Redundant workers had various strategies to make themselves indispensable, including resistance to rationalization and making tasks more complicated.<sup>71</sup> Having too many workers was thus irrational and equivalent with

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<sup>68</sup> Swedish: "[d]et är ej männens fel att kvinnorna äro så lite intresserade och så lite representerade." ARAB, STF, Kongressprotokoll, A01, 1928, p 20.

<sup>69</sup> Swedish: "Då vi komma med någonting till arbetsledningen, går det aldrig att få några medgivanden om vi ej ha en karl med oss." ARAB, STF, Kongressprotokoll, A01, 1928, p 20.

<sup>70</sup> ARAB, STF, Kongressprotokoll, A01, 1928, p 17.

<sup>71</sup> Swedish: "För stor personal motarbetar förenkling av ett arbete, och söker sådan personal alltid göra arbetet mer invecklat för att hålla sig kvar." SM, STM, Styrelsens protokoll, 20 August 1928, Bilaga C. This argument does not seem to have gotten a lot of attention in labour economics and



a demoralization of the workforce. “It is even cheaper for a firm to retire superfluous people with full wage than to keep them in work”, Wallenberg pointed out.<sup>72</sup> He mentioned that the company, so far, had tried several ways to deal with redundancies: temporary layoffs, permanent layoffs, buyouts, retraining courses, early retirements and pensions.<sup>73</sup> Since he felt that these solutions were more or less exhausted, he proposed another measure: the creation of a personnel reserve.<sup>74</sup>

Wallenberg’s idea, which was inspired by a similar system used in the armed forces, was to offer redundant workers benefits in return for the obligation to join up for service if needed.<sup>75</sup> No principal objections were raised by the board and the management was commissioned to prepare a more detailed proposal. The discussion was lengthier when such a proposal reached the board in June 1929.<sup>76</sup> The board finally decided to approve the new system for dealing with redundancies, but the vice chairman, Alexis Hammarström,<sup>77</sup> noted for the minutes that although he was fully aware of the necessity for workforce reductions and that the company had special obligations towards its workers, his participation in the decision was hesitant. He thought that the terms, particularly for younger workers, were too generous but hoped that transfers to the personnel reserve would be applied only after other, less costly, alternatives had been considered. A fact that possibly reassured Hammarström in that respect was that all transfers to the personnel reserve had to be approved by the company board.<sup>78</sup>

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related fields of research. However, a similar reasoning is found in a working paper from the World Bank, where it is stated that: “[...] the low productivity (effort) of the marginal workers has a negative effect on effort on the inframarginal workers. Removing the underutilized marginal workers could therefore have a positive effect on the morale and hence productivity of the remaining workers.” Svejnar & Terrell 1991, p 7.

<sup>72</sup> Swedish: ”Det är till och med billigare för ett företag att med full lön pensionera överflödigt folk än att behålla dessa i arbete.” SM, STM, Styrelsens protokoll, 20 August 1928, Bilaga C.

<sup>73</sup> SM, STM, Styrelsens protokoll, 20 August 1928, Bilaga C, ”P. M. rörande ifrågasatt inrättande av en övergångsstat för hos Tobaksmonopolet anställd personal”.

<sup>74</sup> The Swedish term used was *övergångsstat*.

<sup>75</sup> SM, STM, Styrelsens protokoll, 20 August 1928, Bilaga C, ”P. M. rörande ifrågasatt inrättande av en övergångsstat för hos Tobaksmonopolet anställd personal”.

<sup>76</sup> SM, STM, Styrelsens protokoll, 27 June 1929.

<sup>77</sup> Alexis Hammarström was an official and politician that, amongst others, had been minister in Carl Schwartz’ right-wing government in 1917.

<sup>78</sup> SM, STM, Styrelsens protokoll, 27 June 1929, Bilaga A.

After approval, the transferred employee's right to benefits depended on seniority, age and previous incomes.<sup>79</sup> In return, he or she was obliged to return to service, if the company so demanded. In addition, there was a whole range of specific regulations. The employee was, for example, obliged to annually report other sources of incomes; if a full time job was attained, the employee was released from the system. Furthermore, if a woman married while being in the personnel reserve, her benefits could be lowered or withdrawn.

The personnel reserve was not created with any direct union participation. The union leadership was first made aware of the institution in December 1930, when a reduction at the cigar factory in Stockholm was announced.<sup>80</sup> The union board put forward three points of criticism concerning the personnel reserve: (1) that the benefits were too low, (2) that workers in the system could be used as strike-breakers (3) that the withdrawal of support to women who married was unfair.<sup>81</sup> The first point mainly concerned old workers who, according to the union had small prospects of finding other employment. Regarding the second point the union wanted the obligation to return to service to be invalid during strikes. The union argument concerning the third point was that the rules were inconsistent since women who were already married when entering the personnel reserve could get support. Therefore, the union wanted the whole article to be abolished.

Although all three demands were turned down by the management, the union leadership accepted the personnel reserve. Internally, Eliasson argued that the level of support, particularly for younger workers, was higher than in the previous reductions and that the institution in general could be seen as a response to union demands. An indication of the union endorsement of the personnel reserve was the demand that workers who had been laid off in 1927 and 1928 should be included in the new system.<sup>82</sup>

Transfers to the personnel reserve became an important way of achieving workforce reductions for many years to come. One such reduction was carried through in the spring of 1931,<sup>83</sup> three more followed in 1932 and in 1933 (June

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<sup>79</sup> Both blue-collars and white-collars could be transferred to the personnel reserve.

<sup>80</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 22 December 1930; ARAB, STF, Styrelsens protokoll, A02: 5, 29 December 1930.

<sup>81</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 16 February 1931.

<sup>82</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 7-8 April 1931.

<sup>83</sup> SM, STM, Styrelsens protokoll, 26 January 1931; SM, STM, Styrelsens protokoll, 23 March 1931.

and August).<sup>84</sup> The transfer to the personnel reserve in August 1933 was the last big workforce reduction made by the Tobacco Monopoly before World War II.<sup>85</sup> In 1950 the personnel reserve constituted more than 10 percent of the whole workforce.<sup>86</sup>

However, the personnel reserve did not completely replace other ways of achieving workforce reductions. In 1932, a number of workers with reduced eyesight were laid off without obligation to join up for service if needed.<sup>87</sup> The company also continued to occasionally offer workers severance pay for quitting voluntarily. For example, when smoking tobacco production was moved from Stockholm to Arvika and Härnösand in 1932, a number of old female workers quit to make room for younger colleagues with families who were not able to move.<sup>88</sup> Originally, buyouts were considered as board matters, but from June 1933 the managing director could implement buyouts without asking the board for permission.<sup>89</sup>

1933 was the last year with substantial personnel reductions during the inter-war period, but, before concluding the chapter, there are reasons to look closer at the issue of union participation in layoffs, which was central in the last phase of downsizing.

## 6.8 ‘The person exchange’

As in 1927, the union leadership was given the opportunity to influence the order of selection when the reduction was announced in December 1930. Eliasson was informed by Holsti that a preliminary list with the workers to be

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<sup>84</sup> SM, STM, Styrelsens protokoll, 19 September 1932; SM, STM, Styrelsens protokoll, 28 June 1933; SM, STM, Styrelsens protokoll, 29 August 1933.

<sup>85</sup> Considerable workforce reductions were carried through in 1940 and 1941 when around 450 workers were transferred to the personnel reserve. *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1940: Styrelsens förvaltningsberättelse och revisorernas berättelse; Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1941: Styrelsens förvaltningsberättelse och revisorernas berättelse.*

<sup>86</sup> *Årsredovisning och revisionsberättelse för verksamhetsåret 1950*, pp 12-13.

<sup>87</sup> SM, STM, Styrelsens protokoll, 1932 (date missing). The same was done with three female workers in the canteen. SM, STM, Styrelsens protokoll, 23 January 1933.

<sup>88</sup> SM, STM, Styrelsens protokoll, 21 December 1931; SM, STM, Styrelsens protokoll, 17 October 1932.

<sup>89</sup> SM, STM, Styrelsens protokoll, 28 June 1933.

affected had been drawn up. The list consisted of two categories: sick workers who could not or did not wish to be moved to machine work, and older workers, who in principle could be transferred to machine work. This latter group could be the subject of negotiations, as long as the union came up with alternative names in the same age category that could be released instead. The issue, which came to be called 'the person exchange' (*personutbytet*), was tricky for the union leadership for more than one reason. It was not obvious whether the union should participate in this way at all and at what level participation should take place. The principles for establishing the order of selection were less disputed. At this point in time, there seems to have been a fairly established consensus regarding the principle that jobs should be allocated according to need.

The executive committee discussion about the person exchange was characterized by hesitation.<sup>90</sup> One committee member wondered if there were no ways to avoid layoffs. Another member reminded the committee of the frictions in 1927. The whole matter was postponed but the hesitation remained at the next meeting.<sup>91</sup> One argument in favour of participation was that the union had better knowledge about the economic situation of the workers. The personnel consultants, who had made the investigations that the preliminary lists were based on, were not trusted. In its extension, this view suggested that the whole matter should be dealt with by the local branch, which also seemed to have been the position of Eliasson. But for the chairman it was not only a matter of the superior knowledge possessed by the branch.

Eliasson indicated that, according to his personal belief, married women should be the first to go in the case of shortage of work.<sup>92</sup> However, as the highest representative of the union he had to deal with the fact that a many of the members were married women, who had the right to equal treatment. Eliasson's wish to delegate the person exchange to the branch level can thus be seen as a way for him to avoid a troublesome dilemma; where he would have to either forgo his personal sense of justice or jeopardize the organization's cohesion.

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<sup>90</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 22 December 1930.

<sup>91</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 29 December 1930.

<sup>92</sup> This was not said straight out, but can be derived from what he said next. Eliasson's reasoning is therefore reproduced, word for word, as it appear in the minutes in Swedish: "Sin ställning till de gifta kvinnornas arbete utom hemmet har han tidigare deklarerat. Dock blir det svårt för vårt förbunds vidkommande då dessa även med all rätt medlemmar och i följd därav anser sig som medlemmar och i följd därav anser sig ha rätt till skydd från förbundets sida. Det vore därför bäst att avdelningarna fick behandla denna fråga och själva fatta sina beslut." ARAB, STF, Styrelsens protokoll, A02: 5, 29 December 1930.

Later the same day, a joint-meeting of the executive committee and the affected branch board was held. Yngve Starrin, the branch chairman, argued for participation in the person exchange, “[...] since we then would have opportunities to protect those who are in the most difficult economic situation, the self-supporting women”.<sup>93</sup> As shown by his statement, the male-breadwinner norm was not only of importance when having to choose between men and women but also when reductions only affected female workers.

Starrin got support from a member of the executive committee who stated “[...] there are evidently those who are not directly dependent on their work [...] who due to their economic position could leave room for others.”<sup>94</sup> That he had married women in mind is clear from his statements in the meeting with the executive committee, where he pointed out that “[...] there were quite a few women among the married who kept their job even though they did not have to.”<sup>95</sup>

Other delegates at the joint-meeting were opposed to union participation in the person exchange, and emphasized the dividing consequences of such a move. This view was expressed clearly by a member of the branch board: “[...] it will be a difficult position for an organization if, instead of protecting its members, it has to assist in choosing those who are to be laid off.”<sup>96</sup> Another local representative doubted the value of this kind of participation and argued that it was more important to criticize the actual causes of the reductions and make sure that workers can be transferred to other jobs within the company.

Two compromise proposals also emerged. One was that the union should not actively participate in selecting workers, but could act as an intermediary if workers wanted to quit voluntarily in order to save the job of comrades. The other compromise proposal was that the union should formally abstain from

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<sup>93</sup> Swedish: “[...] emedan vi då skulle ha möjligheter att i någon mån skydda dem, som ha det svårast i ekonomiskt avseende, de självförsörjande kvinnorna.” ARAB, STF, Styrelsens protokoll, A02: 5, 29 December 1930.

<sup>94</sup> Swedish: “[...] det bevisligen finns de som ej äro direkt beroende av sitt arbete [...] som på grund av sin ekonomiska ställning kunde lämna plats åt andra”. ARAB, STF, Styrelsens protokoll, A02: 5, 29 December 1930.

<sup>95</sup> Swedish: “[...] det fanns en hel del kvinnor bland de gifta som uppehåll sin anställning trots de ej behövde detta.” ARAB, STF, Styrelsens protokoll, A02: 5, 29 December 1930.

<sup>96</sup> Swedish: “[...] det blir en svår ställning för en organisation då den i stället för att skydda sina medlemmar måste vara behjälplig att utse dem som skall avskedas.” ARAB, STF, Styrelsens protokoll, A02: 5, 29 December 1930.

participation but informally contact the personnel consultants and make sure that they got correct information.

Apart from rejecting this latter move, the joint-meeting did not end in a concrete decision, which in itself suggests the sensitive nature of the issue. The union was not invited to participate in the following reductions.

## 6.9 Summary

The company dealt with redundancies by carrying through mass-layoffs on two occasions in 1921. The affected workers were offered retraining courses and pensions. After the situation had been stabilized, some years followed when layoffs were not at the top of the agenda. As mechanization eliminated male jobs, layoffs were again announced early in 1927. Releasing men was clearly a sensitive issue. After union protests, the management revised its decision; some male workers were recalled and female workers were released in their place. However, this was not an official union strategy, but the result of a coup of the chairman of a local branch.

The interplay between management and union concerning the downsizing process was periodically intense. Reductions were generally followed by prolonged disputes about procedural issues and compensation. As a response, the company eventually created a personnel reserve, modelled on a similar institution in the armed forces. Another way for the management to deal with reductions, which became more common as time went on, was to invite the union to participate in deciding the order of selection for layoffs. This turned out to be a sensitive issue for the union leadership. On the one hand, there was a wish to make sure that reductions hit the workers who would suffer the least from losing their jobs. On the other hand, such a strategy could cause internal frictions.



## Chapter 7

# Hours-reductions

### 7.1 Introduction

Expectations about the future are crucial when deciding whether to deal with shortage of work by reducing the working hours or the number of workers. Hours-reductions are generally seen as more advantageous when the labour surplus is thought to be a passing phenomenon rather than when it is permanent. This view was in fact expressed in a statement attached to the collective agreement between the Tobacco Monopoly and the Tobacco Workers' Union. However, the involved parties did not have complete information about the future need for labour and their opinions about when to apply hours-reductions differed.

This chapter, which is devoted to the trade-off between workers and hours, begins with a review of the theoretical literature on the topic, with some comments about its empirical relevance for inter-war Sweden. Thereafter follows a section on working hours in the Swedish tobacco industry – before and after nationalization – preceding an analysis of how management and union leadership regarded hours-reductions. The chapter concludes with a section about the quantitative importance of hours-reductions, which makes use of the official industrial statistics and contrasts the Tobacco Monopoly with other industries.

### 7.2 The trade-off between workers and hours

According to standard labour economics, a company chooses how to combine factors of production depending on the relative prices in the long-run.<sup>1</sup> In the short-run, the firm's capital stock, such as machines and buildings, is fixed and it only chooses how much labour to employ at a given wage rate. The decision is complicated by the fact that labour consists of two components: the number of workers and the amount of time each worker is employed.<sup>2</sup> In a downturn the

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<sup>1</sup> Borjas 1996, p 105; Björklund *et al* 2000.

<sup>2</sup> Borjas 1996, pp 102, 144.



employer can thus choose whether to reduce the total amount of labour by reducing the number of workers or by reducing the number of hours, or a combination of both. Perfect substitutability between workers and hours is often assumed in simple models, which means that the same output can be attained with three workers employed eight hours per day as with one worker employed 24 hours per day. This is unrealistic of course. In practice an employer has to consider several factors when determining working hours and manning. One such factor, apparent in the example above, is fatigue. Workers get tired after a while and cannot maintain the same productivity level. They also find it inconvenient to work at certain times during the day and will demand compensation.

A basic idea underlying the whole discussion about hours-reductions is that there is a normal amount of working hours over a particular period of time. This idea may be in the form of an implicit understanding or it may be formalized into agreements or legislation. When there is a normal working day (or week), there may also be rules regarding the criteria for reducing or increasing the number of hours worked. Such rules affect the employers' scope for action. Overtime work is likely to be common in upturns if employers can command the workers to work more hours per week without having to pay high wage additions. If that is the case, the employer can, furthermore, easily reduce labour inputs in downturns by returning to the normal working week. If it is expensive to extend the working week a greater part of the adjustment of labour inputs will be made by changing the number of workers.

In Sweden the 48 hour week was, as mentioned, introduced in 1920. Before that, weekly working hours had been stipulated in collective agreements and differed between industries and companies. No systematic study has been made of the size of wage additions for overtime work in various parts of the labour market, but it may be established that collective agreements in nine out of ten cases included rules about overtime pay.<sup>3</sup> Some agreements restricted the employers' possibilities of commanding workers to do overtime whereas others restricted the workers' rights to refuse overtime.

Another factor of importance for the trade-off between workers and hours, which has been analyzed by Walter Oi, is the notion of labour as a quasi-fixed factor of production.<sup>4</sup> Oi reasons that some of the costs of employing workers

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<sup>3</sup> *Kollektivavtal angående arbets- och löneförhållanden i Sverige, III: Arbetstidens längd och arbetslönens storlek inom olika näringsgrenar enligt källande kollektivavtal (1907/08) 1911*, pp 195-200.

<sup>4</sup> Oi 1962.

are fixed, independent of the number of working hours. The employer may, for example, incur costs for advertising, for screening and selecting job applicants and training new recruits. Administering wage payments is another item that is likely to be unrelated to the length of the working week. If the fixed costs are high, employers will prefer to make as few changes as possible in the number of workers employed over the business cycle. The workers will be offered more hours in good times and fewer hours in bad times. It is often assumed that fixed costs are positively related to the skill level of the workers.<sup>5</sup> Empirically it has been observed that employers are reluctant to lay off skilled workers in downturns and implement short-time working instead.<sup>6</sup> Hours-reductions were without doubt used as an adjustment mechanism on the Swedish labour market before World War II, but we do not know much about how important it was in different industries or if there were changes over time.<sup>7</sup>

From the existence of fixed labour costs it follows that the trade-off between workers and hours is related to expectations of the future need for labour. If a downturn is regarded as temporary and if demand on the product market is expected to resume in the foreseeable future, employers will be less inclined to reduce the number of workers in view of the fixed costs related to recruitment and training of new workers. If a downturn is considered permanent, the same fixed costs will induce a reduction of the workforce. Having a huge number of workers working fewer hours is, in the long-run, usually more

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<sup>5</sup> See for example Rosen 1968.

<sup>6</sup> This phenomenon is often called ‘labour hoarding’. To reduce the number of working hours is, however, not the only way for an employer to hoard labour. Other options may be to produce for stock or to transfer skilled workers to unskilled jobs. For evidence of labour hoarding from nineteenth century Sweden, see Berggren 1991, pp 186-187, 205-206, 240.

<sup>7</sup> *Arbetslöshetsutredningens betänkande I. Arbetslöshetens omfattning, karaktär och orsaker. Avgivet av 1926 års arbetslöshetssakkunniga* 1931, p 83. In some industries there were collective agreements stipulating hours-reductions in temporary downturns. Lundh 1988; Bengtsson 2006. Bengtsson (2006, p 114) also states that work-sharing, “in the form of daily reduction of working-time or shift-wise temporary layoffs”, were “not seldom” implemented in the absence of formal agreements. The historical development of working hours in Sweden has been described and analyzed by several researchers. With the exception of an inquiry into the seasonal variation of working hours published by the National Board of Trade in 1911 (*Arbetstidens längd inom industri och handverk i Sverige*), the focus has been on the normal working hours according to collective agreements and laws; not on the actual time spent at work and its short-run variations. Johansson 1977; Johansson, Alf 1988, pp 144-167; Isidorsson 2001. Isidorsson (2001) discusses short hours as an adjustment mechanism, but empirically his treatment of this matter is limited to modern-day conditions.

expensive than having a smaller number of workers working many hours. Workers that quit voluntarily retire, or disappear for some other reason, must be replaced. The employer must have larger facilities than otherwise needed or to impose shift-work, which may require wage amendments and imply costs when work-shifts begin and end.

The adjustment of the labour inputs may be thought of as a dynamic process where the employer reduces the length of the working week in an initial stage of a downturn in the business cycle.<sup>8</sup> If the recession seems to be lasting, the employer will have a stronger incentive to reduce the number of workers. Initially, this may be accomplished by attrition. When such alternatives are exhausted, layoffs follow. This pattern is not only observed by modern day labour economists but was also seen by the National Board of Health and Welfare in its surveys of the labour demand during the 1921 crisis.<sup>9</sup> A majority (53 percent) of the participating companies had, to some extent, reduced working hours during the first quarter of 1921. Thereafter hours-reductions became less common.

Most empirical studies on the trade-off between workers and hours have been conducted on industry level.<sup>10</sup> One of the few studies on individual firms shows that the costs associated with different courses of action in adjusting the composition of the labour inputs may be related to previous experiences.<sup>11</sup> In fact, hours-reductions can be viewed as a kind of organizational change that causes increased costs for coordination and rearranging work schedules. These changes may be difficult to carry out the first time but easier to implement when there are established routines and experiences in the company.

So far, the discussion has been focused on how the employer may regard the trade-off between workers and hours. However, this distinction is also important for the workers. They may have strong opinions about how a company should respond to shortage of work. For them it is ultimately a matter of having a job or not. A study by James Medoff of the US manufacturing sector in the decades after World War II has indicated that layoffs, in relation to other adjustment mechanisms, are more important in companies with strong unions.<sup>12</sup>

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<sup>8</sup> Björklund *et al* 2000, pp 98-99.

<sup>9</sup> *Arbetslöshetsutredningens betänkande I. Arbetslöshetens omfattning, karaktär och orsaker. Avgivet av 1926 års arbetslöshetssakkunniga* 1931, p 83.

<sup>10</sup> For examples of historical studies in this field see: Bernanke 1986; Carter & Sutch 1998; James 1998; Bowden *et al* 2006.

<sup>11</sup> Huberman 1997, p 411.

<sup>12</sup> Medoff 1979, p 393.

One explanation for this pattern is that collective bargaining is characterized by the preferences of the average union member – who is likely to be a senior worker. In non-union settings, on the other hand, the management is more likely to be influenced by the behaviour of marginal workers – who are more likely to be less experienced. Given that senior workers have a stronger employment protection, they will prefer an adjustment policy that involves layoffs but keeps hours and incomes stable. It should be said that Medoff's study does not distinguish between temporary and permanent layoffs and that it is based on data from a rather short period. There is not enough evidence to say that unions in general oppose short hours. From a theoretical perspective one could also expect the opposite of what is seen in Medoff's data; that hours-reductions are more important in contexts where a major part of the workforce is organized than where the union density is low, since unions have weak incentives to try to protect the employment of non-members. This argument is supported by the observation that American unions in the first half of the twentieth century often advocated hours-reductions.<sup>13</sup>

There were different opinions about adjusting the working hours in recessions in Swedish labour movement of the inter-war era. Some unions wanted to avoid workforce reductions and regarded hours-reductions as a better way of dealing with shortage of work. There could also be diverging opinions between fractions within the same union.<sup>14</sup> Berit Bengtsson attributes the differing opinions about hours-reductions to differences in the nature of labour demand and the characteristics of the unions.<sup>15</sup> Workers had a more positive attitude towards temporary hours-reductions in branches with a high degree of seasonality in labour demand and where they were organized by craft.<sup>16</sup> In such circumstances cutting working hours could reduce competition and under-bidding for vacancies. At the same time, the workers were given a period of recovery after more intense work during the peak season. Besides seasonality, one may come up with several other hypotheses about what affects the workers opinions about hours-reductions.

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<sup>13</sup> Slichter *et al* 1960, p 152.

<sup>14</sup> For an example, see Eriksson 1991b, pp 230-232.

<sup>15</sup> Bengtsson 2006, p 114.

<sup>16</sup> Collective agreements that stipulated hours-reductions were found in collective agreements from the 1930s for tin-plate and sheet-metal workers, saddlers, founders and upholsterers. Stipulations about hours-reductions were less common in agreements made by unions organized according to industry, but exceptions were found in some agreements of unskilled labourers and metal workers. Bengtsson 2006, p 114.

The wage level and gender composition of the workforce are two aspects to consider in this regard. Hours-reductions are more likely where there is a certain margin to the subsistence level, otherwise workers will not be able to survive if hours are reduced. Hours-reductions are also more likely where a huge share of the workers is women, particularly in historical settings where women's incomes were seen as complementing the male breadwinner's. Workers incomes are not only related to wages and working times, but also to the existence of unemployment insurances. The design of such schemes may be of great importance for workers' attitudes towards reducing working hours temporarily. An insurance where part-time unemployed are eligible to benefits will increase the income security of the workers and reduce the negative consequences of hours-reductions. Those who advocate short hours can thus try to convince politicians to impose a public unemployment insurance which acknowledges part-time unemployment or create a private fund based on that principle. In Sweden there was, as mentioned, no public unemployment insurance until 1935 but there were several private schemes run by unions. Most of these schemes did not hand out benefits to part-time unemployed.<sup>17</sup>

To conclude, the trade-off between workers and hours is, although often neglected, an important aspect of how employers and workers respond to shortage of work. The existence of fixed labour costs may induce employers to implement hours-reductions in temporary crises, but make them more sceptical towards the same measure as a way of dealing with long-term changes. Unions, on the other hand, may differ in their opinions about hours-reductions, for example, depending on whether the industry is characterized by seasonality, how many workers are organized, wage level and so forth. In the following section we take a closer look at working hours in the Swedish tobacco industry.

### 7.3 Working hours in the Swedish tobacco industry

In the Swedish tobacco industry of the late nineteenth century, working hours were highly flexible. To quote statistician Henning Elmquist: "In few, if any branches of industry, the duration of working days is so hard to adequately

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<sup>17</sup> According to an inquiry published in 1931, 24 unions supported unemployed members. The design of the schemes differed but only two unions handed out benefits to part-time unemployed. *Arbetslösheten inom fackförbunden samt därmed sammanhängande bestämmelser i förbundsstadgar och kollektivavtal* 1931, p 71.

establish [...]”.<sup>18</sup> Most workers could come and go as they wished, which may be related to the common use of piece rates. Eventually, working hours became more strictly regulated. In the 1914 collective agreement for cigar workers the normal week was set to 57 hours.<sup>19</sup> Workers were entitled to wage additions after ten hours on a weekday and after 14.00 on a Saturday. These stipulations remained unchanged after the creation of the Tobacco Monopoly.<sup>20</sup> In 1918, that is two years before the national legislation, the normal working week was reduced to 48 “effective” hours.<sup>21</sup> Work exceeding 8.5 hours on weekdays and 5.5 hours on Saturdays was considered as overtime. Wage additions amounted to 25 percent for the first hour, 50 percent the second hour, 75 percent the third hour and thereafter 100 percent. The normal working week and the wage additions remained unchanged throughout the 1920s.<sup>22</sup>

Overtime and shift work were, however, frequently disputed issues in the negotiations between employer and union. A central aspect in these discussions was the high share of women in the industry. The union representatives argued that it was important for married female workers to be able to combine work with domestic duties, and that it was therefore necessary to shorten the normal working week, abolish shift work (in the mornings) and restrict the management’s right to demand overtime.<sup>23</sup> This kind of argumentation had some effect on the management. The 1919 agreement stated that overtime work on holidays would only be demanded “when conditions made it absolutely necessary”, and that notice of overtime would be given two days in advance and

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<sup>18</sup> *Undersökning af tobaksindustrin i Sverige 1899*, p 98.

<sup>19</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Öfverenskommelse mellan Svenska Cigarrfabrikantföreningen och Internationella Tobaksarbetareförbundet i Sverige 1914*.

<sup>20</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets cigarrfabriker 1915*.

<sup>21</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter inom Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser 1918*.

<sup>22</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter inom Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser 1921*; MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter inom Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser 1924*; MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter inom Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser 1926*; MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter inom Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser 1930*.

<sup>23</sup> ARAB, STF, Förhandlingar, F01: 3 5 November 1918; ARAB, STF, Förhandlingar, F01: 4 13 November 1925.

that the management would try to avoid summoning female workers with families to take care of.<sup>24</sup> A rule stating that workers could not refuse overtime was abolished at the same time.

Not surprisingly the issue of overtime work was closely related to business cycles. During the post-war depression there were no discussions about workers having to extend their normal days but in the mid-1920s the issue reappeared. The union demanded higher compensation for overtime work, complaining that the company had demanded too much overtime.<sup>25</sup> Wallenberg replied that this had been an extraordinary measure caused by delayed machine deliveries. He considered the overtime pay enough to discourage the management from extending working days more than was absolutely necessary and informed the union that attempts had been made to avoid overtime by rehiring retired workers (and others). The negotiations in 1925 did not result in any changes and overtime compensation remained as it had been, but the discussion is interesting since it shows the tobacco workers' reluctance to meet upturns by adjusting the number of hours. This reluctance is likely a factor that reduced the potential to deal with downturns by hours-reductions, since it is easier to go from overtime to the normal working day than to cut hours when the point of departure is the normal working day.

It has been established that temporary hours-reductions may be associated with costs if the firm has no previous experience of the measure, and that it is therefore most likely to appear in industries characterized by temporary swings in labour demand. In such contexts, firms have repeated opportunities to find ways to organize hours-reductions efficiently.

Although tobacco factories were usually shut down for a couple of weeks over Christmas, the tobacco industry was not known to be characterized by seasonality.<sup>26</sup> Swedish tobacco factories were not dependent on local harvest seasons and could keep production on a fairly even level throughout the year. Still, there is some evidence indicating that hours-reductions were carried through in the turbulent year that preceded nationalization. On 1 November 1914, about one fourth of the tobacco workers were employed four hours per day. Another fourth worked between five and eight hours a day. In addition to

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<sup>24</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter inom Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1919.

<sup>25</sup> ARAB, STF, Förhandlingar, F01: 4, 13 November 1925.

<sup>26</sup> An inquiry about working hours published in 1911 identified a number of industries where labour demand was strongly related to season; the tobacco industry was not one of them. *Arbetstidens längd inom industri och handverk i Sverige* 1911, p 122.

this, many factories were closed on Saturdays.<sup>27</sup> Temporary hours-reductions were thus not unknown before nationalization. This is also seen in the fact that the congress of the Tobacco Workers' Union took position for short hours in temporary downturns as far back as 1906.<sup>28</sup>

Eventually, the union also managed to get the employer to accept the inclusion of a formulation regarding hours-reductions in the collective agreement. In the negotiations that began in 1918 the union demanded that “[i]n the case of a production restriction, working hours should be reduced or the production should be restricted to a certain work quantity per week”.<sup>29</sup> Wallenberg initially opposed making a formal pledge of this kind, arguing that it was a restriction of the employer's freedom to lead and manage work.<sup>30</sup> He also thought that the formulation was unnecessary, since it only stated the actual policy of the company. The final formulation, which was in the form of an amendment to the agreement of 1919, was a compromise that left the management with more scope for action. It had the following wording:

In the event of a more temporary shortage of work, the management of the Tobacco Monopoly, if possible, will try to prevent or limit unemployment by shortened working-time, or other form of work rationing.<sup>31</sup>

In comparison with the original union proposal, the implementation of short hours was thus seen as a temporary measure that would be applied only if conditions so demanded. The short hours clause remained unchallenged and unchanged in the collective agreements of the Tobacco Monopoly throughout the period of our investigation. Thus, the two parties agreed in principle that cutting hours was the best way to meet temporary downturns but in practice the statement left room for interpretation. What was a temporary downturn? At what point should the hours-reductions be abandoned in favour of workforce

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<sup>27</sup> Lindbom & Kuhm 1940, p 221. For earlier evidence of short hours, see also *Undersökning af tobaksindustrin i Sverige* 1899, p 98.

<sup>28</sup> ARAB, STF, Kongressprotokoll, A01, 1906, pp 20-21; Lindbom & Kuhm 1940, p 170.

<sup>29</sup> Swedish: "Ifrågasättes inskränkning i tillverkningen bör arbetstiden avkortas eller tillverkningen begränsas till en viss arbetsmängd pr vecka." ARAB, STF, Förhandlingar, F01: 3, 11 October 1918.

<sup>30</sup> ARAB, STF, Förhandlingar, F01: 3, 6 November 1918.

<sup>31</sup> Swedish: "Vid inträffande, mera tillfällig arbetsbrist, ämnar Tobaksmonopolets ledning, i den mån förhållandena så medgiva, söka genom förkortad arbetstid eller annan form av arbetsransonering förebygga eller begränsa arbetslöshet." MS, FHK, F8F: 1, Arbets- och löneavtal, *Arbets- och löneföreskrifter vid Aktiebolaget Svenska tobaksmonopolets fabriker och övriga arbetsplatser* 1919.



reductions? The following section offers a closer look at how hours-reductions were discussed between company and union and within these organizations.

## 7.4 Understanding the positions of the parties

Generally, the Tobacco Workers' Union had a more optimistic view on the potential for using hours-reductions to deal with shortage of work than the management. In several situations the union representatives advocated that hours should be reduced so that layoffs could be avoided.<sup>32</sup> The preferred mechanism of adjusting labour was through hours and not through the number of workers, which was in line with the congress decision of 1906. This was expressed very clearly after the layoffs of a group of female workers at the end of 1927.<sup>33</sup> The primary demand in this situation was that the workers should be recalled and short hours imposed instead. If that was not possible, the principle 'last hired, first fired' was advocated and, as a third alternative, higher severance pay was demanded. The pattern observed by Medoff in the American manufacturing industry after World War II does not fit that of the Swedish tobacco industry in the inter-war period. One reason why the Tobacco Workers' Union demanded hours-reductions may have been that its senior members were not protected from layoffs.

The management did not oppose hours-reductions in principle, which for example is shown by the course of events in the spring of 1920, described in section 6.2. But compared with the union, the management put more emphasis on short-time working as a temporary measure. This may have been a case of asymmetric information. Although the management did not know how far mechanization could be taken, it certainly knew more than the union. With this in mind, it is therefore not surprising that the management more often came to the conclusion that workforce reductions were necessary. With hindsight, the management's reluctance to implement hours-reductions may appear obvious, as we know that the mechanization of cigar and cigar-cigarette production was eventually successful and that demand was stabilized at a level that was below the boom years after World War I. The question is whether this was already evident in 1921. Did the parties know that the demand was not going to recover and that machines could be used for all parts of tobacco production?

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<sup>32</sup> ARAB, STF, Cirkulär, B03: 3, 17 March 1921. SM, STM, Styrelsens protokoll, 16 January 1928, Bilaga B.

<sup>33</sup> SM, STM, Styrelsens protokoll, 16 January 1928.

With regard to demand, the answer is probably no. Today, large companies generally use considerable resources to analyse and forecast the size of the future market. This cannot be said about the Tobacco Monopoly during the inter-war years, as was mentioned in section 5.2. Overall, the development of demand received surprisingly little attention at the meetings of the company board.

With regard to mechanization the answer is less clear. The management was aware of the new technology in 1915, hesitated for some years and ordered machines from the United States in 1920. When individual members of the company board brought up hours-reductions as an alternative to layoffs in the spring and autumn of 1921, their idea was rejected by management representatives. Holsti explained: “With increased machine production of cigars the labour demand will undergo a steady decrease”.<sup>34</sup> The great scope for mechanization was at that time beyond doubt, but the limits of the new technology, and how fast it could be implemented, were not known. The management refrained therefore from laying off male hand cigar makers in Malmö in the summer of the same year. In the autumn of 1923 the management established that it would be unwise to release 50 female cigar workers currently employed in preparation work, even though there was a surplus of prepared tobacco. It was explained in a memo that:

The division of labour is still not fully implemented as it should be. A part of the mechanization of work is still awaiting its solution. One therefore cannot yet definitely determine whether these workers can be employed in their original jobs.<sup>35</sup>

The union leadership’s knowledge of the new technology came from the management and from colleagues in other countries. These sources did not deliver clear-cut messages about the merits of mechanization. In December 1921 a management representative informed the union that “[...] machine production

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<sup>34</sup> Swedish: “Med stegrad maskinell drift inom cigarrtillverkningen, komma nämligen arbetstillgången inom cigarrindustrien att underkastas stadigvarande minskning”. SM, STM, Styrelsens protokoll, 14 March 1921; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 15 July 1921, E03: 1, Svenska Tobaksindustriarbetareförbundet, ARAB.

<sup>35</sup> Swedish: “Arbetsfördelningen är ännu icke fullt genomförd på sätt, som bör ske. En del av arbetets mekanisering väntar ännu på sin lösning. Man kan således ännu icke definitivt avgöra, huruvida dessa arbeterskor icke komma att användas i sin ursprungliga sysselsättning.” SM, STM, Styrelsens protokoll, 17 September 1923, Bilaga C, “P.M. angående cigarrarbetet”.

was still in an experimental stage and that definitive decision about future acquisition of machines yet not had been made”.<sup>36</sup> In order to get more information on the matter the union’s executive committee sent a letter to its sister organization in the United States. The reply, which arrived in autumn 1922, was a testimony of technological regression.<sup>37</sup> After having introduced automatic machines for cigar production before World War I, many firms returned to older technology, even to hand and mould work, in the period of unemployment after the war. Automatic machines were only used for producing cheap grades.

Expectations of future demand and production technology were essential for how the management and the union viewed the trade-off between workers and hours, but the parties also made other considerations. Fixed labour costs were not frequently discussed in the material reviewed for this study. Nevertheless, when Wallenberg pleaded for the creation of a personnel reserve in 1928, he reminded the company board that having too many workers employed was associated with costs of supervision and book-keeping.<sup>38</sup> Another circumstance for the management was that hours-reductions were generally followed by compensation demands from the union.<sup>39</sup> This was a recurring pattern during the first years of the downsizing process. For example, in 1920 the union, on behalf of the workers in Arvika and Härnösand, argued that it was not possible to survive on only a half-day wage and that the company had a certain obligation toward its workers.<sup>40</sup> Compensation demands following hours-reductions were also made during the summer and autumn of 1921, before the plant closure over Christmas the same year and in the spring the following year.<sup>41</sup> Most often, this union strategy was fruitless.<sup>42</sup> The management thought

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<sup>36</sup> Swedish: “[...] maskindriften ännu stod på ett stadium då man fortfarande experimenterade och att något definitivt beslut om anskaffande av maskiner som framledes skulle användas ännu icke fattats.” ARAB, STF, Styrelsens protokoll, A02: 5, 29 December 1921.

<sup>37</sup> MS, FHK, Cirkulärskrivelser, F8B: 3, 15 September 1922.

<sup>38</sup> SM, STM, Styrelsens protokoll, 20 August 1928.

<sup>39</sup> SM, STM, Styrelsens protokoll, 23 March 1922.

<sup>40</sup> ARAB, STF, Cirkulär, B03: 3, 5 March 1920.

<sup>41</sup> ARAB, STF, Cirkulär, B03: 3, 15 July 1921; ARAB, STF, Utgående skrivelser, B04: 5, 23 August 1921; SM, STM, Styrelsens protokoll, 23 March 1922, Bilaga B.

<sup>42</sup> An exception was in December 1921, which probably was due to a tradition according to which the management handed out Christmas gifts to the employed.

that it had made enough concessions by accepting hours-reductions instead of layoffs, referring to the fact that the measure originally had been a union idea.<sup>43</sup>

From a theoretical perspective short-time working may be viewed as a way to attain employment stability at the price of income stability. This was not the way the issue was initially perceived by the union. The union wanted both: hours-reductions were preferred to layoffs, but at the same time the company should compensate the workers whose hours were cut.<sup>44</sup> We cannot know exactly what the union leadership was thinking when pursuing this strategy. Probably it reasoned that the Tobacco Monopoly, with its high profitability, could afford to bear higher labour costs. However, after having put forward compensation demands on repeated occasions without success, the union leadership realized the potential drawback of such a strategy; that it could induce the management to conduct more workforce reductions than necessary. This was, as mentioned in section 6.6, the case in the summer of 1927.

Apart from the compensation issue, there is also evidence of union demands for the burden of short hours to be shared equally by all workers. This came about in connection with the temporary layoffs of male cigar workers in Malmö during the summer of 1921. The Malmö branch of the union proposed that the production of more demanded cigar brands should be transferred from other locations to Malmö. This idea was accepted by the union leadership and presented to the management. After some consideration, Wallenberg rejected the proposal and informed the union that the number of hand cigar workers had been too high for a long time and that further layoffs were planned. At that point, the company employed 240 male hand cigar makers and the long-run personnel need in this occupation was estimated to be 100 workers. A part of the redundancy could be solved by attrition but 100 cigar workers had to go, Wallenberg explained. The union representative argued that the company had made bad forecasts before and repeated the proposal to move brands produced in Stockholm and Gävle to Malmö. The management reply showed that it was not opposed to temporary hours-reductions in principle. The difficulty was that it involved transfers of workers, with associated problems in wage setting. The management feared that the hand cigar workers in Malmö would not accept

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<sup>43</sup> SM, STM, Styrelsens protokoll, 23 March 1922.

<sup>44</sup> It is worth noting that the workers at LKAB, another state-owned enterprise, also wanted compensation when hours were cut during the Great Depression in the early 1930s. Eriksson 1991, pp 230-232.

lower incomes and that the cigar workers at the other locations would not accept lower wages than the Malmö workers.<sup>45</sup>

Unlike some other unions, cutting working hours temporarily was an uncontroversial strategy among the tobacco workers. There is no evidence of conflicts between senior and junior workers. The congress decision in 1906 in favour of hours-reductions in recessions was not preceded by lengthy discussions. In fact, no counter arguments are mentioned in the congress records.<sup>46</sup> Nor were there any principal discussions at the meetings of the executive committee about the trade-off between workers and hours. There were no demands during the post-war depression for some workers to be laid off in order to secure stable incomes for the rest. This consensus on hours-reductions is probably a reflection of the high union density in the industry. The union was not just a small clique but a majority of the workforce and it strived to protect the employment of as many as possible. There were also other potential factors of importance. One was the gender composition of the members, which clearly mattered with regard to overtime work but no explicit references were made to gender in discussions about the use of short hours. Another potential explanation was the relative political unity among the tobacco workers. There was no organized radical opposition within the Tobacco Workers' Union, as was the case, for example among the miners in Kiruna, described by Ulf Eriksson.<sup>47</sup>

Although the union clearly preferred hours-reductions to permanent layoffs, it ought to be mentioned that the union's unemployment scheme was not designed to comply with such a strategy. Workers who were temporarily laid off for long periods were eligible for benefits.<sup>48</sup> For those who were laid off every other week or who worked shorter days it was another matter, and these workers did not get any benefits from the union.<sup>49</sup>

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<sup>45</sup> ARAB, STF, Cirkulär, B03: 3, 15 July 1921; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 30 July 1921.

<sup>46</sup> ARAB, STF, Kongressprotokoll, A01, 1906.

<sup>47</sup> There was some tension in 1920 when a syndicalist group was formed at a snuff factory in Stockholm. This group managed to gather around 30 workers and did not have any lasting impact. Lindbom & Kuhm 1940, p 253. For the controversy between reformist and communist miners over hours-reductions, see Eriksson 1991, pp 230-232.

<sup>48</sup> It is somewhat unclear whether this was in accordance with the statutes of the union. A discussion at the union congress in 1923 indicates that it was a matter of implicit practice rather than a formal right. ARAB, STF, Kongressprotokoll, A01, 1923, p 14.

<sup>49</sup> Here it ought to be noted that the union did not regard temporary layoffs as a form of short-time working.

If there was consensus regarding temporary hours-reductions in situations with shortage of work, there were different opinions about the treatment of part-time unemployed members. This issue became urgent during the autumn of 1921. First a proposal came from the Malmö branch, whose male members had been temporarily laid off during the summer, that the union leadership should start collecting money from branches all over the country to support the affected Malmö workers. This proposal was turned down by the union board without much discussion. It was deemed inappropriate that the board should take action for a particular group of workers when there may have been other members also affected by hours-reductions.<sup>50</sup> Somewhat later the Stockholm branch proposed increasing the membership fee with the purpose of supporting those who were part-time unemployed.<sup>51</sup> In reality this group mainly consisted of female cigar-cigarette workers. The proposal caused a lengthy discussion where some of the members of the executive committee were very sceptical. It was decided to postpone the issue, pending an inquiry into the opinions of the members around the country and about the present extent of part-time unemployment. Such an inquiry had been carried out before the executive committee met the next time on 1 December. Generally, the local branches were opposed to raising membership fees.<sup>52</sup> All in all, slightly less than two fifths of the workers were affected by reductions in working hours, either in the form of temporary layoffs or shortened working days or weeks.<sup>53</sup> After realizing how many members were affected by hours-reductions, the union leadership decided not to accept the proposal from the Stockholm branch. Contributing to this decision was probably the fear that demands for changed benefit rules could be followed by demands for retroactive compensation and the fact that the union leadership at this point had also been informed that all cigar factories were going to be closed from 14 December to 10 January. This measure affected 3,000 members and supporting all these for the one month during which the factories were going to be closed was deemed impossible.<sup>54</sup> Another possible reason, although not explicitly

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<sup>50</sup> ARAB, STF, Styrelsens protokoll, A02: 5, 5 September 1921.

<sup>51</sup> ARAB, STF, Cirkulär, B03: 3, 24 November 1921, B03: 3, STF's arkiv, ARAB.

<sup>52</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 1 December 1921.

<sup>53</sup> ARAB, STF, Cirkulär, B03: 3, 8 December 1921, B03: 3, STF's arkiv, ARAB.

<sup>54</sup> In normal years the unpaid vacation lasted from 22 December to 7 January. A temporary unemployment support was paid in order to compensate for some of the income loss caused by the extended closure. Male workers over 21 got 100 *kronor* and female workers in the same age group got 75 *kronor*. SM, STM, Styrelsens protokoll, 12 December 1921, Bilaga E. After demands from the union the management also decided to hand out extra support to workers with maintenance obligation; 20 *kronor* for a wife and 10 *kronor* for each additional family member that the worker is obliged to

stated, for rejecting the proposal to make part-time unemployed eligible for benefits may have been that such a move would have undermined the union's attempts to get the company to compensate income losses associated with hours-reductions. If the company saw that the union was supporting its own members there would be no reason for the company to take such a responsibility.

## 7.5 Quantifying the importance of hours-reductions

Now that the positions of the company management and the union concerning hours-reductions have been discussed, it is now time to quantify the importance of hours-reductions at the Tobacco Monopoly. What was the overall significance of the documented attempts to avoid workforce reductions by cutting working hours? This question will be addressed with the help of the official industrial statistics. Though easily accessible, this material has not previously been used to discuss the flexibility of working hours in inter-war Sweden.

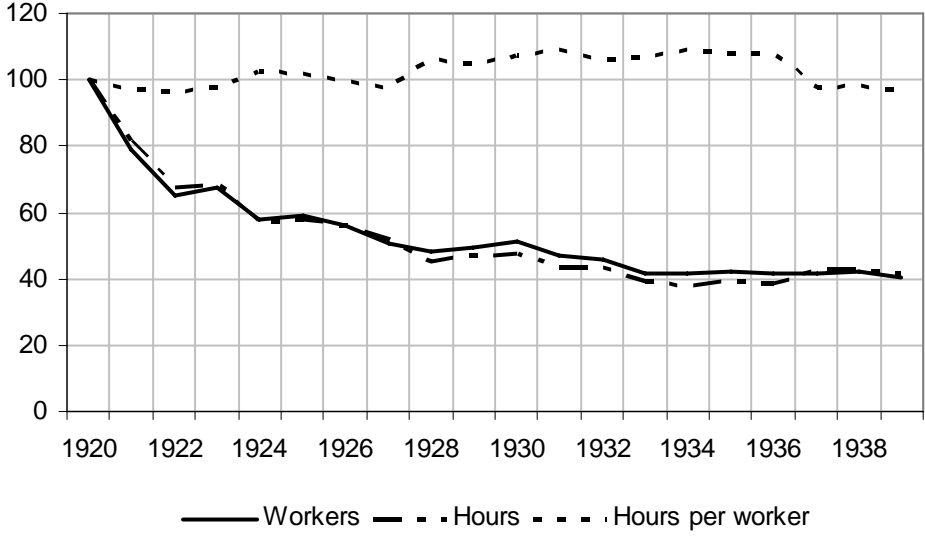
From 1920 onwards the industrial statistics contain information on labour inputs that distinguishes between the average number of workers and the total number of hours worked every year. The information given in the industrial statistics makes it possible to examine the importance of hours-reductions in downturns, which is indicated by the correlation between the total quantity of labour and the average number of hours per worker. A positive correlation suggests that reductions of working hours were an important way of dealing with excess labour. A negative correlation, or the absence of a correlation, between the total quantity of labour and the average number of hours per worker indicates that workforce reductions were more significant.

Figure 7.1 depicts the development of working hours and the number of workers in the tobacco industry during the period 1920 to 1939. Looking at the downturn in 1920-1922, it is striking that the number of hours worked and the average number of workers follow each other, whereas the number of hours per worker remains at a fairly stable level throughout the 1920s (with a tendency to increase towards the end of the decade). In other words, the industrial statistics do not indicate substantial hours-reductions during the post-war crisis.

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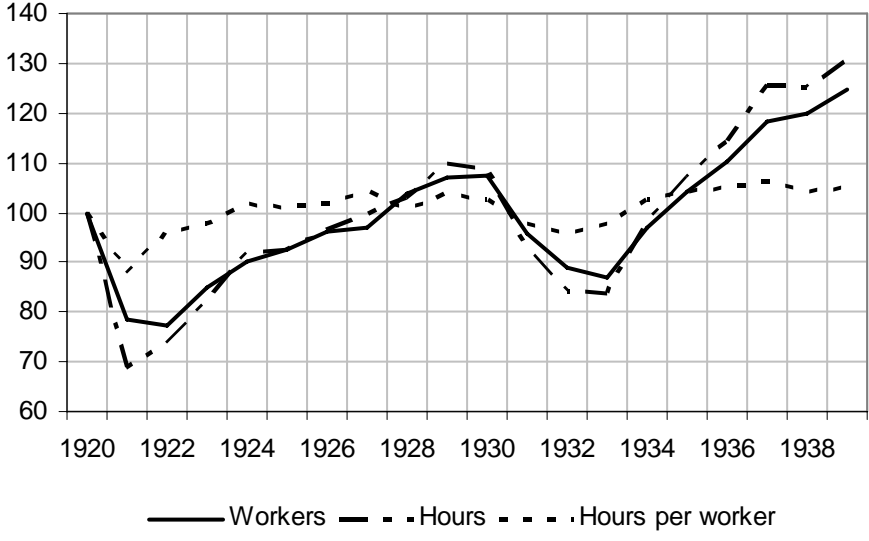
support. SM, STM, Styrelsens protokoll, 12 December 1921, Bilaga F. When the board was informed about the measures it was furthermore decided to hand out 18 free lunch coupons to each worker (this was an initiative from one of the state representatives).

**Figure 7.1** Index of hours worked, average number of workers and hours per worker in the Swedish tobacco industry, 1920-1939 (1920=100)



Source: *Industri* 1921-1940.

**Figure 7.2** Index of hours worked, average number of workers and hours per worker in the Swedish manufacturing industry, 1920-1939 (1920=100)



Source: *Industri* 1921-1940.

Did the development of working hours in the tobacco industry deviate from that of other industries? Figure 7.2 displays the number of hours and the number of workers for the manufacturing industry as a whole, which, as was established in chapter 3, did not experience long-term decline but two temporary downturns in



the inter-war period. During the post-war depression, the average number of hours per worker fell by more than 10 percent between 1920 and 1921, whereas the number of workers fell by about 20 percent. Thus, about one third of the total reduction of labour inputs was accomplished through hours-reductions. During the crisis of the early 1930s there was also a visible reduction in the average number of working hours, although not of the same magnitude as in the former crisis.

Aggregate figures of this kind may hide a considerable amount of variation. The response to the depression of the early 1920s in different parts of the manufacturing industry is therefore shown in table 7.1. Evidently, some industries, such as those labelled ‘Metal & mining’, carried through substantial reductions in the number of workers and small reductions in the average number of hours per worker. In other industries, such as ‘Chemicals’ and ‘Paper & pulp’, hours-reductions were more important. Explaining the patterns of various industries would require taking into account not only human capital, fixed labour costs, the magnitude and duration of the shocks experienced by various industries, but also costs of adaptation and the nature of production. This is, however, beyond the scope of this study.

**Table 7.1** Changes in total number of hours worked, average number of workers and number of hours per worker between 1920 and 1921 in various parts of the Swedish manufacturing industry (in percent)

Industry	Change in total number of hours worked	Change in average number of workers	Change in number of hours per worker
Metal & mining	-35	-29	-9
Earth & clay	-37	-25	-16
Wood	-41	-28	-18
Paper & graphics	-30	-15	-18
Foodstuffs	-4	1	-5
Textiles	-25	-15	-11
Leather, hair & rubber	-32	-21	-14
Chemicals	-38	-22	-20
Power	-12	-10	-2
Tobacco	-21	-19	-3

Source: *Industri* 1921-1922.

Something that has to be considered in this study, however, is the possibility of measurement errors. After all, the information in the industrial statistics must be regarded as rough estimations by the employers. In industries with several employers, errors in both directions may compensate for each other. Where there is only one employer, biased estimations are more problematic. As there is a possibility that the pattern viewed in figure 7.1 is a delusion, an alternative calculation has been performed to check whether the information in the industrial statistics is realistic.<sup>55</sup> All cases of hours-reductions during the depression year 1921 were first identified in annual reports, minutes, correspondence, and other qualitative sources. For each case, the following information was then recorded or estimated: how many hours were cut (deviation from normal working hours in percent), how many workers were affected (in percent of the total workforce) and how long the measure lasted. By multiplying these pieces of information an estimation of the total impact of hours-reductions on the average number of hours per worker was attained. This calculation indicated that the average number of hours per tobacco worker was cut by less than 7 percent in 1921. The main conclusion of the quantitative investigation in this chapter remains intact: short hours were only of marginal importance for the Tobacco Monopoly. Although there was some hesitation with regard to releasing certain groups of workers, the great part of the reduction of labour inputs in 1921 was accomplished by workforce reductions.

## 7.6 Summary

This chapter addresses the trade-off between workers and hours at the Tobacco Monopoly during the post-war crisis. It is shown that although both the management and the union, in principle, supported the idea formulated in an attachment to the collective agreement of using hours-reductions in temporary downturns, disagreement often came up about how to reduce labour inputs. This was partly because of uncertainty regarding how far mechanization could go. Generally speaking, the union wanted a greater part of the reductions to be accomplished by adjustment of working hours and when that was the case, the union demanded compensation on behalf of the affected workers. This strategy may have made the management less inclined to reduce hours and was eventually abandoned.

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<sup>55</sup> For more information on the calculation, see Karlsson 2006, pp 65-67.

According to the industrial statistics, the average number of hours per worker employed by the Tobacco Monopoly remained at a stable level during the crisis in the early 1920s. Although hours-reductions were certainly applied on occasions, this measure was not important compared to reductions of the number of workers. For the manufacturing sector as a whole, hours-reductions seem to have been of much greater importance in the post-war depression. In hindsight, the difference is understandable; whereas shortage of work was permanent in the tobacco industry, it was a temporary phenomenon in many other manufacturing industries.

## Chapter 8

# Workforce reductions

### 8.1 Introduction

Most of the reductions of labour inputs by the Tobacco Monopoly were achieved by reducing the number of workers. By the turn of the year 1919-1920 the company had over 5,000 blue-collars in its service, a greater number than ever before. From 1920 to 1921, the workforce was cut by more than a fourth and the reductions continued, with some interruptions and at a slower pace, until the mid-1930s (see figure 7.1). Some qualitative evidence was presented in chapter 6 indicating that the Tobacco Monopoly applied a variety of measures to achieve workforce reductions; ranging from layoffs to buyouts and pensions. Moreover, sex, age and marital status appear to have been important criteria for categorizing workers. However, this anecdotal evidence does not allow conclusions about the relative importance of various measures or to what extent the reductions affected various groups.

The purpose of this chapter is twofold. Firstly, the aim is to investigate by what means, distinguished in section 2.2, the workforce reduction was achieved. Here, the basic question is whether downsizing could be achieved by attrition or if it required active management measures such as buyouts or layoffs. Secondly, the chapter aims to study how the workforce reduction affected the composition of the workforce, with regard to the types of employment contracts and demographic characteristics. The creation of a formal personnel reserve in 1929 has already been described, but it remains to be seen whether the company also hired workers on temporary terms before that point in time. The demographic characteristics of the workforce are of great interest from theoretical as well as historical perspectives. According to Lazear's reasoning, companies are likely to make cuts at both ends of the age distribution when downsizing. According to Thurow's queue theory, companies will rank various categories of workers and try to keep the most preferred category when making reductions. As shown in chapter 6, the managers of the Tobacco Monopoly did not prefer male to female workers, but social considerations made it difficult to release male workers. It therefore remains to be seen to what extent the gender composition of the workforce changed during the downsizing process. A related, and complicating aspect, is civil status. Married women's gainful employment was a much

debated topic among politicians and there were forces within the Tobacco Worker's Union who advocated that jobs should be reserved for men. Although not the official union policy, these ideas seem to have influenced the management to a certain extent. The question is if such an influence can be seen in the quantitative material as well.

The reader should be aware that the level of analysis in the chapter shifts from factory-level to branch-level. When studying the reasons why workers left the company, and the existence of non-permanent workers, it has been necessary to consult the personnel records of Malmö Cigar Factory. Information on the demographic characteristics studied in the second half of the chapter is, on the other hand, available in annual reports for the company as a whole and its branches. The investigations in this chapter focus on cigar and cigar-cigarette production, which was where most of the reductions in absolute terms took place. Cigar and cigar-cigarette production was also the most important branch in terms of employment and continued to be so throughout the whole period of our investigation (see table A3.2).

## 8.2 Attrition, induced quits and layoffs

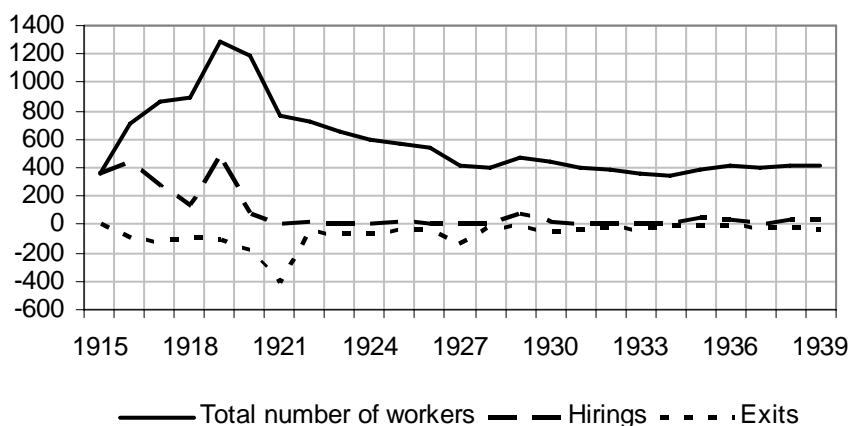
Malmö Cigar Factory was one of the Tobacco Monopoly's three establishments for cigar and cigar-cigarette production. The factory employed about a third of the workforce in the branch and a fifth of the company's whole workforce at the end of 1920.<sup>1</sup> The development of employment at Malmö Cigar Factory is fairly similar to that of the company as a whole, as evident in figure 8.1. First a rapid expansion, with the peak reached at the end of 1919 when the factory employed more than 1,200 workers, and thereafter a slight contraction, followed by a major reduction of the workforce. The decrease continued at a slower pace until 1927 when a more dramatic downturn occurred, followed in 1929 by a temporary expansion. By then, the number of workers had been reduced by over 60 percent since 1920.

Figure 8.1 also relates the stock of workers at Malmö Cigar Factory at the end of each year to the flow of workers – hirings and exits. Exits are here defined as all those workers who left the company, voluntarily or involuntarily. This figure shows a marked reduction in the inflow of workers as the depression

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<sup>1</sup> *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1920: Styrelsens förvaltningsberättelse*, p 24.

**Figure 8.1** The workforce at Malmö Cigar Factory – stocks and flows, 1915-1939



Note: Total workforce is measured at the end of each year. The number of exits in this figure is inverted to represent the outflow of workers.

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

began to be felt in 1920. Thereafter the inflow of workers was kept at a low level. The outflow of workers was low throughout the whole period with the exception of two years: 1921 and 1927.

The personnel records from Malmö Cigar Factory make it possible not only to reconstruct flows into and out of the factory over time, but also to look at why workers left the factory. The exit reasons from 1920 to 1928 are summarized in table 8.1, which shows that layoffs ‘due to shortage of work’ accounted for more than a third of the total number of exits and that quits ‘at own request’ were about as important.<sup>2</sup> Pensions, as expected, had only a limited significance over the period as a whole. However, it should be noted that the senior workers who were temporarily laid off in October 1921 were not given a specific exit reason in the personnel records, not even when the pension scheme came into effect in 1922, and are found in the category ‘No cause stated with compensation’ in table 8.1. If these exits are taken into account, pensions corresponded to 10 percent of all separations.

Table 8.1 summarizes the gross outflow of workers from the factory by exit reason. However, there was also a certain inflow which has to be taken into account when assessing the importance of various measures. During the period

<sup>2</sup> For a more detailed description of the exit reasons used in the personnel records of Malmö Cigar Factory, see section A2.7.

in question (1920-1928), 142 workers were hired at the factory. As mentioned in chapter 2, an employer has basically three options when reducing the number of workers: attrition, buyouts and layoffs. Attrition is here defined as all separations, except for buyouts and layoffs, minus the number of new hirings.

**Table 8.1** Exit reasons at Malmö Cigar Factory, 1920-1928

<b>Reason</b>	<b>Number of exits</b>	<b>Share of all exits (in percent)</b>	<b>Classification</b>
Shortage of work	364	36	L
Discipline offence or incompetence	9	1	A
Dismissal – unspecified cause	12	1	A
At own request			
without compensation	257	25	A
with compensation	105	10	B
Pension			
old age	49	5	A
early retirement	6	1	B
Disability & sickness	12	1	A
Death	32	3	A
Transfer to other factory	12	1	A
Other	3	0	A
No cause stated			
without compensation	93	9	A
with compensation	67	7	L
<b>Sum</b>	<b>1,020</b>	<b>100</b>	

Note: The category ‘Discipline offence or incompetence’ refers to dismissals due to lack of discipline, drunkenness, absence, theft and the like. The classifications in the fourth column represent: B = Buyout, L = Layoff, A = all other separations (gross attrition).

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

Buyouts are defined as separations where the employer induces the worker to quit by offering an amount of money, whereas layoffs are cases where employment contracts are terminated due to shortage of work.

Column four in table 8.1 shows how various separation causes have been classified. The classification is not always straightforward. Retirements due to old age are, for example, commonly viewed as a form of attrition. However, in the present case it should be remembered that there was, until the late autumn 1921, neither a pension scheme nor a certain age when workers were expected to resign.<sup>3</sup> The pension scheme was introduced to alleviate the consequences of job losses for senior workers at the company. Those who were temporarily laid off in October 1921 awaiting the pension scheme to come into force have therefore been counted as laid off. Another tricky aspect is how to classify workers who quit ‘at own request’ and, as shown in table 8.1, sometimes were given compensation and sometimes not. Those who were compensated are considered as induced quits in this study. It may, however, be discussed how ‘voluntary’ these quits were, since layoffs were likely to follow if too few workers volunteered.<sup>4</sup> An interesting indication of the sometimes blurry distinction between induced quits and layoffs was found in 1924, when the company offered a number of workers compensation for quitting. These exits were registered as ‘due to shortage of work/at own demand’ in the personnel records.

When classifying the different exits according to the above definitions, and accounting for the inflow of workers, it may be established that attrition represented 38 percent of the workforce reduction, whereas induced quits represented 13 percent and layoffs the remaining 49 percent. Although both attrition and layoffs were important measures, these outflows were distributed unevenly over time.

The bulk of separations classified as attrition were voluntarily quits (‘at own request’). Figure 8.2 shows how the quit rate for male and female workers developed over time at Malmö Cigar Factory.<sup>5</sup> As displayed in the figure, the quit rate approached 10 percent in 1920 for both men and women, but, as the downsizing process began, the voluntary turnover decreased and fluctuated

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<sup>3</sup> Although there was a general pension system in Sweden at the time, the compensation amounts in this system were hardly high enough to allow complete withdrawal from the labour force. Consequently, 47 percent of men over 70 were gainfully employed in 1920. Olsson 1986, p 13.

<sup>4</sup> This was, as mentioned, the case in the spring of 1927. The issue of ‘voluntary’ quits has been discussed in general terms by Turnbull 1988, p 207.

<sup>5</sup> The quit rate is defined as the number of exits ‘at own request’ (without compensation) divided by the average of the stock of workers at the beginning and end of each year.



around a considerably lower level until the end of the inter-war period.<sup>6</sup> This pattern can be attributed to external as well as internal factors. Looking at the external labour market, there is some evidence indicating that personnel turnover decreased in the inter-war period due to the high unemployment levels.<sup>7</sup> It may also be established that tobacco workers had particularly few alternative employment opportunities and fairly decent wages. However, even if a tobacco worker got a job offer, he or she had incentives to hesitate since the Tobacco Monopoly compensated redundant workers. Taking another job would imply a lost opportunity to get severance pay. Returning to figure 8.2, it can be noted that for most of the years female tobacco workers seem to have been more inclined to quit ‘at own demand’ than male workers.<sup>8</sup> This difference, which was particularly pronounced between 1921 and 1926, may indicate the terms on which women participated in gainful employment at the time. If duties towards the family required it, female workers had to quit, irrespective of whether they got compensation for quitting at that moment or not. Another explanation for the gender difference in the quit rate is that the general situation for women in the labour market was somewhat better, since they were typically employed in activities that were less exposed to business cycles.

Although voluntary quits were of decreasing importance they contributed to a more or less continuous outflow of workers from the factory. Induced quits and layoffs were, as shown in figures 8.3 and 8.4, concentrated to certain years. Induced quits began to be applied on some scale in 1923, when about 20 male workers at Malmö Cigar Factory accepted severance payment. In the following year, a group of female workers of about the same size was induced to leave the factory. The greatest number of induced quits in a single year was recorded in 1927, when this measure was directed to female workers to make room for the male cigar workers who were recalled after the negotiations with the union.

The layoffs were even more concentrated in time than the buyouts. Close to 90 percent of the recorded exits ‘due to shortage of work’ occurred during two years: 1921 and 1927. The existence of fixed costs associated with layoffs is a

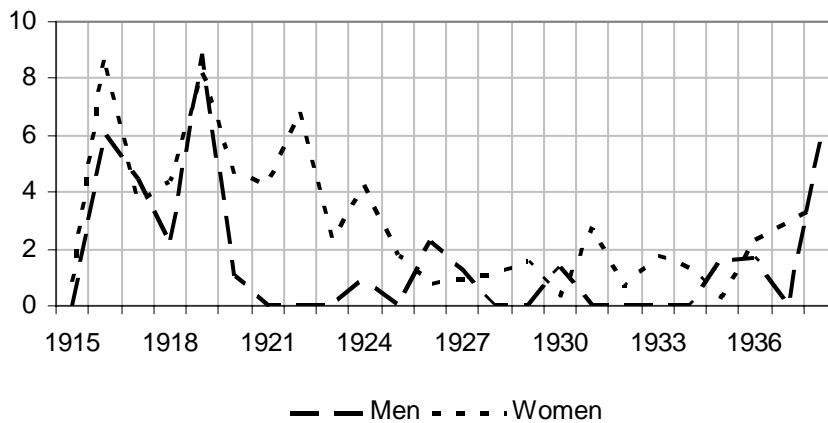
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<sup>6</sup> As a comparison it may be mentioned that quit rates among blue-collars in the Swedish engineering industry exceeded 12 percent most of the years in the 1920s. Before the post-war depression, employers in this industry could experience quit rates above 50 percent. Holmlund 1984, p 25.

<sup>7</sup> Holmlund 1984, p 25.

<sup>8</sup> Laura Owen reports evidence pointing in the same direction with regard to manufacturing firms in the United States in the 1920s. Owen 2001, pp 53-54.

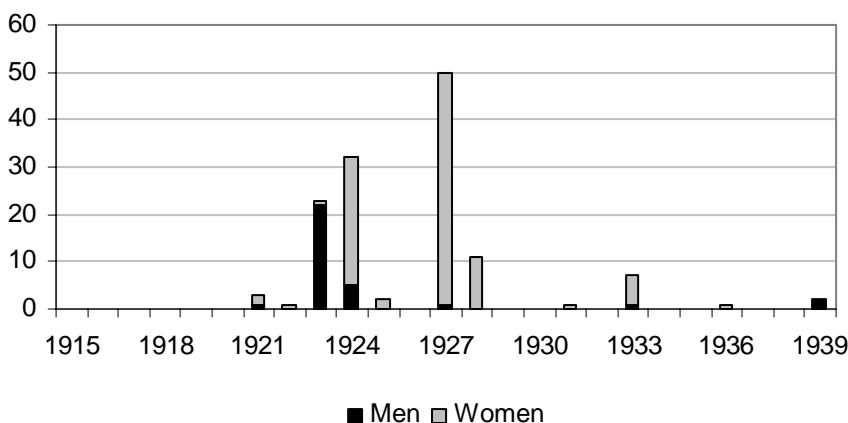
**Figure 8.2** Quit rate at Malmö Cigar Factory, 1915-1939



Note: Quit rate is here defined as the number of quits ‘at own request’ during each year per hundred workers. The number of workers has been calculated as the average of the stock at the beginning and end of each year.

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

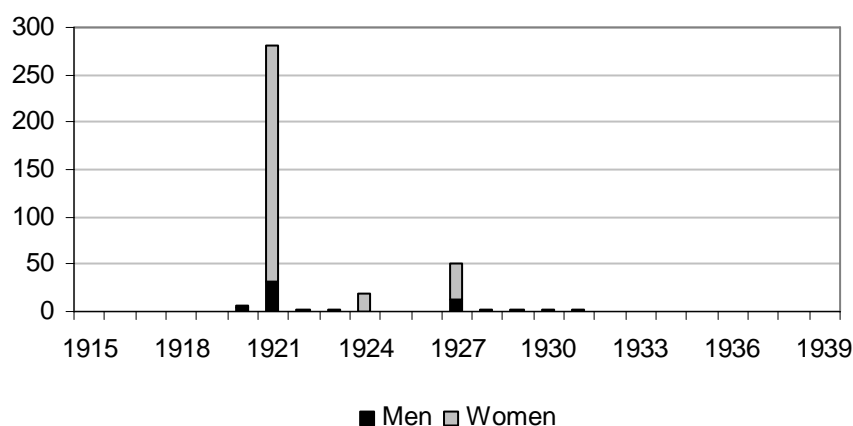
**Figure 8.3** Number of induced quits at Malmö Cigar Factory, 1915-1939



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

plausible explanation for the observed pattern. Establishing an order of selection, deciding upon compensation terms, negotiating with the union (or handling protests afterwards) and other matters may not have been much more expensive if the number of layoffs were 10 or 100. Employers therefore prefer layoffs of many workers at a time rather than having an even stream of layoffs. It is also reasonable that the latter policy have more negative effects on worker morale than mass-layoffs.

**Figure 8.4** Number of layoffs due to shortage of work at Malmö Cigar Factory, 1915-1939



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

**Table 8.2** Layoff rates for men and women at Malmö Cigar Factory, 1916-1934

Year	Men	Women
1916	0.0	0.0
1917	0.0	0.0
1918	0.0	0.0
1919	0.0	0.0
1920	2.0	0.2
1921	14.2	26.0
1922	0.0	0.5
1923	0.0	0.3
1924	0.0	3.3
1925	0.0	0.0
1926	0.0	0.0
1927	12.7	8.4
1928	0.0	0.9
1929	2.6	0.3
1930	0.0	0.8
1931	1.3	0.5
1932	0.0	0.0
1933	0.0	0.0
1934	0.0	0.0
Average	1.7	2.2

Note: The layoff rates have been calculated by dividing the numbers of laid-off men and women during each year with the numbers employed at the beginning of each year.

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

While figure 8.4 shows that mostly female workers were affected by layoffs, the information in the figure alone does not allow conclusions to be drawn about whether women on average faced a greater risk of being laid off. In order to give a rough idea of the likelihood of male and female workers to be laid off, the absolute numbers of affected workers have been divided by the number of men and women employed at the beginning of each year. The quotas are reported in table 8.2. The revealed pattern is inconsistent; in 1921 women faced a much higher risk, whereas men were more exposed in 1927. On average, however, the layoff rates were higher for women than for men (2.2 percent for women to be compared with 1.7 percent for men).

## 8.3 The composition of the workforce

### 8.3.1 Non-permanent workers

Neither the secondary literature, nor the qualitative sources, provides much information about the use of temporary workers before the personnel reserve was established in 1929. This does not necessarily mean that there were no short-term employment contracts. Notations in the personnel records of Malmö Cigar Factory suggest that the matter requires further investigation. Some workers were labelled as ‘day labourer’ or ‘temporary’ in the records.<sup>9</sup>

Day labourers are most often associated with the agrarian society and thought of as a category of temporary labour, but there is evidence indicating that the term changed meaning over time. Collective agreements and statistical investigations from the early twentieth century show that day labourers could be hired for a fixed period of time, such as a number of months or a year, or even on an ongoing basis.<sup>10</sup> Consequently, a distinction between permanent and temporary day labourers is made in the official wage statistics of the inter-war period.<sup>11</sup> With this in mind, it is not obvious that the day labourers appearing in the personnel records of Malmö Cigar Factory should be regarded as temporary labour.

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<sup>9</sup> In a few cases the term ‘extra’ was used. Furthermore, the tobacco offices employed ‘licence workers’, who worked on imported goods and were hired on a temporary basis. The tobacco offices were separate units in the organization of the Tobacco Monopoly.

<sup>10</sup> *Kollektivaftal angående arbets- och löneförhållanden i Sverige, II, 1: Förteckning å gällande kollektivaftal 1908; Lantarbetarnas arbets- och löneförhållanden 1915*, pp 366, 370. See also Olsson 2008, pp 62-63.

<sup>11</sup> See for example *Lönestatistisk årsbok för Sverige 1935*, pp 27-30.

Day labourers were, according to the personnel records, a quite important category of workers. In 1918 they constituted about 15 percent of the total workforce. Although it is not been possible to reconstruct the occupational structure from the personnel records for the period after 1921 it is evident when looking at new hirings that the term was in use throughout the period of our investigation. Curiously, the day labourers encountered in the personnel records are not mentioned in any other archival material reviewed for this thesis. It is puzzling that this group of workers never appears in the correspondence between management and union leaders, in the negotiation minutes, or in the minutes from the union congresses.<sup>12</sup> Most likely it was a local term used only in Malmö.

The obscurity surrounding the day labourers does not only apply to the nature of their employment contract but also to what work they did. In most cases the denotation is used as a job title. There are some cases where more than one job title is recorded and these indicate that day labourers had relatively unskilled or semi-skilled tasks. Out of 519 job spells with the label 'day labourer' at Malmö Cigar Factory between 1915 and 1939,<sup>13</sup> there are 87 cases where an additional job title was recorded: 27 bunchers, 13 preparation workers of different kinds, 10 packers, 10 apprentices (either cigar-cigarettes or sorting), 8 patchers and 7 storage workers. Only one of the day labourers was simultaneously titled 'cigar worker'. Another striking fact is that very few day labourers (only 5 cases) had a 'temporary' status.

A closer look at the day labourers reveals that the group consisted of both men and women; 34 were male and 64 female out of 97 individuals employed on 4 April 1921 (the day before the first round of mass-layoffs). This cross-section shows that the day labourers were relatively young. The median age of day labourers at this point in time was 19 years, which was about four years lower than for preparation workers. The earnings of day labourers were also somewhat lower than for workers with other occupations. Looking at workers under 25 years of age, the average annual earnings of day labourers was 7 percent below the average.<sup>14</sup> If day labourers were used as a buffer to handle

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<sup>12</sup> A former female cigar worker, employed at the Stockholm factory from 1928 onwards, was consulted but she could not recall any day labourers. Conversation with Siri Carlsson on 8 October 2007.

<sup>13</sup> A job spell is here defined as a continuous period of employment within the same occupation at the Tobacco Monopoly.

<sup>14</sup> The calculation is based on a cross-section of workers employed on 4 April 1921. For a comparison of the earnings of day labourers with other occupational groups, see Karlsson 2006, p 71.

short-run variations in the demand for labour, the earnings gap compared with other workers should reasonably have increased significantly during the crisis of 1921. This was not the case. The gap in annual earnings did increase, but only from 7 to 8 percent. Most workers suffered from income losses during 1921 due to the indexation of wages and hours-reductions; the day labourers were not more exposed than others.

Two other facts that suggest that day labourers did not have a looser attachment to the company are that they could be laid off ‘due to shortage of work’ and that they in those cases were compensated. If day labourers had been hired on a daily basis it is not likely that an exit reason would have been entered in the personnel records when they left the company, and it is even less likely that they would have been given compensation. Further evidence on the day labourers’ attachment to the company in relation to other workers will be presented in chapter 9.

If the day labourers were not a labour reserve, what were they? Given the lack of qualitative evidence, the most plausible answer to this question is that they were simply paid on a time basis (instead of piece rates) and moved around to do various tasks from day to day. This would explain the lack of a more specific job title.

The collective agreements in the tobacco industry did not include specific terms for temporary workers. However, they were, unlike day labourers, quite frequently mentioned in other qualitative sources. This makes the meaning of the denotation ‘temporary’ less obscure; these workers could not expect continuous employment. For ordinary workers a mutual notification period was applied, if either party wanted to terminate the employment contract, whereas there was no such general stipulation for those hired on a temporary basis. Referring to temporary female cleaners at a factory in Stockholm, the company management stated that they were hired to work “when needed” and that their hours of work could vary from full time to a few hours a day.<sup>15</sup> Another indication of temporary workers’ looser attachment to the company, apparent in the personnel records, is that no exit reasons were noted in the personnel records when their employment ended and they were not entitled to support when

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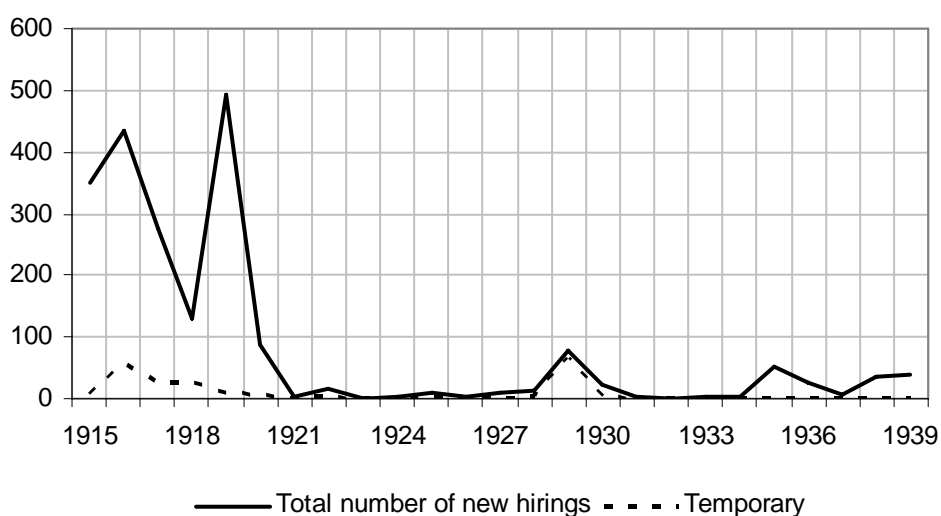
<sup>15</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2 , 25 February 1925, STF, E03: 2, ARAB. With regard to wages, temporary cleaners did not differ from regular cleaners or other workers on time wages.

released. Moreover, workers hired on temporary terms were excluded from the pension schemes.<sup>16</sup>

A complicating issue when studying the temporary workers at Malmö Cigar Factory is that the personnel records do not always state when the temporary status began and ended.<sup>17</sup> Thus, the share of temporary workers at various points in time cannot be established.<sup>18</sup> What can be established is the share of new workers that was hired on temporary basis, which is displayed in figure 8.5.

As displayed in the figure, a small but significant number of workers recruited in the expansion of 1916 and 1917 were temporary. The management was probably uncertain about the future need for labour and wanted to retain a degree of flexibility. But, if so, this uncertainty had vanished by 1918. When shortage of raw tobacco became serious in this year, the management not only declared that temporary workers would be the first in line if layoffs were necessary, but also that those temporary workers that were retained would be

**Figure 8.5** New hirings at Malmö Cigar Factory, 1915-1939



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

<sup>16</sup> SM, STM, Styrelsens protokoll, 26 September 1921, Bilaga F; SM, STM, Styrelsens protokoll, 17 October 1921.

<sup>17</sup> See section A2.8.

<sup>18</sup> For workers hired in the late 1920s and onwards 'temporary' replaced the job title in the personnel records.

regarded as permanent. A consequence of this decision was that the management could not deal with shortage of work in the early 1920s by releasing temporary workers. This is an important fact to have in mind when assessing the downsizing process of the Tobacco Monopoly. Temporary workers did not totally disappear in the following years but were very few. In 1929 the factory again started to hire temporary workers in significant numbers. The main part of this non-permanent workforce, which exclusively consisted of women,<sup>19</sup> was released in 1932.

In the literature, temporary workers are often characterized as unskilled aspirants without previous experience. This was not the case in the Swedish tobacco industry of the inter-war period. When it came to occupational status, quite a few temporary workers were employed in relatively skilled positions.<sup>20</sup> Most of the temporary workers hired by Malmö Cigar Factory in 1916 and 1917 had previously been employed in the industry.<sup>21</sup> The workers hired in 1929 and 1930 also had previous experience; some had been laid off due to shortage of work in the personnel reductions earlier in the decade and some were re-hired after formal retirement.<sup>22</sup> The creation of the personnel reserve can thus be seen as a formalization of an existing practice.

### 8.3.2 Age, sex and marital status

Initially, the Tobacco Monopoly had a relatively young workforce. At the end of 1916, after one and a half years of business, about 20 percent of the workers had not yet turned 18. The share of under-aged workers declined somewhat during the expansion phase as many previously employed tobacco workers were recalled. At the end of 1919, the share of workers under 18 was about 15 percent and the mean ages for men and women were 33 and 27 years, respectively.

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<sup>19</sup> This may be contrasted to the practice before 1918, when both men and women were hired on temporary terms.

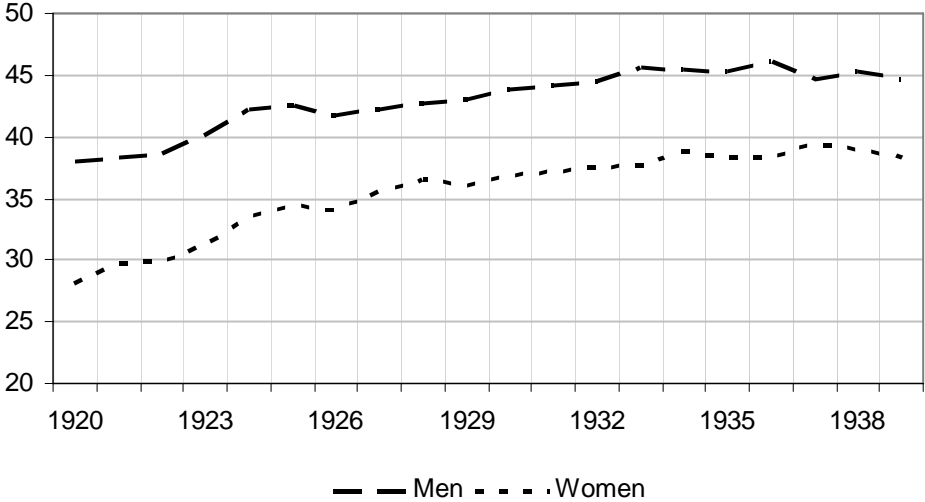
<sup>20</sup> Out of 220 job spells denoted 'temporary', more than two fifths were cigar workers, cigar-cigarette workers or packers.

<sup>21</sup> This is indicated in the personnel records by notes that the workers in question had received compensation. For more information about compensation to redundant tobacco workers, see chapter 10.

<sup>22</sup> Of the temporary workers hired in 1929 all but one had previously been employed by the Tobacco Monopoly.



**Figure 8.6** Average age for male and female workers at cigar factories, 1920-1939



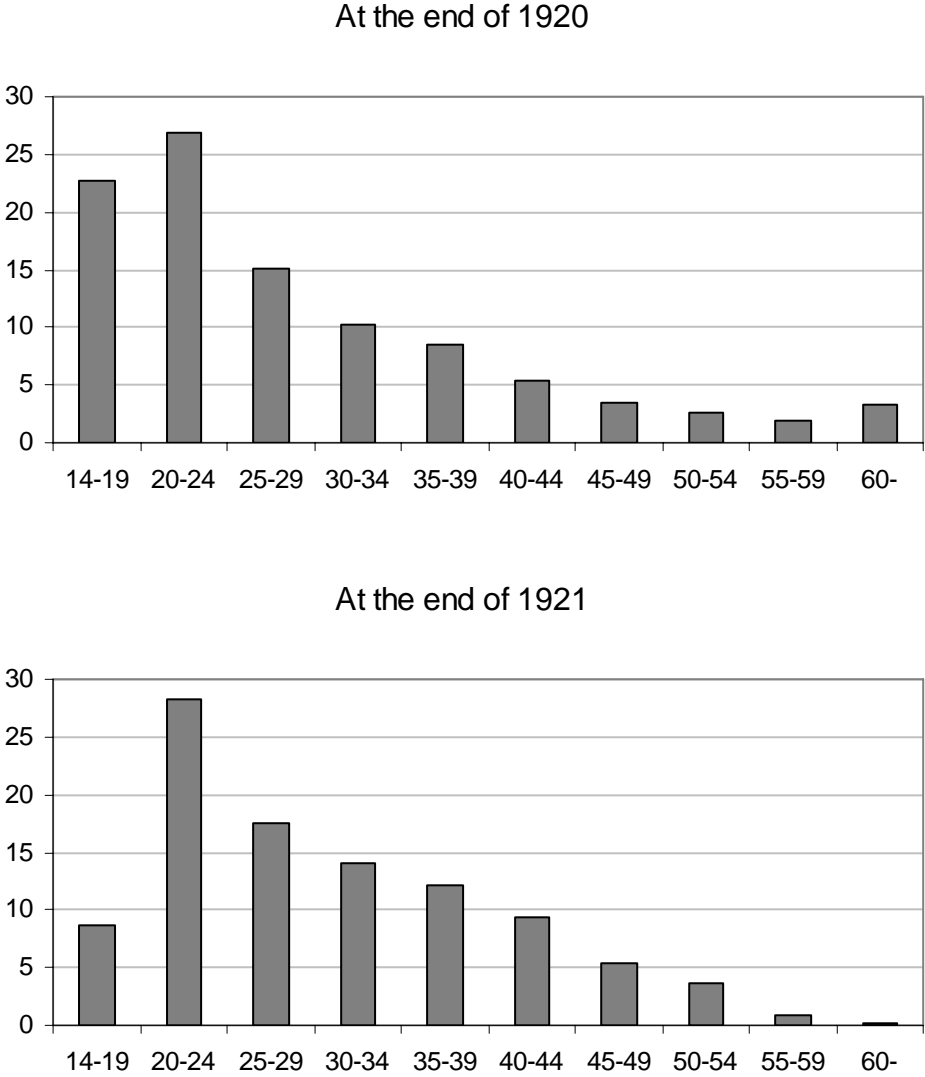
Source: Annual reports of the Tobacco Monopoly 1920-1939.

The mean age is a good starting point for studying the development of the age structure during the contraction phase in the 1920s. Assuming that personnel turnover was low and that the inflow of junior workers ceased or decreased substantially, the mean age in a downsizing firm could be expected to rise over time. This is also what can be observed in figure 8.6, which displays the mean age of men and women in cigar production from 1920 to 1939. From levels of 38 and 28, the average ages of both male and female workers increased by about ten years until the mid-1930s, when the downsizing was halted.

The means displayed in figure 8.6 have been calculated from figures reported in the company’s annual reports, which contain detailed information on the age structure of men and women at various factories and branches. It is possible to take the investigation further by studying the relative size of different age groups at certain points in time. Figure 8.7 illustrates the situation before and after the dramatic personnel reductions in 1921.

The relative youth of the workforce before the cuts is evident; about 64 percent of the cigar and cigar-cigarette workers were under 30 and less than 8 percent of the workers were over 50. One year later, after two rounds of mass-layoffs, the share of workers under 30 decreased to 54 percent and the share of workers close to retirement (over 50) to less than 5 percent. From figure 8.7 it is apparent that the personnel reductions affected the youngest and the oldest groups most. This is in accordance with Lazear’s reasoning outlined in section

**Figure 8.7** Age composition of the workforce at the cigar factories before and after the personnel reductions in 1921 (in percent)

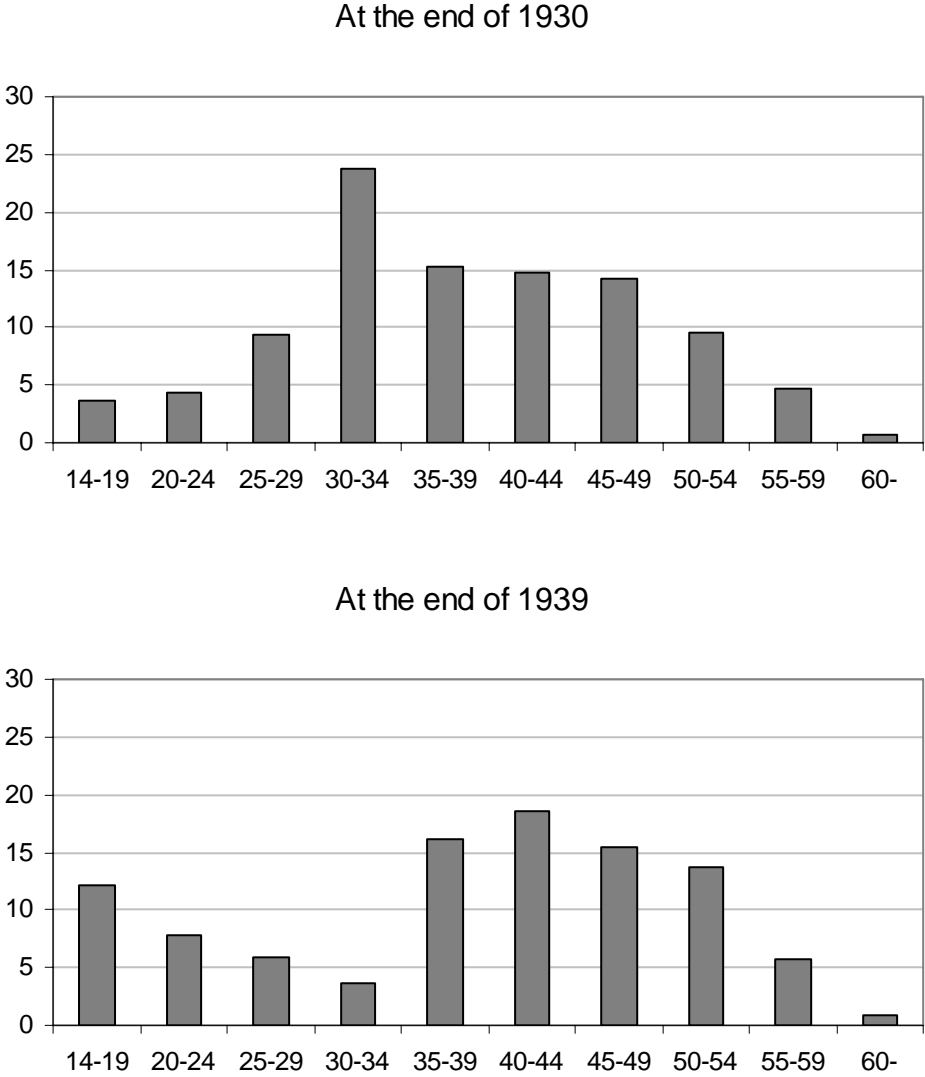


Source: Annual reports of the Tobacco Monopoly 1920-1921.

2.3. The share of workers between 14 and 19 decreased by three fourths and the group of workers over 60 was virtually eliminated; out of 100 at the end of 1920, only four remained at the end of 1921. This was the result of the two pension schemes launched in autumn the same year.<sup>23</sup>

<sup>23</sup> Note that these pensions were formally granted in 1922 but that the affected workers were not counted as employed at the end of 1921.

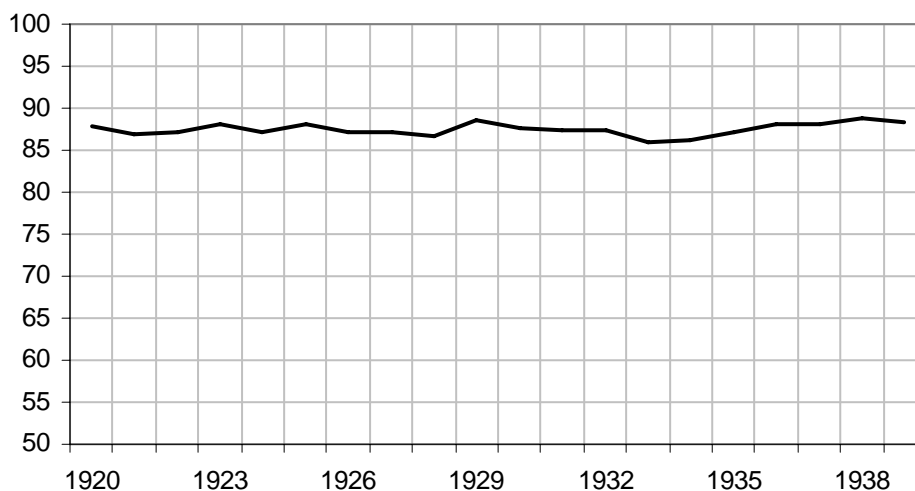
**Figure 8.8** Age composition of the workforce at the cigar factories in 1930 and 1939 (in percent)



Source: Annual reports of the Tobacco Monopoly 1930 and 1939.

The next cross-section is taken at the end of 1930, after about ten years of downsizing (figure 8.8). At this point in time the age structure had a clock shape, with most workers found in the ages between 30 and 49. An interesting observation is that about 15 percent of the workforce had not yet turned 25, which indicates a certain inflow of manpower in spite of the contraction in total terms. The rejuvenation becomes even clearer when looking at the age structure at the end of 1939 when over 30 percent of the workers were under 25.

**Figure 8.9** Share female workers (in percent) at cigar factories, 1920-1939



Source: Annual reports of the Tobacco Monopoly 1920-1939.

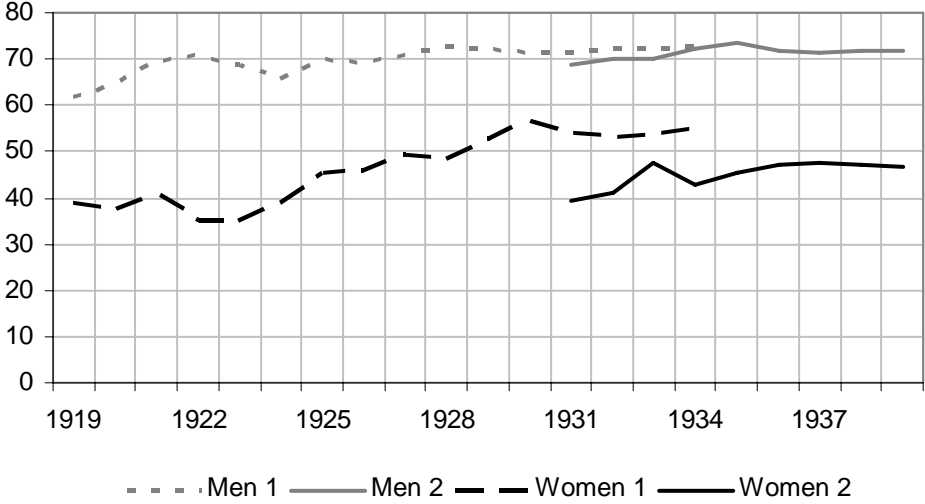
It has now been established that the age composition of the Tobacco Monopoly's workers changed considerably over time. On average, the workforce got older, although the inflow of young workers was not totally stopped. But it was also shown that the gap in mean age between men and women remained fairly constant throughout the period.

The gender composition of the workforce at cigar factories did not change much either, as shown in figure 8.9. The share of female workers was virtually constant around 87 percent. It is clear that the feminization of this branch had already been concluded before mechanization and that the development was not reversed because of the personnel reductions. When interpreting figure 8.9 it is, however, important to keep in mind the negative development of cigar sales relative to cigar-cigarettes. Since men were overrepresented in cigar production, the share of female workers could be expected to have increased during the post-war crisis. The absence of such an increase may indicate that men enjoyed a higher degree of employment protection. Pursuing the analysis further, it would be interesting to look at how the gender composition of the workforce in various occupations changed over time, particularly the gender composition of the workers in cigar production. Unfortunately, such an investigation is not possible to provide since the Tobacco Monopoly did not collect information on workers' job titles from 1921 onwards.<sup>24</sup>

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<sup>24</sup> This issue is further commented upon in section 11.3 and A2.5.

**Figure 8.10** Marriage rate (in percent) for workers over 21, all branches



Note: Marriage rate is here defined as the number of married individuals per hundred workers at the end of each year. Widows, widowers and divorced were counted as married in the statistics published in the annual reports of the Tobacco Monopoly until 1934. These series are displayed in the figure as ‘Men 1’ and ‘Women 1’. The categorization was changed in 1935 so that widows, widowers and divorced were counted as unmarried. In that year figures according to the new principles were also provided for the years 1931 to 1934. These series are denoted ‘Men 2’ and ‘Women 2’ in the figure.

Source: Annual reports of the Tobacco Monopoly 1919-1939.

Another demographic variable of interest is civil status. Information of the marriage rate for male and female workers was included in the annual reports from 1920 onwards.<sup>25</sup> As widows, widowers and divorced until the 1934 report were counted as married – the stated marriage rate was consequently the share *ever* married. Thereafter the classification was changed so that widows, widowers and divorced were counted as unmarried. Since the 1935 report included information on the marriage rate according to both principles for some years back in time, it is possible to get an idea about the difference between the share ever married and the share *presently* married. As shown in figure 8.10, the reclassification in 1935 did not matter much for men but made a difference for women. The fact that widows and divorced were counted as married implies that the level of presently married women was overrated until 1934. Still, the

<sup>25</sup> Observe that the marriage rate here refers to the situation at a certain point in time, not to the share of unmarried men and women who get married during a given period.

development of this indicator is worth considering in relation to the downsizing process.

During the 1920s, the share of the workers married tended to increase, particularly for women. All else equal, this indicates that the male-breadwinner norm was not allowed to influence the workforce reductions to any significant extent. But there are certainly other factors of potential importance that have to be taken into account before any conclusions can be drawn in this matter. One such factor is the age composition of the workforce. As the mean age of the workforce increased, it is not surprising that the share of ever married increased.<sup>26</sup> It is possible that this age effect obscures influences of the male-breadwinner norm.

This issue can be further investigated by using the data from the personnel records of Malmö Cigar Factory. Figure 8.11 shows age-specific marriage rates for female workers at Malmö Cigar Factory. The presentation is delimited to female workers in the age groups 31 to 40 and 41 to 50, which accounted for the bulk of the workforce at the factory.<sup>27</sup> The development of the marriage rate in these groups looks somewhat different, but shares two characteristics: (1) there is no long-term tendency for the marriage rate to increase and (2), the marriage rate drops clearly in 1927.

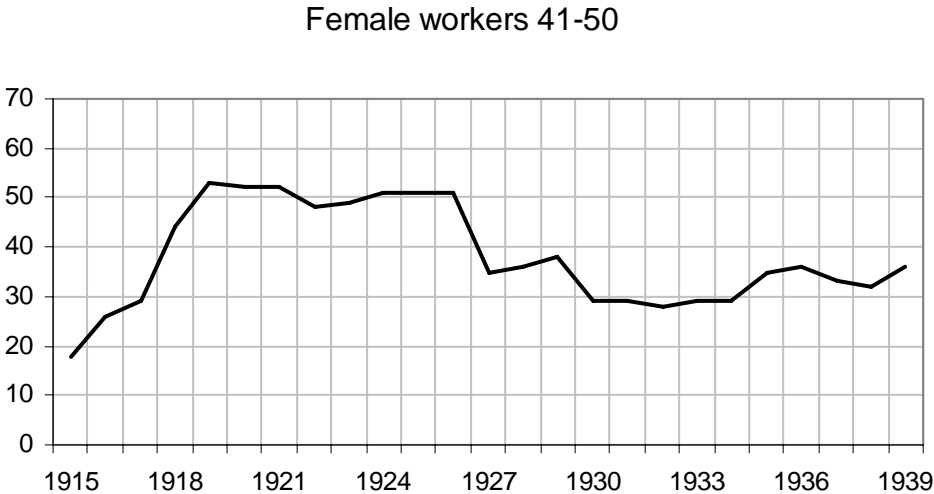
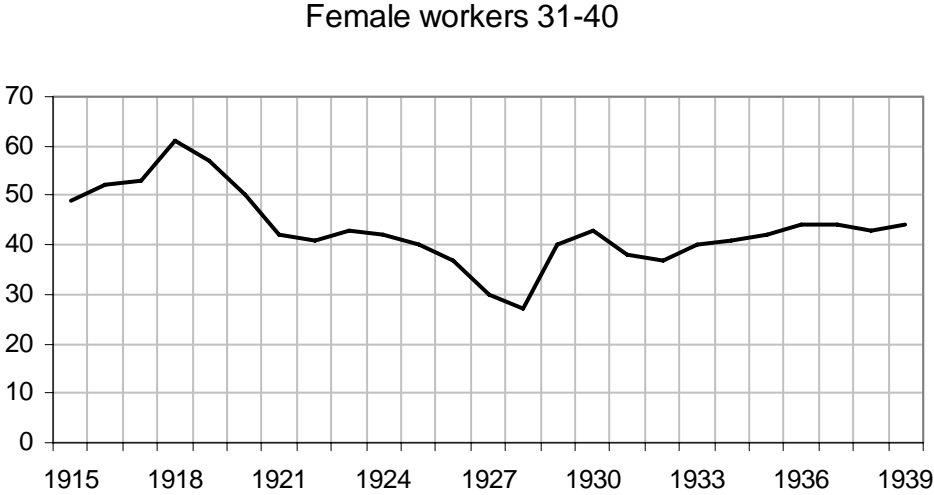
So, when controlling for changes in the age composition, there was no general tendency for the share of married women to increase during the downsizing process. Further investigation is required to determine whether married women were crowded out from the Tobacco Monopoly. There may have been discrimination against married women when establishing the order of selection at layoffs, or an increased propensity of married women to quit. Both mechanisms can be viewed as expressions of the male-breadwinner norm. If the management shared the conviction that jobs should be preserved for married men, or felt obliged to adhere to such a practice, it would have targeted married women when implementing layoffs or making buyout offers. This was obviously the case in 1927, as shown in chapter 6. Married female workers may also have been persuaded to quit by their unmarried colleagues. The quit rate among married and unmarried women would be interesting to analyze, but this issue has to be left for future research.

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<sup>26</sup> It should, however, be noted that the marriage rate is calculated as a share of workers over 21.

<sup>27</sup> This delimitation is made in order to get sufficient numbers of workers in the groups throughout the period of investigation. The numbers of male workers in all age groups were small, as were the numbers of female workers under 31 and over 50.

**Figure 8.11** Age-specific marriage rates (in percent) for female workers at Malmö Cigar Factory, 1915-1939



Note: Marriage rate is here defined as the number of married individuals per 100 workers at the given points in time.

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

### 8.4 Summary

Between 1920 and 1928 the number of workers employed in cigar and cigar-cigarette production was reduced by 60 percent. Evidence from Malmö Cigar Factory gives an idea of the importance of various measures: layoffs accounted for about 49 percent of the reduction, attrition for about 38 percent and induced

quits for the remaining part. Layoffs and induced quits were concentrated to certain occasions. The significance of gender with regard to these measures varied from time to time, with women, for example, more exposed to layoffs in 1921, whereas men were more exposed in 1927. On average, the layoff rate was somewhat higher for women than for men. Attrition was more of an ongoing process, but its potential decreased as the tobacco workers became less inclined to quit voluntarily because of the depressed state of the labour market and the prospects of getting severance pay when holding on to the job. Female workers were more likely to quit without compensation than male workers.

The personnel records from one of the cigar factories also made it possible to approach the question of whether the Tobacco Monopoly had a labour reserve; one or several groups of workers employed on a temporary basis that could be released at short notice. There are two notations in the personnel records that suggest the existence of contingent contracts: day labourers and temporary workers. The first notation is probably misleading for the present-day observer, since these workers do not appear to have been hired on a daily basis. The second notation is more clear-cut, since it referred to workers that could be released without notice. This group was made permanent by a management decision in 1918, wherefore there was no big stock of temporary workers at the onset of the downsizing process. Temporary workers in substantial numbers were again hired during the expansion that took place in 1929 and released in 1932.

The second part of the chapter is devoted to investigations of how the composition of the workforce was changed with regard to some basic demographic characteristics. This part of the chapter relies upon data from the Tobacco Monopoly's annual reports. A central finding is that the mean age of the workers increased substantially as the total number of workers decreased. The personnel reduction in 1921 affected both ends of the age distribution. Most of the released workers were under 20, but in relative terms the oldest workers were hit hardest. A remarkable feature of the development was that the gender composition of the workforce remained almost constant throughout the downsizing process and thereafter. This was not the case with the average marriage rates, which increased over time, a development that may have been driven partly by the changing age-composition of the workforce. Age-specific female marriage rates from Malmö Cigar Factory did not increase in the period of investigation. The importance of the male-breadwinner norm cannot be ruled out, but further investigations of specific exit reasons are required to bring the matter to an end.





## Chapter 9

# Layoff procedures and criteria

### 9.1 Introduction

Layoffs accounted for a considerable part of the workforce reduction at the Tobacco Monopoly. The fact that more than 400 workers were laid off from Malmö Cigar Factory between the years 1920 and 1928 means that the total number of layoffs at the company probably exceeded 1,000 during the period. As established in chapter 8, the Tobacco Monopoly had no large stock of temporary labour in the early 1920s. Layoffs therefore inevitably involved selecting among permanent workers those to retain and those to let go. There were no formal rules regulating layoff procedures and selection criteria. The purpose of this chapter is to identify informal rules of importance for the layoffs, describe the decision-making process and the actions of the involved parties and analyse the layoff risks for individual workers.

The chapter begins by reviewing the research literature on the topic, before turning to the Tobacco Monopoly and the Tobacco Workers' Union. Thereafter follows a chronological account of the layoff procedures and criteria applied at the Tobacco Monopoly before, during and after the post-war depression. After this section, which mainly draws upon qualitative sources and focuses on the central actors in the company and the union, the layoffs are investigated quantitatively from another perspective. Here, the relationship between the risk of being laid off and individual characteristics such as age, tenure and family situation is analyzed by using data from the personnel records of Malmö Cigar Factory.

### 9.2 Procedures and power

The question of who makes decisions about layoffs is ultimately a question of power. As the owners of the means of production and the buyers of labour, employers usually claims the rights to freely choose which workers to hire and which to fire. This was clearly expressed in SAF's article 23. Unions have, however, considered it of great importance to influence the allocation of jobs in general and the layoff procedure in particular. There are in principle two ways to

attain this influence. One is to include formal rules about layoffs in collective agreements. These rules restrict the employer's freedom of action and may, for example, stipulate advance notice and criteria governing the order of selection. Another union strategy is to try to bring about negotiations with the employer on each occasion or to create a permanent institution for this purpose. This kind of union influence over personnel policy is not without drawbacks as it may lead to internal tensions within the organization. The two mentioned alternatives – rules and negotiations – are not mutually exclusive, which, for example, is shown by the conventional practice in present-day Sweden where rules about layoffs are valid only as long as the parties do not agree upon something else. In the inter-war era it was not uncommon for collective agreements with employers outside SAF to prescribe negotiations in connection with dismissals.<sup>1</sup> In the tobacco industry the union had a formal right to protest afterwards, if it thought that the process had been unfair.

From a power perspective it is not only interesting to find out whether the workers' representatives can influence decisions about layoffs, it is also relevant to ask on what level decisions are made. Negotiations may be held at the workplace level with local employer and worker representatives, at a central level with the top leadership of company and union, or somewhere in between. Varying degrees of centralization are also possible within the firm. One extreme case is where individual foremen determine the layoff order; another extreme case is where the order of selection is determined by the company board. In between are several alternatives. One scenario is that the company management draws up a proposal with principles for the layoff procedure; a decision is made by the board, whereupon the management sends out instructions to local factory managers. These may then make the personnel selection themselves or delegate the matter to department managers or foremen. Historically, it is often thought that the personnel policies of companies, to which decisions about layoffs belong, were centralized over the course of the twentieth century, implying that power has shifted from foremen to personnel departments.<sup>2</sup>

It has now been established that decisions about layoffs may be made by the employer alone or with the involvement of worker representatives, that principles for layoffs may be set in advance or be decided from time to time and that the layoff procedure may be more or less centralized. Another important aspect of layoffs is how decisions are made, which has been emphasized by sociologist Daniel Cornfield with the argument that the layoff procedure should

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<sup>1</sup> Bengtsson 2006, p 126.

<sup>2</sup> Jacoby 2004.

be seen as a two-step process.<sup>3</sup> First, the jobs to eliminate are decided and then the individuals to lay off are selected. In Cornfield's eyes these decisions are closely connected. Those individuals who happen to hold jobs that are eliminated are also those who are laid off. This, however, is not necessarily the case. One may also imagine a layoff procedure where the two decisions are made independently. This implies that the remaining employees are reallocated among the remaining jobs. Some qualitative evidence of such a practice – the transfers of male cigar makers to jobs outside direct production – is presented in chapter 11.

There is also another way, different from Cornfield's thesis, of seeing layoff decisions as a two-step process, which appears to be of some relevance in present-day labour markets. This is when decision-makers first define layoff units and thereafter make the selection of individuals within these groups.<sup>4</sup> Layoff units may be defined in various ways, such as: occupation, occupational group, department, division, plant or company.<sup>5</sup> The concept 'layoff unit' was not explicitly used in inter-war Sweden, but collective agreements sometimes stipulated that various categories of workers should be separated when establishing the order of selection.<sup>6</sup> In present-day Sweden, layoff units are most often the same as operational units, but according to the law unions may decide to merge operational units at a particular geographical location into one big layoff unit.<sup>7</sup> It is also quite common that layoff units are defined in collective agreements. For civil servants, layoff units are particularly narrow and are constituted by employees with comparable tasks.<sup>8</sup> This may, in practice, imply units including only a couple of employees each. The definition of layoff units is an important part of negotiations between employer and union. Often, there is a dispute about whether the units should be narrowly or widely defined, where the employer usually prefers to establish the order of selection within small groups of workers and the union strives to make the circles as wide as possible.<sup>9</sup> If units are narrowly defined, it is more likely that there will be a close connection

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<sup>3</sup> Cornfield 1983, p 505.

<sup>4</sup> Nowadays, the term 'seniority unit' is more common but the term 'layoff unit' has been deemed to be more appropriate in this thesis since it was not known beforehand whether seniority was actually applied as a selection criterion. The equivalent term in Swedish is *turordningskrets*.

<sup>5</sup> Bailer 1944, pp 562-563.

<sup>6</sup> Calleman 1999, pp 54-55. Bengtsson 2006, pp 112, 115.

<sup>7</sup> A production unit is a physical building or a department. Calleman 2003, pp 23-24.

<sup>8</sup> Calleman 2003, p 24.

<sup>9</sup> Calleman 1999, p 62.

between job title and layoff risk, as expected by Cornfield; if not, such a relationship will be weaker or non-existing. Furthermore, groups that have a weak position in the labour market, and which are often crowded in unskilled occupations, are more vulnerable if layoff units are widely defined.<sup>10</sup> This is because job-bumping usually takes place from skilled to unskilled positions.

### 9.3 Selection criteria

When discussing selection criteria at layoffs, labour economists have often focused on the empirical observation that seniority rules are widely applied and have tried to give a rationale for this pattern.<sup>11</sup> Length of service was by far the most commonly mentioned selection criterion in collective agreements from inter-war Sweden. It was, in fact, included in all collective agreements that stated something about the order of selection, although in some cases it was complemented by other criteria.<sup>12</sup> According to the public inquiry into unemployment published in 1931, length of service was also often used as a modifying principle even when formal prescriptions were lacking.<sup>13</sup> That is, workers with long tenures were exempted when the order of selection was established; thereafter the selection proceeded by applying other criteria to the remaining workers. It was also noted that unions were not content with this practice, they demanded a strict application of ‘last in, first out’ and were often successful in that respect.

A common explanation of why length of service is used when selecting workers for layoffs stems from the idea in human capital theory that workers acquire skills through on-the-job training.<sup>14</sup> To the extent that employers have

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<sup>10</sup> Bailer 1944, p 563.

<sup>11</sup> Carmichael 1983; Abraham & Medoff 1984; Nosal 1990; Ritter & Taylor 1998; Lee 2004.

<sup>12</sup> Bengtsson 2006, p 115.

<sup>13</sup> *Arbetslöshetsutredningens betänkande I. Arbetslöshetens omfattning, karaktär och orsaker. Avgivet av 1926 års arbetslöshetssakkunniga* 1931, p 388.

<sup>14</sup> Becker 1962; Parsons 1972. Human capital theory is not the only theory that has been referred to when explaining why length of service matters at personnel reductions. Another argument is based upon the economics of asymmetric information. Here the reasoning is that where it is difficult or costly to monitor workers’ efforts the optimal employment contract is one with deferred compensation. At the beginning of their careers, workers are paid less than their marginal product and paid more at the end of their careers. This contract discourages young workers from shirking because if they are detected they will lose the high future wage. In order for this contract to be acceptable for

invested in on-the-job training they will be reluctant to release senior workers. This is particularly relevant for those workers who have been trained in idiosyncratic tasks, since they are hard to replace if there is a need for more labour in the future.

The intuitive rationale for seniority-based layoffs stemming from basic human capital theory has been criticized by Lorne Carmichael who argues that when general skills grow with experience employers should follow the principle 'first in, first out'.<sup>15</sup> Firms should use recessions to train young workers to become productive when product demand resumes. If the skills acquired through on-the-job-training are of firm-specific kind, Carmichael's conclusion is weaker.<sup>16</sup> Then the optimal policy depends on workers' inclination to quit voluntarily. If personnel turnover is high, it is best for the employer to retain senior workers in downturns. Edward Lazear is another critic of the use of the traditional way of explaining layoffs.<sup>17</sup> He emphasizes that the employer does not only want to keep the most profitable individuals but the most profitable mix of workers, and that this mix depends on technological change and skill requirements. Like Carmichael, Lazear regards reductions at both ends of the age distribution as the typical employer response to shortage of work. But where technological change is rapid and the skills needed are of a general kind, employers will be more interested in retaining young workers. As mentioned, Lazear also sees complementarities between young and old workers. Young workers, with a fresh school education, possess more general human capital and are more updated on the latest technologies, whereas older workers have acquired more firm-specific skills. The existence of such complementarities leads to the conclusion that a mixture of young and old workers is optimal for the employer.

The mixture of young and old workers is also discussed by Lester Thurow, introduced in chapter 2, but with a greater stress on the role of skill transmission

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workers the employer has to promise not to fire them when they approach the stage when their wages are high. In order to fulfil the contract the employer therefore has to lay off junior workers before seniors in situations with shortage of work. However, it is tempting for employers to cheat – to employ workers while they are young and cheap and to release them when they get old and expensive. This temptation is balanced by the costs associated with having a bad reputation, which in turn depends on a number of factors such as company size and the character of the labour market. Lazear 1981; Ritter & Taylor 1998.

<sup>15</sup> Carmichael 1983, p 1127.

<sup>16</sup> Carmichael 1983, p 1130.

<sup>17</sup> Lazear 1998, pp 170-173.

for employers' layoff policies. This theme has been elaborated and formalized by Patricia Reagan, who reasons that experienced workers have a dual function in the firm; they are not only producing output, but also involved in training younger colleagues.<sup>18</sup> These functions are often difficult to separate. Senior workers will refuse to participate in, or even sabotage, the training process when facing the risk of being replaced by newcomers. Employment protection – that is, a layoff policy based on seniority – in Reagan's model is a way for the firm to induce senior workers to cooperate.

Although there are some theoretical reasons why employers may consider seniority when implementing layoffs, it is often observed that employers want to use seniority as a complementary criterion and ability as the main criterion. Here, seniority is only used to distinguish between two workers who are equally able. This principle was, for example, codified in the Saltsjöbaden agreement of 1938. It is not hard to understand why employers prefer high-performing individuals to low-performing ones. However, according to Lazear, employers' eagerness to select workers according to performance is related to the wage system.<sup>19</sup> Remuneration based on piece rates implies that all workers are equally profitable and that employers are indifferent to the order of selection. Remuneration on an hourly basis implies that the relationship between performance and profits is stronger and that employers will argue for the primacy of ability. Lazear's reasoning is somewhat simplified, since it does not take into account fixed labour costs and physical restraints. It can be argued that high performing workers are also retained in contexts with piece rates, since this makes it possible to have a lower number of workers employed while producing the same amount of output. Thus, savings can be made on facilities and recruitment costs. Still, this does not exclude the expectation that employers are more eager to keep able workers where wages are time time-based than where they are performance-based.

It is a well established empirical fact that unions generally want layoffs to be governed by straight seniority – according to the principle 'last in, first out'.<sup>20</sup> This was also the case in inter-war Sweden.<sup>21</sup> There are several explanations for this preference. First, seniority was probably an established fairness norm at the time. Second, if applied strictly, seniority reduced the room for arbitrariness and

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<sup>18</sup> Reagan 1992.

<sup>19</sup> Lazear 1998, pp 189-189.

<sup>20</sup> Lee 2004, p 75.

<sup>21</sup> *Arbetslöshetsutredningens betänkande I. Arbetslöshetens omfattning, karaktär och orsaker. Avgivet av 1926 års arbetslöshetssakkunniga* 1931, p 388; Bengtsson 2006, p 111.

favouritism. For individual workers the seniority principle implied increased employment protection, or at least increased possibilities of calculating the likelihood of losing the job in the event of a personnel reduction. Seniority rules were also of strategic importance for the union. If there were no rules governing layoffs, employers could take the opportunity to get rid of unionized workers when conducting workforce reductions. In general, collective action was complicated if workers had to win the approval of foremen all the time in order to keep the job.

The median voter theorem has been used to explain why some unions prefer layoffs to hours-reductions.<sup>22</sup> This theory is less convincing if used to explain why unions tend to choose the principle ‘last in, first out’ instead of the principle ‘first in and last in, first out’ since the median union member is unlikely to be laid off irrespective of the choice of policy.<sup>23</sup>

Another model for explaining why workers often advocate seniority rules has been proposed by Sangeon Lee.<sup>24</sup> He argues that all workers want to avoid arbitrariness in layoff decisions and that they gain by coordinating their actions to persuade the employer to make layoffs rule-based. This is because arbitrariness increases competition among workers and puts a downward pressure on wages. The question is however which rule the workers will come up with.

Lee assumes that there are two kinds of workers – juniors and seniors. The juniors are better off with the principle ‘first in, first out’ and the seniors if ‘last in, first out’ is applied. As the game is set up there is no evident solution. Both parties gain if they can agree upon a common position when negotiating with the employer, although one party gains more than the other. Lee’s explanation of this puzzle is that the past matters. Like the game theorist Thomas Schelling, Lee concludes that “[...] the prominence of a certain solution depends most of all on historical and social factors”.<sup>25</sup> Senior workers can convince the junior workers by referring to generally applied norms such as ‘first come, first served’ or to common queue ethics.

Although the most popular principle among unions, straight seniority was not the only existing principle for layoffs in the inter-war period. A rather common alternative was what may be termed ‘the need principle’,<sup>26</sup> that is, that

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<sup>22</sup> Medoff 1979, p 393; Garonna *et al* 1992. See section 7.2.

<sup>23</sup> Lee 2004, p 69.

<sup>24</sup> Lee 2004.

<sup>25</sup> Lee 2004, p 76.

<sup>26</sup> Pfeifer 2007, p 26.



jobs should be allocated to those workers who would be most seriously affected if they lost the jobs.<sup>27</sup> The consequences of job losses can in turn be related to individual workers' ability to find other jobs, their economic situation and obligations towards relatives. The ability to find other jobs may partly be related to age, but also to specific physical disabilities. Being in a troublesome economic situation due to an irresponsible lifestyle may have been hard to use as an argument for employment protection, but referring to the needs of family members was certainly an argument often used when discussing the priority at layoffs. By the mid-1930s, maintenance obligation was mentioned as a selection criterion in the collective agreements of five out of 40 LO-unions and was *de facto* applied by employers of eight other LO-unions.<sup>28</sup>

In comparison with the seniority principle, the need principle could be problematic to apply. An example that indicates the complexity has been found by Eva Blomberg in a study of the mining company LKAB.<sup>29</sup> During the Great Depression this company used no less than 12 different criteria for layoffs, out of which at least seven may be related to the need principle: number of children, family situation, employment status of father and mother, employment status of brothers, economic situation, health status, possession of real estate and company loans.<sup>30</sup> It is not difficult to see why some unions stuck to advocating straight seniority although they found other criteria more attractive in principle.<sup>31</sup>

A further complicating factor with regard to the need principle was gender. The male-breadwinner ideal prescribed that men, in particular married men, should be protected from unemployment. It is unclear to what extent this ideal

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<sup>27</sup> There were also some other criteria mentioned in collective agreements. Some unions, particularly in trade, construction, transports and food industry, had managed to include stipulations about preferential job rights for their members. Bengtsson 2006, p 116. As pointed out by Bengtsson (2006, pp 121, 300), privileges for members were most important for unions in industries where union density was low. Where unions had managed to attract the majority of the workforce, as in the tobacco industry, such rules were less meaningful. Place of residence was another selection criterion, sometimes observed in collective agreements from the inter-war era, that can be attributed to union demands. *Arbetslöshetsutredningens betänkande I. Arbetslöshetens omfattning, karaktär och orsaker. Avgivet av 1926 års arbetslöshetssakkunniga* 1931, pp 376-377.

<sup>28</sup> Bengtsson 2006, p 111.

<sup>29</sup> Blomberg 1995, p 234.

<sup>30</sup> The other criteria were: skill-level, experience of workplace accidents, carefulness, length of service and absence from work. Blomberg 1995, p 234.

<sup>31</sup> Bengtsson 2006, p 111.

was applied in practice in connection with personnel reductions. There is not much evidence found in collective agreements on the matter.<sup>32</sup> The public inquiry on married women's wage work did not focus on personnel reductions, but from the conferences it arranged it appears like some unions encouraged married women to quit voluntarily when there was excess labour.<sup>33</sup> Some unionists were personally in favour of the male-breadwinner norm but preferred a strict application of the seniority norm in practice. One reason for this was the fear of infringements of personal integrity if employers were to scrutinize the family situation of each worker.<sup>34</sup>

Turning to the actual case studied in this thesis, what behaviour can we expect from the Tobacco Monopoly and the Tobacco Workers' Union? Not much is known about the layoff procedures and criteria in the industry before nationalization, apart from the fact that the Tobacco Workers' Union rallied round the seniority principle at the congress in 1906 without much debate. There are no indications of conflicts between junior and senior workers of the kind suggested by some theoretical models.

After 1915, the conditions were changed in two important respects. The first big change – nationalization – meant that general skills became firm-specific. If there had been motives for employers in the pre-monopoly era to apply the seniority principle, the reason for the Tobacco Monopoly was even stronger, but only initially. The second big change – mechanization – pointed in the opposite direction. As technological change made old skills useless and senior workers were no longer important for training young workers, the employer had weaker reasons to consider length of service when implementing layoffs.

Another important aspect of the story is that the Tobacco Monopoly's position as the sole employer in the industry strengthened incentives to treat the workers in a fair way. This was caused directly by political involvement – manifested in the instructions to the state representatives on the company board – and indirectly by the company's size and dominating market position. Reasonably, the costs associated with a bad reputation are higher for a monopsony than for an employer in an industry with a lot of competing firms.

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<sup>32</sup> Bengtsson has found one agreement according to which married women, whose husbands were fully employed should be the first to go at workforce reductions. Bengtsson 2006, pp 110, 112-113.

<sup>33</sup> Frangeur 1998, p 301.

<sup>34</sup> *Betänkande angående gift kvinnas förvärvsarbete m.m. Avgivet av Kvinnoarbetskommittén* 1938, p 314; *Arbetslöshetsutredningens betänkande I. Arbetslöshetens omfattning, karaktär och orsaker. Avgivet av 1926 års arbetslöshetssakkunniga* 1931.

Few workers would be interested in entering an industry where there is only one notorious employer. So, the Tobacco Monopoly had reasons to treat the workers fairly. But what did *fairness* actually mean in this context? Did it imply the application of straight seniority or was the need principle more just? And did fairness imply the participation of the union in decision making? The answers to these questions are not obvious and call for empirical investigation.

Finally, it ought to be recalled that the Tobacco Monopoly, from 1918 onwards, applied a wage system that was partly time-based, partly performance-based. This is of potential importance for understanding the company's policy regarding the selection of workers for layoffs. The wage system indicates that the workers' performance was measured. The number of cigars and cigar-cigarettes produced by each person was counted and it was thus possible to observe the productivity of different individuals. Since the wage was only partly related to productivity, the company had a clear incentive to keep high performing workers.

## 9.4 Layoffs before, during and after the post-war crisis

Let us now see how layoffs were discussed at the Tobacco Monopoly in the inter-war era. As will become evident, layoff procedures and criteria were quite different on various occasions. The following sections are focused on four phases. In the first years when the company expanded, layoffs were exceptional, concerned small numbers of workers and were related to concentration of production units. During the second phase, the depression of 1921, the layoffs were on a far greater scale than before. The third phase was when mechanization were about to be completed in 1927. The fourth phase was the period 1928 to 1933 when the final reductions were made, in the form of layoffs and transfers to the personnel reserve.

The evidence presented in section 10.3.1 is new, whereas sections 10.3.2 to 10.3.4 include some recalls of episodes dealt with in chapter 6, but with the layoff process and the layoff criteria at the centre of attention.

### 9.4.1 Before the depression

The first years after World War I were characterized by strong demand for tobacco products and expansion of production. Although not on the top of the agenda and of small scale, layoffs were carried out on some occasions. One such occasion was in connection with the closure of the snuff factory in

Charlottenberg. This plant closure meant that some workers employed in the production of boxes and cartons became redundant and the local manager decided to protect one worker who suffered from caries and to lay off “[...] the younger and most recently hired in this branch of production [...]”.<sup>35</sup> He also promised these workers preferential rights in the case of future recalls. The instructions of the manager were, however, misinterpreted; the supervisor in charge at the factory in Charlottenberg treated workers employed in box and carton production as separate units, which was not the manager’s intention. This resulted in layoffs of box workers with longer tenures than carton workers. The union called attention to the mistake but though acknowledged by the company management the decision was not reversed. The management considered the matter solved when it, somewhat later, also laid off the junior worker who should have lost his job in the first place.<sup>36</sup>

The workers in Charlottenberg were not only critical of the company’s failure to follow the seniority principle; they also thought that the company should offer the affected workers jobs in another branch of production. The responsible manager rejected this proposal on the grounds that such an action would force him to lay off other workers already trained for the tasks in question. He also argued that such a practice was not known in other parts of the company.<sup>37</sup>

Although there was some confusion regarding layoff units, the Charlottenberg case indicates the existence of an implicit seniority norm in the tobacco industry. Another such indication is the union reaction when seven storage workers were laid off in Stockholm in November 1920.<sup>38</sup> On this occasion, the union complained to the main office that the storage supervisor had fired senior workers and retained workers with short tenures. In a reply, the management (referring to the supervisor) stated that seniority had been applied as long as the workers possessed the qualities required for doing a good job. The supervisor had laid off the two workers with shortest tenure in spite of the best service records. The other affected workers had been considered less reliable for

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<sup>35</sup> Swedish: ”[...] de yngre och senast anställda i denna fabrikationsgren [...]”. ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 23 October 1919; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 4 November 1919.

<sup>36</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 4 November 1919.

<sup>37</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 4 November 1919.

<sup>38</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 27 November 1920.

independent duties. According to the supervisor, one of them was also “irregular in work”.<sup>39</sup> The management finished its reply with the following statement:

We are in full agreement with you that the most recently hired workers shall be the first to be laid off when shortage of work occurs. However, we are forced to, in cases such as above, to lay off those who have been shown to be less suitable regarding competence and reliability than later hired workers.<sup>40</sup>

Two days later a correction, which put less emphasis on seniority and more on ability and the management’s discretion, was sent to the union headquarters:

We are in full agreement with You that, when no distinction can be made regarding the capacity for work and behaviour, the most recently hired workers shall be the first to be laid off when shortage of work occurs.<sup>41</sup>

The seniority principle was again up for discussion in December 1920 when the workforce was reduced at the snuff factory in Göteborg. The union complained that the local factory manager had not followed the ‘last in, first out’ norm and demanded that two male workers should be recalled. This time the management also stated its position of principle.<sup>42</sup> When having to choose between workers of equal “skill” and “suitability”, length of service was regarded as “normative” for the decision on which worker to retain and which to lay off.<sup>43</sup> In commenting on this particular case, the management argued that the tasks performed by two junior workers, who had been retained, could not be carried out by the two released workers. One of the retained workers had the responsibility for putting

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<sup>39</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 27 November 1920.

<sup>40</sup> Swedish: ”Vi äro fullt ense med eder, att de sist anställda arbetarna vid inträdande arbetsbrist första böra uppsägas. Däremot nödgas vi bestämt fasthålla vid att i fall som ovan första avskeda dem, som i arbetet visat sig mindre lämpliga beträffande duglighet och pålitlighet än senare anställda arbetare.” ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 27 November 1920.

<sup>41</sup> Swedish: ”Vi äro fullt ense med Eder, att, då ingen åtskillnad kan göras vid i arbetet ådagalagd arbetsförmåga och uppförande, de sist anställda arbetarna vid inträdande arbetsbrist först böra uppsägas.” ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 29 November 1920.

<sup>42</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 20 December 1920.

<sup>43</sup> The whole wording, in Swedish, was: ”[...] om vid nödtvunget avskedande av arbetare inom en viss specialgren två eller flera arbetare besitta enahanda färdighet och lämplighet skall anställningstiden resp. arten av anställningen vara normerande för frågan om vilken arbetare, som bör avskedas.” ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 20 December 1920.

together a reserve mill; the other had previously worked as a miller and therefore did work of “a special nature”.<sup>44</sup>

To conclude, management and union seem to have agreed that length of service should have some importance when establishing the order of selection but disagreed about what weight to attribute to this criterion. Except for the first mentioned case (Charlottenberg), the management regarded seniority as a factor of secondary importance that should be used to distinguish between workers who were equally skilled and suitable for the jobs in question. The union, on the other hand, demanded the application of straight seniority.

With regard to procedure, the layoffs before 1921 were not preceded by negotiations. When the union felt that procedures or criteria were unfair, which happened in all three cases described in this section, it protested to the management in the same manner as it would have done if workers had been fired on doubtful grounds. The union protests did not result in any corrections of decisions made and did not end up in the arbitration court, but the management at least felt obliged to state its principal position. In the archival material reviewed for this study no references to the concept ‘layoff unit’, or the like, has been found. Most likely this concept did not exist at the time and did not structure thinking the same way as today, but still, as was seen in the Charlottenberg dispute, there was an idea that workers with different occupations should be treated separately when the order of selection was to be established.

As is clear from the above description, the layoffs before the post-war crisis were, of limited scale and were neither discussed nor decided upon by the company board. There is not much evidence illuminating the decision-making process within the company in this period, but it seems like the local factory manager made the decision on how many workers to lay off and what criteria to apply, and that the actual selection of individuals was made at a lower level by supervisors. The first time layoffs became an issue for the company board was in December 1920 when Wallenberg informed the board that it could be necessary to lay off 40 female cigarette workers in Stockholm.<sup>45</sup> Procedures or selection criteria were not mentioned and the reduction did not lead to a discussion among the board members; it was rather regarded as an item of information on the agenda. This was changed when larger personnel reductions were made during the following year.

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<sup>44</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 20 December 1920.

<sup>45</sup> SM, STM, Styrelsens protokoll, 13 December 1920.

## 9.4.2 The seniority principle applied and abandoned in 1921

As mentioned in chapter 6, the management got a green light from the board for a first major personnel reduction on 14 March 1921.<sup>46</sup> There was no discussion at the meeting about which jobs to eliminate. Nor did Wallenberg say much about how the order of selection should be established. However, implicit in his proposal to pension old workers and offer retraining courses for young workers was the idea, corresponding to the theoretical propositions made by Carmichael and Lazear, that cuts should affect both ends of the age distribution.

A peculiar thing with the board meeting in March was that nothing was said about how many jobs or what kind of jobs were to be eliminated. Such decisions seem to have been taken jointly by the management and the factory managers after the board meeting.<sup>47</sup> At this internal meeting approximate numbers of affected workers at each location were decided upon, which formed the starting point for a following meeting with the union leadership.<sup>48</sup> Exactly how the talks with the union progressed is not known but the final result was a declaration by Wallenberg that the layoffs should affect “[...] the youngest of the most recently hired [...]” at the cigar factories.<sup>49</sup> This must have been an acceptable outcome for the union. At least the order of selection that was established on this occasion did not raise further comments, either in the correspondence between management and union or in the correspondence within the union.<sup>50</sup> Apart from being young and recently hired, all of the 400 workers that were laid off in April 1921 had one thing in common – they were women.

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<sup>46</sup> SM, STM, Styrelsens protokoll, 14 March.

<sup>47</sup> Such a meeting is mentioned in the union records. ARAB, STF, Styrelsens protokoll, A02: 4, 16 March 1921. This meeting may of course have been preceded by informal discussions.

<sup>48</sup> The layoffs were distributed among the three cigar factories as follows: 200 in Stockholm, 150 in Malmö and a non-stated number in Gävle. The total figure was later revised upwards.

<sup>49</sup> Swedish: ”[...] de yngsta av de sist anställda [...]”. The minutes of the meeting between the management and the union leadership are not available. That a meeting actually took place is clear from the minutes of the company board, according to which Wallenberg also defined “the youngest” as the age group 19 to 21. SM, STM, Styrelsens protokoll, 18 April 1921.

<sup>50</sup> The order of selection was not subject to discussion when the union leadership was summoned a couple of weeks after the reduction had been carried through. ARAB, STF, Styrelsens protokoll, A02: 4, 22 April 1921. At a company board meeting it was established that ”[...] the measures had been carried through without any disturbances in production or of the calmness at the workplaces”. Swedish: “[...] åtgärderna hade genomförts utan att några störningar inträtt i vare sig fabrikationen eller lugnet på resp arbetsplaster.” SM, STM, Styrelsens protokoll, 18 April 1921.

To judge from the records of the company board, the gender aspect of the reduction was not discussed at all; no distinction was made between male and female workers. Whether this outcome was a result of a conscious choice, made by the company management or jointly with union representatives, or if it simply reflected the age composition of the workforce cannot be determined from the qualitative sources.

After the personnel reduction had been carried through, on 5 April, Wallenberg put the measure to the company board, which gave its approval without reservations.<sup>51</sup>

In comparison with the April reduction, both the procedure preceding the mass-layoffs in autumn the same year, as well as the applied selection criteria, were different. In the autumn the management proposed a more detailed reduction to the board. Here, the number of workers that were affected at each location was specified. The table also distinguished between male and female workers of different age groups.<sup>52</sup> As mentioned, on this occasion Wallenberg could complete his previous idea of releasing both young and old workers. Apart from deciding how many workers to lay off – men and women in different age groups and at different locations – the company board did not give any further instructions to negotiate the order of selection with the union. One could only speculate why this procedure was demanded in March, but not in September the same year. Probably, the personnel reduction was overshadowed by the pension proposal put to the board. Here, Nilsson demanded that the pension issue be postponed in order to give the union proper time for consideration. Another factor to take into account is simply that the depression was now in a later stage, personnel reductions were carried through everywhere in the economy and the union was in a weak position. Just like employers in other industries managed to delete the formal limitations of article 23 in collective agreements during the depression, it is likely that employers took the opportunity of getting rid of informal constraints, such as the seniority principle. Anyway, the management got the go-ahead from the board and 360 workers were laid off.

The union leadership was informed about the measure less than two weeks in advance and could not take a position on a concrete proposal until four days before the layoffs were about to be implemented.<sup>53</sup> Without reservation the

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<sup>51</sup> SM, STM, Styrelsens protokoll, 18 April 1921.

<sup>52</sup> Apart from stating that the affected men were storage workers, the table did not include information regarding what jobs the laid-off workers had.

<sup>53</sup> ARAB, STF, Styrelsens protokoll, A02: 4, 24 September 1921; ARAB, STF, Styrelsens protokoll, A02: 4, 1 October 1921.



union rallied round the principle ‘last in, first out’. In fact, to judge from the records it seems like the union leadership thought that this principle was stipulated by the collective agreement, which was not the case. This was hardly a matter of a temporary mistake by the record keeper; the same idea appeared in the following meeting, where it was decided to ”[...] uphold the rule in the collective agreement that, at times of shortage of work, the last hired is dismissed first [...]”.<sup>54</sup> Thus, the seniority norm was so strongly rooted in the minds of the union leaders that it was believed to be a formal rule. Furthermore, it was decided that seniority should apply not only to layoffs, but also future recalls.

If the huge workforce reduction in the spring 1921 went almost unnoticed in the management-union correspondence, the layoffs in October the same year did not. In a letter to the management dated 29 October, Kindstrand wrote the following:

As we have previously notified Mr Holsti, there is strong discontent among the workers on account of the most recently carried out layoffs at the Tobacco Monopoly. The discontent is particularly directed towards the failure to observe common practice in that adult workers with long tenure have been laid off.<sup>55</sup>

Included in the letter was a table summarizing some individual characteristics – occupation, age and tenure – of the affected workers in Stockholm and Malmö.<sup>56</sup> The table showed that out of 145 laid-off workers, 88 had been employed for more than four years. In addition to violations of the seniority norm, the union was also unhappy about the management’s neglect of layoff units; laid-off storage workers had been replaced with male cigar workers.<sup>57</sup> Finally, the union

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<sup>54</sup> Swedish: “[...] hävda den i avtalet föreskrivna bestämmelsen att vid brist på arbete de sist anställda först entledigades [...]”. ARAB, STF, Styrelsens protokoll, A02: 4, 13 October 1921.

<sup>55</sup> Swedish: ”Som vi tidigare meddelat Herr Holsti råder bland arbetarna ett starkt missnöje med anledning av nu senast vidtagna avskedanden vid Tobaksmonopolet. Särskilt riktar sig missnöjet mot att allmän praxis vid avskedanden icke blivit iakttagen i det vuxna arbetare med långvarig anställning blivit avskedade.” ARAB, STF, Cirkulär, B03: 3, 7 December 1921. Observe that Kindstrand did not refer to the collective agreement, but to “common practice”.

<sup>56</sup> ARAB, STF, Cirkulär, B03: 3, 7 December 1921.

<sup>57</sup> Apparently the union regarded occupation as the natural layoff unit and did not strive for wider layoff units, which is often the case nowadays. Calleman 1999.

blamed the management for discrimination against workers with foreign origins.<sup>58</sup>

The order of selection was discussed at an internal meeting with the union leadership, to which Nilsson was invited, and at a meeting of the classification board, before the company gave a written reply to Kindstrand's letter.<sup>59</sup> Here the management did not deny the abandonment of the seniority norm, but explained that it had regarded “dependency burden and family situation”, “age” and “physical constitution” as criteria affecting the order of selection.<sup>60</sup> In cases where these criteria had not given clear guidance, the company had considered the worker’s occupational competence. These criteria had, in the management’s view, resulted in the dismissals of primarily younger workers without maintenance obligations. Regarding the accusation of discrimination against foreign workers, the management answered that these were few and had been treated no differently to workers of Swedish nationality.

The order of selection was again discussed at a meeting between management and union representatives on 14 November 1921. The union representatives demanded that the management retain senior workers. Furthermore, the union demanded preferential rights for redundant workers with long tenures in the case of future recalls. The former request was turned down by the management in a written reply, which also described how the layoff policy had shifted over time. Initially, the order of selection was governed by age and tenure. The first to go were the youngest and most recently hired workers, without considering ability and skills. Later, the management found itself compelled to apply other criteria, repeating some of the factors mentioned

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<sup>58</sup> This was not the first time the union protested against what it regarded as “[...] the attempt to dismiss foreigners [...]”. See ARAB, STF, Cirkulär, B03: 3, “Cirkulär nr 19”. There was a well developed cooperation among the unions for tobacco workers in Scandinavia and, particularly in Scania, there was some mobility of labour across the borders. However, the number of foreign workers employed by the Tobacco Monopoly at the onset of the downsizing process was small and the issue played a marginal role in the interplay between union and management, as well as in the internal union affairs.

<sup>59</sup> The union leadership wanted to make Nilsson aware of “[...] the nonchalant way in which the monopoly carried out dismissals, temporary layoffs and transfers of workers without notifying the union leadership in advance [...]”. Swedish: “[...] monopolets obesvärade sätt att företaga avskedande, permitteringar och överflyttningar av arbetare utan att förbundsledningen på något som helst sätt i förväg blev underrättad [...]”. ARAB, STF, Styrelsens protokoll, A02: 4, 1 November 1921; ARAB, STF, Cirkulär, B03: 3, 7 December 1921.

<sup>60</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 7 November 1921.

in the earlier letter: dependency burden, qualifications, physical constitution and possibilities of getting other jobs. For the future, with so few workers left, the management thought it could make no pledges except that it would keep the most qualified. However, the management declared itself ready to comply with the union demand that redundant workers with long tenures be given preference for jobs in the future.<sup>61</sup>

Before continuing, some observations about the layoff process and the order of selection made in the above account should be emphasized. In contrast to the layoffs before, the 1921 reductions were clearly a matter for the company board, which may be related to the magnitude of the layoffs and the fact that the company compensated redundant workers, a practice that is further discussed in chapter 10. The reviewed archival documents do not include evidence of layoffs as a two-step process of the kind described by Cornfield. Decisions on which jobs to eliminate were not taken at the meetings of the company board, but were left to the management and local factory managers. Occupation was hardly discussed at all as a basis for defining layoff units or selection criteria at the central level. Sex, age and workplace were more important. Regarding layoff decisions the company board had the task of approving management proposals. Although the two reductions made in 1921 appear quite different, it is clear from the records that the management's strategy from the beginning was to cut both ends of the age distribution. However, it was not possible to lay off senior workers without having a pension scheme in place, wherefore the reduction in the spring came to focus on young workers. On this occasion the union was also allowed to influence the outcome, after a move made by the Social Democratic board member. The negotiations led to the application of straight seniority. No equivalent negotiations were held before the layoffs in October when the seniority norm was abandoned.

#### 9.4.3 The need principle in 1927

The interplay between management and union during the spring of 1927 is described in chapter 6. It is there established that some of the laid-off male workers were eventually recalled and that an equivalent number of female workers were released in their place. This is the only example where the union got the company to reverse a decision on layoffs.

Initially, this episode appears to fit Cornfield's idea of layoffs as a two-step process. Basically, the male cigar makers were given notice because the jobs

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<sup>61</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 23 November 1921.

they were performing could be done by machines. But eventually, after the union protests, the relationship between the elimination of jobs and the termination of employment contracts, suggested by Cornfield, was broken. To a certain extent, male jobs were eliminated and female employment contracts terminated.

What about the more specific layoff criteria then? The management proposal was to release most of the remaining male cigar makers, but not all of them. A selection process must have taken place and as with previous layoffs, this process is not described in detail in the reviewed archival sources. To the company board, the management stated that the following criteria had been applied: nationality, skills and physical status.<sup>62</sup> Nationality was the primary criterion; workers from other countries were sorted out in the first place. Thereafter, workers with highly specific skills – those that could only roll one or a few cigar types – were sorted out.<sup>63</sup> When skills in this respect were considered equal, priority was given to workers with disabilities. Worth noting is that length of service, age or civil status were not mentioned.

When first informed about the reduction, the union did not protest against the apparent fact that neither the seniority principle nor the need principle had been used. The basic critique did not concern the selection criteria as such, but the way they had been applied by the management. The union pointed out that among those given notice there were many who could not get other jobs, particularly two workers with artificial limbs.<sup>64</sup>

The layoffs of the male cigar makers were discussed at length at the company board meeting on 7 February 1927. The board members at this meeting had access to the correspondence between management and union as well as a complete list of the male cigar makers, both those who had been selected for layoffs and those who were retained.<sup>65</sup> In addition to the information from the union that two of the redundant workers were disabled, a board member also noted that several of the affected men had wives who were employed by the company. Although he did not mention it, he was probably

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<sup>62</sup> SM, STM, Styrelsens protokoll, 7 February 1927, Bilaga A.

<sup>63</sup> Note that the distinction between specific and general skills in this context was not necessarily the same as in human capital theory. Workers with the ability to do many different kinds of jobs within the company may still have been unable to perform jobs outside the company, and vice versa.

<sup>64</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 4 February 1927.

<sup>65</sup> SM, STM, Styrelsens protokoll, 7 February 1927, Bilaga C. The list contained information on name, number, birth date, civil status, number of children under 15, and notes about whether the wife was employed by the company, disabilities, nationality and other sources of income.

upset over this practice, which so clearly opposed the male-breadwinner ideal. Thereafter the Social Democratic representative on the company board wondered why the layoffs had not been preceded by negotiations with the union. Negotiations on the order of selection, the possibilities of transferring workers and severance pay could have decreased the anxiety among the workers, he argued. His proposition was that the layoffs should be cancelled, pending negotiations. The management closed the discussion with an account of how the order of selection had been established (not reproduced in the records), and how some attempts had been made to transfer male cigar makers to other jobs. After these various statements had been made, the board decided to implement the layoffs without further delays.<sup>66</sup> Moreover, the management got permission to lay off an additional 12 male cigar makers currently on machine work, on condition that they could not be transferred.<sup>67</sup>

After negotiations with union representatives in March a new selection process was undertaken, where the male workers to be recalled was decided on. The management kept to its original idea to protect male workers who could be regarded as having “insurmountable difficulties” in finding a new job. But this time age was considered besides physical status – 24 of the recalled were older than 41 and 11 were “crippled”.<sup>68</sup> Again, nothing was said about length of service or civil status.

Civil status, however, mattered when women were about to be laid off in autumn 1927. On this occasion the union was explicitly invited by the factory management to identify female workers “[...] whose family situation could allow them to quit their job”.<sup>69</sup> This invitation was, as mentioned in section 6.6, not accepted. The order of selection was therefore established at a meeting with the company management, the factory managers and the Social Democratic representative on the company board. The meeting resulted in a proposal in which 14 female workers, aged 53-54, were to be given early retirement and 48 workers were to be laid off. Of the latter, 35 were married to men employed outside the company and 13 were married to men employed by the company. The laid-off workers had been selected considering their families’ economic situation, which, after the union’s refusal to participate in the selection process,

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<sup>66</sup> Bärge registered a reservation. The board also decided that negotiations on some adjustments of the benefits to the temporarily laid-off and severance pay should be held with the union.

<sup>67</sup> In this matter Bärge also thought that negotiations with the union should take place.

<sup>68</sup> SM, STM, Styrelsens protokoll, 9 April 1927, Bilaga G & H.

<sup>69</sup> Swedish: ”[...] vilkas familjeförhållanden kunde tänkas medgiva dem att sluta sin anställning.” SM, STM, Styrelsens protokoll, 17 October, Bilaga A.

had been estimated with the help of the personnel consultants. The order of selection was approved by the company board after a slight revision suggested by the management.<sup>70</sup>

#### 9.4.4 The final layoffs 1928-1933

As the compensation offered to the redundant female workers was discussed between the management and the union leadership in the late autumn of 1927, notice of new layoffs was given.<sup>71</sup> Initially, it was said that this measure could affect male or female workers. Eventually, the management opted for releasing women; the choice between men and women was not even mentioned when the decision on reduction was taken by the board in December.<sup>72</sup> The memo, that was the basis for the decision, stated that while previous personnel reductions had affected young and old workers, coming reductions should, for the sake of production, only affect older workers; primarily those with three years or less to retirement.<sup>73</sup> Second, layoffs were to affect workers in the age group 40 to 46 years, whereas “satisfactory” and reliable workers in between 47 and 51 were to be protected. The management did not regard it appropriate to layoff workers in this age group without giving them unemployment support until retirement, but such support would be costly due to the relatively long period that remained before the ordinary pension scheme set in. The proposed policy, together with a concrete proposal to lay off close to 150 workers, was accepted by the board. Instructions were sent out to the local factory managers the following day. These instructions contained a certain scope for action with regard to the exact numbers of workers in the age group 40 to 46 who were to get advance notice.<sup>74</sup> Furthermore, the instructions implied that the local factory managers had some freedom to select workers to retain and workers to lay off, within the specified age group. Nothing was said about the criteria to be applied.

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<sup>70</sup> Concerning selection criteria, the board appears to have been united but there was disagreement about the size of benefits given to the redundant workers, which were thought to be generous. With regard to Wallenberg’s changes it may be noted that the number of affected married female workers was reduced from 48 to 45. That the changes were advantageous for the workers is also indicated by Bårg’s positive reaction. SM, STM, Styrelsens protokoll, 17 October 1927.

<sup>71</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2, 8 November 1927.

<sup>72</sup> SM, STM, Styrelsens protokoll, 19 December 1927.

<sup>73</sup> SM, STM, Styrelsens protokoll, 19 December 1927, Bilaga C.

<sup>74</sup> SM, STM, Styrelsens protokoll, 19 December, Bilaga E.

The union was not invited to participate in establishing the order of selection in the reductions announced at the end of 1927, which is hardly surprising since it had rejected the last invitation. But the management did not abandon its newfound idea to involve worker representatives in decision-making. As was shown in section 6.8, Holsti offered Eliasson the opportunity to make changes in the preliminary order of selection in the end of 1930. Again, the invitation was turned down. The reason for this rejection was not disagreement about what criterion to apply, since the need principle was a matter of course for the union leaders at the time, but what effects participation would have on the internal cohesion of the organization.

With hindsight the management's way of dealing with workforce reductions appears to be somewhat rambling. Different solutions were applied from case to case. Eventually, transfers to the personnel reserve became the established routine. This measure was taken in 1931, in 1932 and on two occasions in 1933.<sup>75</sup> The target group was female workers close to retirement. There is not much qualitative evidence indicating if more criteria than sex and age were used when selecting workers. When the company board took decisions about transfers to the personnel reserve in 1933 it had some information about the affected workers (such as employment date and incomes for the last four years but not occupation), but not about those workers who were retained.<sup>76</sup> Obviously, the selection had been done by the management before the board meeting. One reason for the lack of more detailed information concerning criteria applied when making transfers to the personnel reserve is the fact that these measures were not particularly controversial. No objections were raised by the board and no letters of protest were written. There was simply no need for the management to account for its priorities.

There are also some recurring patterns with regard to layoffs after the post-war depression. First, layoffs continued to be an issue for the company board. Although the management prepared the proposal, the board had to give the go-ahead signal. Second, layoff units continued to be equivalent with production units. This fact was hardly a matter of discussion. In contrast to the early period, that is to say before 1921, seniority was not applied as a selection criterion, and in contrast to the previous period, layoffs were concentrated to middle-aged and older workers. The management strategy was no longer to cut at both ends of the age distribution. This change reflects the fact that mechanization was close to

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<sup>75</sup> SM, STM, Styrelsens protokoll, 26 January 1931; SM, STM, Styrelsens protokoll, 19 September 1932; SM, STM, Styrelsens protokoll, 28 June 1933; SM, STM, Styrelsens protokoll, 29 August 1933.

<sup>76</sup> SM, STM, Styrelsens protokoll, 28 June 1933; SM, STM, Styrelsens protokoll, 29 August 1933.

completion, and there were no longer doubts whether machines could be used in cigar and cigar-cigarette production.

With regard to selection criteria it should be noted that the management kept referring to the need principle after 1927, at least when male workers were concerned. Being a socially responsible employer meant that those who could not compete in the regular labour market, that is disabled and aged workers, should be protected. Having a family to support was not considered as an important criterion by the management when selecting among male workers. The male-breadwinner norm was of greater importance for female workers and, in particular, responsible managers wanted to release women whose husbands were also employed by the company.

Whereas the big change in the management's layoff policy came during the post-war depression, the union's opinion concerning the order of selection changed gradually over time. From having advocated straight seniority, the union leaders came to accept the need principle. This shift in policy may be seen as an adaptation to the company's personnel policy. It became obvious to the union leaders that the management would not accept straight seniority, but at the same time the union leaders saw that redundant workers could get fairly generous severance and pension packages. Instead of sticking to the transparent but rigid principle of 'last in, first out', more emphasis was put on attaining as much as possible in compensation to laid-off workers.

With regard to union involvement in decision making, the management in the latter phase of the downsizing process invited the union to participate in establishing the order of selection on two occasions, but on both occasions the union rejected the offer. This was a clear difference compared with the sequence of events in 1921. It seems like the question of union participation in the selection process was related to what selection criteria were of relevance. When thinking was characterized by the seniority principle, the management did not take the initiative to invite the union. The initiative to the talks in the spring of 1921 came from an individual board member and when he did not bring up the matter in the autumn, the union was not invited. The union leadership unanimously wanted to participate in decision making at the time. As the management began to apply the need principle, it became more inclined to involve the union in the process. Initiatives from the company boards were no longer required. This was because the management saw that the union had an information advantage; it knew more about the situation of individual workers. The changed management policy may also be seen as a response to the protests in autumn 1921 and the beginning of 1927. For the union leaders, participation in the selection process was a problematic issue, since they could be put in the



difficult position of having to motivate and legitimate the layoffs for its members.

## 9.5 Layoff risks for workers at Malmö Cigar Factory

So far, the account has focused on how the parties viewed the layoff process and the layoff criteria. However, there may have been criteria so obvious for the actors that they were not even discussed. Moreover, there may have been a certain scope for local factory managers and supervisors in establishing the order of selection. The remaining part of this chapter therefore analyzes the outcome of the layoffs and tries to find out what criteria were actually applied and assess their relative importance. This is done by using data from the personnel records of Malmö Cigar Factory,<sup>77</sup> first by means of cross-tabulation of how the layoffs were distributed according to sex and age and then by means of logistic regression analysis where the effects of several variables are included.

### 9.5.1 Age and sex of laid-off workers

As shown in chapter 8, layoffs at Malmö Cigar Factory were concentrated to 1921 and 1927.<sup>78</sup> In each of those years, there were two waves of layoffs. Table 9.1 gives an overview of how the layoffs on each occasion affected male and female workers of different age groups. The table confirms much of the qualitative evidence presented in section 6.2, 6.3 and 9.4.2. The layoffs in April 1921 affected young, female workers, whereas the layoffs in October affected old workers of both sexes as well. A closer investigation of the statistics shows that there were very few male workers under 25 years of age in 1921. This is probably the reason why gender was not discussed in connection with the reduction in April. If a substantial number of young and recently hired workers was about to be released, it followed automatically that the layoffs would affect

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<sup>77</sup> For a description and discussion of this source, see appendix 2.

<sup>78</sup> The layoffs announced at the end of 1927 and implemented in January 1928 did not affect Malmö Cigar Factory to any great extent. It also appears like most of the transfers to the personnel reserve were from the factories in Stockholm and Gävle, since few cases of such transfers were found in the reviewed personnel records.

**Table 9.1** Profiles of workers laid-off from Malmö Cigar Factory according to sex and age

Occasion	Age group									
	≤ 24		25-34		35-54		≥ 55		All ages	
	T	L	T	L	T	L	T	L	T	L
April 1921										
Men	38	8	23	0	100	0	51	0	212	8
Women	580	154	144	0	151	0	28	0	903	154
Oct 1921										
Men	23	11	29	3	97	0	41	29	190	43
Women	386	78	162	9	142	1	24	22	714	110
Feb 1927										
Men	3	1 (1)	15	5 (8)	83	8 (30)	23	0 (7)	124	14
Women	48	0	208	0	155	0	9	0	420	0
Oct 1927										
Men	2	0	11	0	72	0	12	0	97	0
Women	11	0	224	14	151	20	1	0	387	34

Note: T = total number of workers in the category. L = number of layoffs in the same category. The figures within parentheses on the line for men in February 1927 refer to the number of workers who were given notice in January the same year, whereas the figures outside parentheses refer to the number of workers who was eventually laid off.

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

women. Furthermore, the statistics reveal that all the men over 60 years of age and all the women over 55, with a few exceptions, were laid off in October 1921.<sup>79</sup> It was not a matter of selecting which workers in these groups to retain and which to release. Finally, the company's tendency to release middle-aged and old workers towards the later phase of the downsizing process is confirmed by the figures in table 9.1. This was out of necessity, as fewer workers were found in the younger age groups, as seen in the case of the announced layoffs of

<sup>79</sup> The exceptions were: a male carpenter, a male caretaker (*gårdskar*), a female cigar-maker and a female chef.

male workers at the beginning of 1927, but, as in the case of the layoffs of female workers later the same year, it was a conscious management policy as well.

A striking impression of the qualitative account in section 9.4.2 is that layoff procedures and criteria were not consistent over time at the Tobacco Monopoly. The following analysis of layoff risks therefore studies each occasion separately. As obvious from table 9.1, the absolute numbers of retained and laid-off workers decreased over time, a natural consequence of the ongoing downsizing process. This fact makes it more difficult to investigate the reductions in 1927, wherefore it was chosen to focus the analysis of this year on the initial order of selection established by the management and not on the few layoffs of male workers that were eventually implemented. Further methodological considerations are discussed in the section 9.5.2 below, which introduces logistic regression analysis.

### 9.5.2 Logistic regression analysis

Logistic regression analysis is a commonly used technique for investigating how the probability of an event is related to a set of independent variables.<sup>80</sup> In formal terms, the logistic model can be expressed as follows:

$$\text{Prob}(Y = 1 / X) = \exp(\beta_0 + \beta_1 X) / [1 + \exp(\beta_0 + \beta_1 X)]$$

where  $Y$  is a dependent variable that can either take the value of 1 or 0,  $\beta_0$  is a constant, and  $\beta_1$  is vector of coefficients associated with  $X$ , a vector of independent variables. The event of interest, the dependent variable, in our study is whether a worker is laid off (1) or not (0) on a given occasion. The independent variables consist of a range of individual worker characteristics that, based on theory and qualitative evidence may be expected to affect the probability, or risk, of being laid off. For example age, civil status, occupation and tenure.

The method whereby the parameters of the logistic function are estimated is called ‘maximum likelihood’ and is best suited for large samples. If the

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<sup>80</sup> Logistic regression models are preferred to linear regression models where the dependent variable is binary. One reason for this is that linear regressions can predict outcomes outside the range of possible outcomes (that is, between 0 and 1). For a non-technical introduction to logistic regression analysis, see Feinstein & Thomas 2002, p 395. For applications to layoffs, see Cornfield 1983 and Elvira & Zatzick 2002.

sample size is small, or if the relative frequency of events is small, the method may fail to produce meaningful results. There are various research strategies to deal with this problem.<sup>81</sup> One way is to sample data on the dependent variable, which means that the researcher collects information on all cases where an event occurs and thereafter draws a random sample of cases where the event does not occur. This strategy, which is called ‘choice based sampling’ or ‘case-control design’, is useful when information on events is easily available, but where information on non-events is costly to collect. Case-control design would have been appropriate for the purpose of our study if there had already been established lists of laid-off workers with information on their characteristics, but no equivalent lists of retained workers. This was generally not the case. However, as evident from the empirical account in the above sections of this chapter and from table 9.1, there is some information on layoff units and criteria. Which groups were targeted on each occasion is fairly well established. The research strategy when analysing layoff risks at Malmö Cigar Factory has therefore been to focus on these groups and try to find out more about the criteria that were used to select workers within the groups.<sup>82</sup> In this way it has been possible to limit the number of independent variables. Take the permanent layoffs in April 1921, for example, which were concentrated to young, female workers. If men had been included in the analysis as well, it would have been necessary to allow for the possibility of interaction-effects with regard to civil status. Being married could be expected to reduce the layoff risk for men and increase the risk for women. Equivalently, other characteristics may have had different implications for men and women. Since few men were laid-off on this occasion, the inclusion of men in the analysis would mean adding extra variables without adding much more information.<sup>83</sup>

A drawback to logistic regression analysis, which can be intuitively understood just by looking at the above equation, is that the estimated parameters – the logit-coefficients – are somewhat hard to interpret. The interpretation of the signs and statistical significance of logit-coefficients is similar to the interpretation of linear regression coefficients. If a logit-coefficient has a positive sign (and a small standard error) the variable is associated with a higher layoff risk, and vice versa. The interpretation of the size of the

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<sup>81</sup> King & Zeng 2001, pp 698-699.

<sup>82</sup> This strategy is known as ‘exogenous stratified sampling’.

<sup>83</sup> Comparing men and women in the same regressions is also complicated by the gender division of labour; men were clustered in cigar making and storage work, whereas women could perform other tasks as well.

parameters is, however, different. In ordinary linear regressions, the estimated coefficients may often be read as marginal effects, the impact on the dependent variable of a small change of the independent variable. This allows the reader to distinguish between effects that are of real importance and effects that are so small that they may be disregarded. Raw logit-coefficients cannot be read the same straight-forward way and are difficult for the untrained eye to translate into economic and historical significance.<sup>84</sup> A coefficient may well be separated from zero in a statistical sense, but be of such a small magnitude that it makes no sense for the research problem and it may be difficult to compare the effects of two or more variables just by looking at raw logit-coefficients.

When presenting results from logistic regressions some researchers only report the raw logit-coefficients and limit their analysis to the signs and standard errors of coefficients – the direction of effects and their statistical significance – but make no effort to discuss the magnitude of various effects. For those who wish to go further and get an idea of the economic and historical significance of a variable, there are basically two approaches: to calculate odds-ratios or predicted probabilities.<sup>85</sup> Odds are calculated by dividing the probability of an event with the probability of a non-event. The odds-ratio is obtained by dividing the odds for one group with the odds for another group. This can be informative when comparing categories of individuals, such as men and women, but is less useful when assessing the probabilities of an event for individuals situated along a continuous scale, such as workers with varying length of service. The other approach to presenting the results from logistic regressions is to use the logit-coefficient to calculate predicted probabilities. This is done by imputing the estimated parameters in the logistic function and assuming values of the independent variables for types of cases that are thought to be of particular relevance for the analysis.

Our study presents the raw logit-coefficients and predicted probabilities for chosen examples. The predicted probabilities approach is preferred since it makes it easier to illustrate and interpret the effects of continuous variables.

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<sup>84</sup> Roncek 1991; Roncek 1993; DeMaris 1993; King *et al* 2000; Thrane 2005, pp 297-298.

<sup>85</sup> To a certain extent, the choice between presenting odds-ratios and predicted probabilities reflects the traditions in various disciplines, but there is also a substantive debate between proponents of the two approaches. See Roncek 1991; DeMaris 1993; Roncek 1993. It should also be mentioned that logit-coefficients may be used to calculate marginal and impact effects as well as elasticities. Feinstein & Thomas 2002, p 395.

### 9.5.3 Order of selection at the two rounds of layoffs in 1921

Since the layoffs in April and October 1921 were concentrated to young, female workers, the regression analysis in this section concentrates on identifying the criteria that were important for selecting workers within this age group.<sup>86</sup> The research strategy is to estimate the same empirical model on both reductions and compare the results. The layoff risk for an individual worker is related to the following independent variables: age, married, children, occupation, apprentice, day labourer, transferred, length of service and earnings.

‘Age’ is measured in years and is expected to have had a negative effect on the risk of being laid off in April, but not in October.

‘Married’ indicates whether the worker was married or not at the time of the reduction. To the extent that the male-breadwinner norm influenced the order of selection, being married should be associated with higher layoff risk. Marital status was not explicitly mentioned as a selection criterion in the qualitative evidence in 1921, but can be read into the wording “family situation” used by the management in connection with the reduction in October.

‘Children’ is a binary variable that indicates whether the worker had at least one child under the age of 15.<sup>87</sup> Neither the qualitative evidence from the tobacco industry, nor the secondary literature on the labour market of the inter-war period, gives many clues about how young female workers with children were treated in layoff situations. If a general need-principle was applied, young mothers would be protected; having children would in that case be negatively associated with the layoff risk. It could also have been the case that it was regarded as unsuitable for young mothers to participate in gainful employment. Having children would then be positively associated with the layoff risk.

‘Occupation’ is a categorical variable with five groups: preparation workers, cigar workers, cigar-cigarette workers, packers and other workers.<sup>88</sup> The last group includes machine workers, cigarette workers and workers outside

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<sup>86</sup> The reason for focusing on this group is, as mentioned, to limit the number of variables. Keeping the age group constant is also preferred since it facilitates comparisons between the reductions. It is not deemed meaningful to analyze the layoff risks for the old workers who were temporarily laid off in October, since these layoffs basically meant that all workers above a certain age (which was different for men and women) were released.

<sup>87</sup> One could suspect a high correlation between being married and having children, but as seen in tables A4.2 and A5.2, most female workers with children were unmarried and most married workers had no children.

<sup>88</sup> The occupational classification is described in greater detail in section A2.4.

direct tobacco production. Preparation work, which employed somewhat more than a third of the individuals in both samples, is used as a reference category to which the remaining occupations are compared in the analysis. To the extent that there is a close connection between the elimination of jobs and the termination of employment contracts, as suggested by Cornfield, occupation should matter a lot for the risk of being laid off. Given the development of demand for tobacco goods and production technology, we would expect particularly high layoff risks for cigar workers.

‘Apprentice’ indicates whether a worker was in training at the time of the reduction.<sup>89</sup> Apprenticeship was traditionally associated with a certain degree of employment protection. It is not known whether this was the case at the Tobacco Monopoly.

‘Day labourer’ indicates whether a worker had the same denotation at the time of the reduction.<sup>90</sup> The denotation as such suggests weaker employment protection, but this was not necessarily the case at Malmö Cigar Factory, as discussed in section 8.3.1.

‘Tenure’, which is a continuous variable measured in years since the worker entered the factory, is thought to be negatively related to the layoff risk in April, but not in October.

‘Transferred’ indicates whether a worker has been transferred from another factory within the company. Transferred workers can be expected to have had lower layoff risks, since it may have been the whole time spent in the company that mattered for the order of selection, rather than the time spent in the particular factory.

‘Earnings’ is a continuous variable measuring average monthly earnings in *kronor* in 1920. We use the earnings of the preceding year since the hours-reductions during 1921 may have affected the earnings of various worker categories differently that year. This variable is expected to be negatively related to the layoff risk.

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<sup>89</sup> Information on training periods in the collective agreement of 1921 was used to determine apprenticeship status since the timing of the transition from apprentice to trained worker was not included in the personnel records. See section A2.5 and MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1921.

<sup>90</sup> Note that the variable ‘day labourer’ is not seen as an occupation in this analysis. Day labourers are assumed to be preparation workers, if the personnel records did not state that the worker in question had another occupation.

**Table 9.2** Explaining the layoff risk, female workers under 25 in April and October 1921

<b>Variable</b>	<b>April 1921</b>	<b>October 1921</b>
Age	-0.356 *** (0.111)	-0.065 (0.101)
Married	0.033 (0.777)	-0.423 (0.613)
Children	-0.435 (0.750)	0.172 (0.547)
Occupation		
Preparation	reference category	reference category
Cigar	1.103 * (0.560)	-0.151 (0.539)
Cigar-cigarette	0.310 (0.487)	-0.554 (0.393)
Sorting	0.053 (0.608)	-2.099 ** (0.857)
Other	0.812 (0.756)	-0.544 (0.505)
Apprentice	-0.969 ** (0.420)	0.316 (0.474)
Day labourer	-2.011 *** (0.557)	-0.862 * (0.495)
Tenure	-2.123 *** (0.251)	0.105 (0.134)
Transferred	-2.997 *** (0.598)	0.246 (0.487)
Earnings	-0.013 ** (0.006)	-0.020 *** (0.006)
Constant	13.633 *** (1.973)	3.779 ** (1.755)
N	544	360
Prob > chi2	0.000	0.000
Pseudo R <sup>2</sup>	0.550	0.105

Note: \*\*\* indicates statistical significance at 99 percent level, \*\* at 95 percent level, \* at 90 percent level. Standard errors in parentheses.



Descriptive statistics for the variables are found in appendix 4 and 5. The analysis proceeds by first commenting on the signs and statistical significance of various variables and thereafter looking further into the magnitude of some effects.

Table 9.2 summarizes the results from logistic regressions on the layoff risk in April and October 1921. Basically, the results confirm the established picture of the significance of age and tenure in April and the insignificance of the same criteria in October. The negative coefficients of age and tenure variables indicate that, in the group female workers under 25, older individuals with long tenures faced a lower risk of being laid off in April. For the October-reduction, the coefficient for age is still negative, but statistically insignificant, whereas the coefficient for tenure is positive and insignificant. A related difference between the two reductions concerns the effects of having been transferred from another factory, which reduced the layoff risk in April but not in October. Thus, it was length of service in the company, and not in the particular factory that was of importance in April. This observation cannot be made from the qualitative sources.

An even more striking contribution of the logistic regression analysis regards the importance of worker performance for the risk of being laid off, an aspect that was hardly discussed at all in the qualitative sources from 1921. This variable was statistically significant both in April and in October, which indicates a certain degree of discretion in the layoff procedure. There was a certain scope for lower level managers and/or foremen to select the workers to be retained and those to be released outside the official selection criteria. That this scope was used to protect high-performing workers, as shown by the negative sign, is not surprising from a theoretical perspective. Since most workers were not on pure piece rates, the company had strong incentives to retain the most productive individuals.

Being married and having children are two other criteria that were not talked about in the qualitative sources. Neither of these criteria appears to have been applied when establishing the order of selection among young female workers in 1921. After all, only a small portion of them were married or had children.

The statistical evidence of the close connection between job elimination and termination of employment contracts is ambiguous. As displayed in table 9.2, cigar workers were more likely to be laid off than preparation workers in April, but not in October. This indicates that there were lots of transfers within the factory in 1921 and that the layoff risk was more related to personal characteristics than to the job title held at the beginning of the year.

A clear finding in the logistic regressions is that day labourers were not more likely to lose their jobs than other workers, rather the contrary.<sup>91</sup> The day labourers of Malmö Cigar Factory cannot be seen as a labour reserve. The finding that apprentices were protected from layoffs in April is less surprising and suggests that although there were no formal apprentice contracts at the Tobacco Monopoly, the old custom of protecting workers in training lingered on for a while.

Overall, it is obvious that the logistic regression analysis has much more to say about the selection criteria applied in April 1921 than in October the same year. In the former case, seven coefficients (not counting the constant) are significant at the 10 percent level and the pseudo  $R^2$  is 0.55.<sup>92</sup> In the latter case, only three coefficients are significant at the same level and the pseudo  $R^2$  is just above 0.10. This is in itself interesting since it reflects the difference in the layoff procedure between the two reductions. In April the management applied criteria which were easy to measure and implement: ‘the youngest of the most recently hired’. The room for discretion for lower-level managers was limited. In October, the layoff criteria were vaguer and left more room for discretion. As mentioned, the need principle includes many possible dimensions, some of which are hard to measure objectively. Thus, the seniority principle made the layoff procedure more transparent not only for the affected workers at the time, but for present-day researchers as well.

Now that the direction and statistical significance of various effects have been discussed, the next step is to look into the magnitude of the layoff risks experienced by individual workers in April and October. This is done by using the estimated coefficients to calculate predicted probabilities of being laid off for workers with given characteristics.

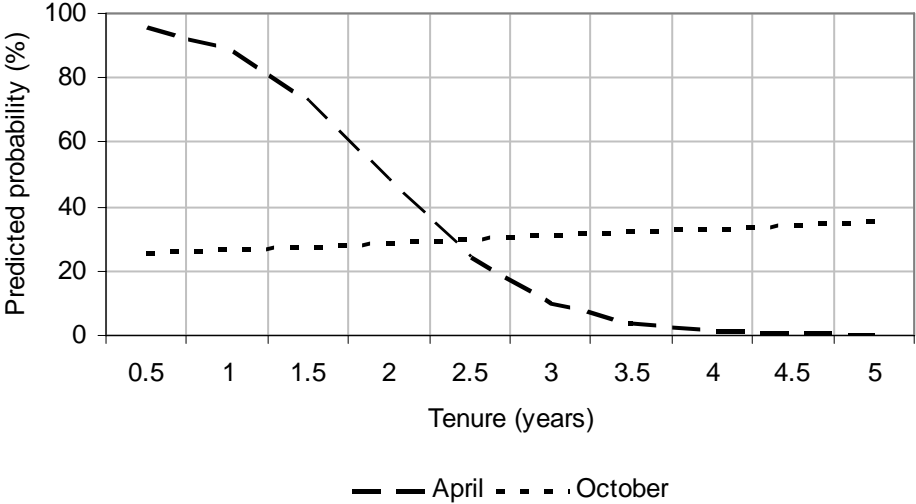
Figure 9.1 illustrates the most fundamental difference between the reductions in April and October – how the layoff risk was affected by length of service. The predicted probabilities have been calculated for a female worker who at the time of the reduction was 20 years old, unmarried, without children,

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<sup>91</sup> This finding is not caused by the assumption that day labourers were preparation workers. Separate regressions have been run on preparation workers only, but the significant negative effect of being a day labourer remains.

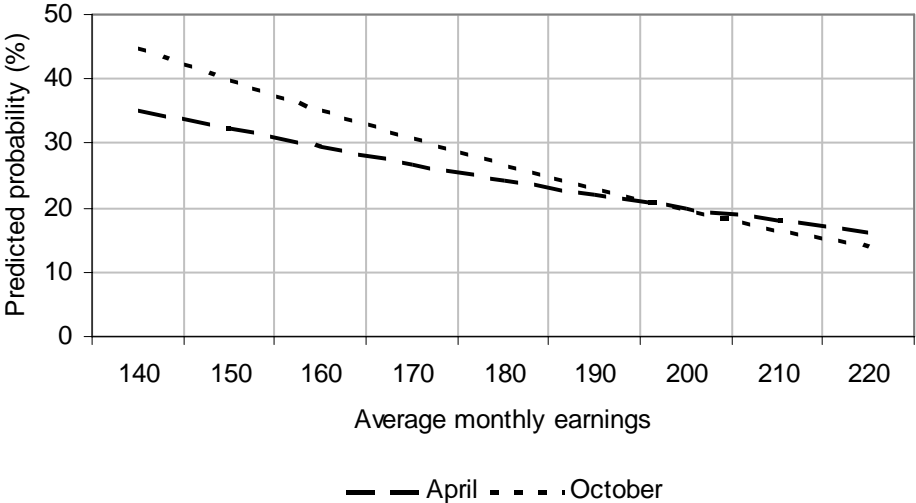
<sup>92</sup> Observe that logistic regression analysis does allow the calculation of a coefficient of explanation that exactly corresponds to the  $R^2$  of linear regressions. The pseudo  $R^2$  reported here is one of several measures that have been created in order to give a rough idea of the explanatory power of a logistic regression model.

**Figure 9.1** Probabilities of being laid off by tenure for female workers under 25 in April and October 1921



Note: The predicted probabilities of being laid off by tenure have been calculated for a female worker who at the time of the reduction was 20 years old, unmarried, without children, engaged in preparation work, not transferred from another factory, not an apprentice or a day labourer and who earned 180 *kronor* per month during the preceding year.

**Figure 9.2** Probabilities of being laid off by earnings for female workers under 25 in April and October 1921



Note: The predicted probabilities of being laid off by age have been calculated for a female worker who at the time of the reduction was 20 years old, unmarried, without children, engaged in preparation work, not transferred from another factory, employed for 2.5 years and not an apprentice or a day labourer.

engaged in preparation work, not transferred from another factory, not an apprentice or a day labourer and who earned 180 *kronor* per month during the preceding year. If this individual had been employed for six months, she would have faced a 95 percent risk of losing the job in April, but the risk rapidly decreased with tenure. Had she instead been employed for two and a half years, the layoff risk would have been around 20 percent, and had she been employed for four years or more, the risk would have approached zero. In October the relationship between the layoff risk and tenure was completely different. On this occasion, there was a tendency for the risk to increase with tenure, but it should be remembered that this effect is surrounded by great uncertainty.

Figure 9.2 illustrates the effect of worker performance on the layoff risk, which was negative at both reductions. The example worker used to calculate the predicted probabilities is similar to the one used above, with the difference that she is assumed to have been employed for 2.5 years. The predicted probabilities have been calculated for the range 140 to 220 *kronor* per month, which is equivalent to one standard deviation in each direction from the average for workers in April. As illustrated in the figure, the risk of losing the job for a 20-year old female worker who earned 180 *kronor* in 1920 was about 24 percent in the April reduction. Had she showed greater effort the preceding year, and earned 220, the predicted probability would have been 16 percent. In relative terms the risk decreased by a third. Worker performance made an even greater difference in October. The difference in the predicted probability between having earned 180 and 220 *kronor* for the worker in the example was almost halved, from 27 to 14 percent.

#### 9.5.4 Order of selection in 1927

The next stop when investigating the layoff risk at Malmö Cigar Factory is made in January 1927, when a considerable number of male cigar workers for the first time was about to be laid off. The sequence of events is by now familiar: the workers got a written notice of dismissal, union protests followed, some of the male workers were recalled and a number of female workers were bought out instead. The main purpose of this section is to look further into the initial order of selection that was established by the management at the turn of the year 1926-1927. According to official statements, the main criteria were nationality, skills and physical status.

Whereas the number of observations available for analysis is smaller for 1927 than for 1921, there is more, and better, information on each individual

affected by the proposed measure in 1927. The reduction was planned well in advance and was preceded by a fairly detailed investigation of the male cigar workers, which was summarized in a table and presented to the company board at its meeting in February.<sup>93</sup> This document included information on birth date, nationality, civil status and whether the spouse was also employed by the company, number of under-aged children, disabilities and other items of interest on workers proposed for retention and layoff, respectively. Worth noting is that the document did not say anything about the workers' skills, which according to the official declaration was a criterion for selecting among workers of Swedish nationality. The following analysis builds upon the information that was available to the company board.

Some variables have so little variation that it is pointless to include them in the analysis. Of the 84 affected workers, only two were of foreign nationality, and all but 10 were married.<sup>94</sup> The empirical model therefore includes the worker's age, whether he had one or several under-aged children, was married to a co-worker or had a physical disability. As shown in table 9.3, the logit-coefficients of age and having children are statistically significant, whereas the coefficients of being married to a co-worker and being disabled are not. All else equal, older workers and workers with children seem to have been protected. The statistical evidence does not support the official management claim that disabled workers were protected. Some cripples were retained while others were not. A closer scrutiny of the various disabilities gives no indication that workers with more serious handicaps were protected; for example two limping workers were retained, while two others were laid off and one worker with an artificial leg was retained, while a colleague with two artificial legs was laid off.<sup>95</sup> Another criterion that does not seem to have mattered was whether the worker had a wife who was also employed by the company. This fact is interesting as it shows that the management could make husbands redundant and keep their wives. Such a policy is hardly compatible with a strict interpretation of the male-breadwinner norm.

Having established that age and children affected the layoff risks, we have reason to illustrate the magnitude of these effects. This has been done by calculating the predicted probabilities of being laid off for male workers in the

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<sup>93</sup> SM, STM, Styrelsens protokoll, 7 February 1927, Bilaga C.

<sup>94</sup> The two foreign workers, who had Danish citizenship, were both laid off; the same applied to seven of the unmarried workers.

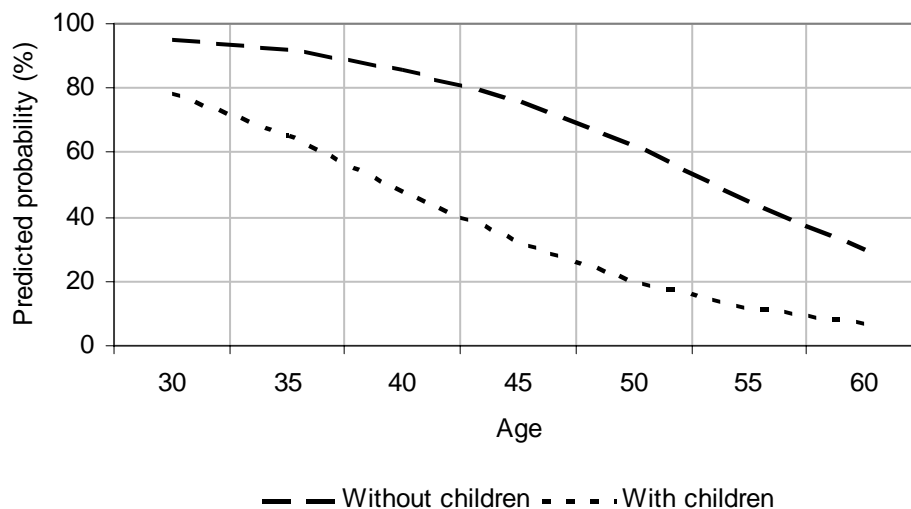
<sup>95</sup> See table A6.2.

**Table 9.3** Explaining the layoff risk, male cigar workers in January 1927

Variable	Coefficient
Age	-0.152 *** (0.043)
Children	-0.232 *** (0.672)
Disabled	0.179 (0.644)
Married to co-worker	-0.806 (0.604)
Observations	84
Prob > $\chi^2$	0.000
Pseudo R <sup>2</sup>	0.193

Note: \*\*\* indicates statistical significance at 99 percent level, \*\* at 95 percent level, \* at 90 percent level. Standard errors in parentheses.

**Figure 9.3** Probabilities of being laid off by age for male cigar workers in January 1927



Note: The predicted probabilities have been calculated for a male worker without disability and with average length of service at the time of the reduction (10.55 years).

age group 30 to 60 with and without children. The workers are assumed to not have had disabilities and not married to a co-worker. The calculation shows that both age and children are variables that had considerable impact. Taking a 45 year old worker, for example, the layoff risk was 76 or 32 percent, depending on

whether he had under-aged children or not. For a worker with children, the predicted probability of being laid off decreased from 78 to 32 percent, depending on whether he was 30 or 45 years of age, respectively. Taking both children and age into consideration also shows that the predicted probability of being laid off was of about the same magnitude for a 35 year old worker with children as for a 15 year older colleague.

Over time there was a clear tendency at the Tobacco Monopoly to apply the need principle when establishing the order of selection at layoffs. The first step in this direction was taken in October 1921 and the significance of age and children when male cigar workers were about to be released in 1927 demonstrates the penetration of new ideas into the order of selection. The need principle continued to matter in autumn the same year when female workers were laid off. Some attempts have been made to analyze this reduction quantitatively, but without adding much, apart from confirming what is known from qualitative evidence: all the laid-off workers were married.

## 9.6 Summary

This chapter investigates layoff procedures and criteria. With regard to the basic question of whether the union could influence these matters, it is established that a limited degree of influence was institutionalized. The union leadership was generally informed in advance of personnel reductions and had to the right to protest. Worker representatives were sometimes invited to participate more actively in the decision-making process. Such an invitation was accepted in the spring of 1921, but not in 1927 and 1931. It seems like union participation in the layoff procedure was related to the prevailing ideas about selection criteria. As selection criteria changed, so did the management's attitude to union participation. Surprisingly, the union's own opinion became more ambivalent.

Layoff decisions are often thought to be taken in two steps where it is firstly decided what jobs to eliminate or what group of workers to affect and thereafter the selection of workers. The archival material reviewed for this thesis suggests that, to the extent that the company board took decisions on layoffs, it was mainly about the workers to retain or release. Surprisingly little attention was given to the type of jobs to be eliminated. The notion of layoff units, central in negotiations between unions and employers today, was not explicitly used in the inter-war era. Nevertheless, from the qualitative sources it seems like individual factories in practice constituted separate layoff units.

Although there were no formal rules governing the order of selection at the Tobacco Monopoly, qualitative evidence suggests that there was an implicit agreement that protected senior workers from unemployment. The validity of this agreement in the spring of 1921 was confirmed by a statistical analysis of layoff risks at Malmo Cigar Factory. In accordance with the official statement made by the management, a logistic regression showed that the personnel reduction affected young and recently hired workers. When mass-layoffs were carried through in October the same year, length of service was no longer considered when establishing the order of selection. The management did not explain why it abandoned the seniority principle, but its changed policy is not surprising from a theoretical perspective. Mechanization made skill transfers from senior to junior workers less important and senior workers were no longer needed in the training process. Moreover, the severity and extent of the depression decreased the bargaining power of the union.

The seniority principle was replaced by the need principle in October 1921. If, and how, the management actually applied this criterion in this early phase of downsizing remain unclear. The only pattern with regard to selection criteria in October 1921 that could be established in the quantitative analysis was that high-performing workers were protected from layoffs. This tendency could be detected in April as well, but was stronger in October.

When the need principle was applied to male workers at the beginning of 1927, the statistical analysis suggests some discrepancies between official declarations and actual practice. On this occasion, the management stated that workers with physical disabilities were protected from being laid off. The statistical analysis cannot establish a lower layoff risk for workers with physical disabilities, but indicates that the risk was reduced by age and the presence of children, two factors not mentioned officially.

Overall, the male-breadwinner norm was not pronounced in the yearly years of the downsizing process. Married female workers were not the focus of discussion in the light of the post-war depression in 1921 and they did not face higher risks of being laid off that year. The need principle got a clearer gender dimension in 1927. This was seen in the negotiations concerning the male cigar workers who were given notice and in the reduction in autumn the same year, which exclusively affected married women.





## Chapter 10

# Compensation to redundant workers

### 10.1 Introduction

Severance pay – the practice of compensating redundant workers – has its origins in pre-revolutionary Russia and began to spread in Europe and the United States during the inter-war period.<sup>1</sup> The practice was known in Sweden by the late 1930s, but had no established name.<sup>2</sup> The Tobacco Monopoly was probably one of the first employers in the country to apply severance pay. This had to do with the special circumstances around the creation of the company. When nationalizing tobacco production, the politicians decided that those who lost their jobs because of the reform were to be compensated. This chapter discusses how the compensation issue was regarded by investigators and politicians; as will be shown, their view was close to what could be expected from human capital theory. In this chapter it is also shown how the Tobacco Monopoly continued to make severance payments, though it was not legally bound to, when carrying through personnel reductions in the 1920s. However,

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<sup>1</sup> Parts of this chapter have appeared in Karlsson 2007a. Employers' compensation to redundant workers has been given many names, as Everett D Hawkins noted in his investigation of the phenomenon during the inter-war period. "Dismissal wage, termination allowance, separation bonus, dismissal compensation, or a score of other aliases". Hawkins himself used the concept "dismissal compensation": "defined as a payment, in addition to any back wages or salary, made by an employer to a worker whose employment is permanently terminated for causes primarily beyond the control of the employee." Hawkins 1933, p 24. Today, 'severance pay' is the most popular term.

<sup>2</sup> The Swedish term *avgångsvederlag* did not appear in the language until 1962. *Nationalencyklopedins ordbok: Del 1 A-HZ* 1995, p 74. In the archival material reviewed for this study the two most commonly used terms were *ersättning* and *understöd*, where the former generally was referring to lump-sum payments and the latter to periodical payments (annuities). According to a public inquiry, published in 1939, Swedish employers "often" provided compensation to redundant workers with long tenures, but this practice had not yet gained such a spread that it could be regarded as an established custom. *Rationaliseringsutredningens betänkande: Del 1: Motiv och förslag* 1939. According to Per-Gunnar Edebalk and Eskil Wadensjö, such a custom had been established in the textile industry by the latter part of the 1950s. Edebalk & Wadensjö 1980, p 28.

the company's practice of severance pay in this decade represented both continuity and change. Just like the political decision makers before, the management distinguished workers with specific and general skills. But unlike the politicians, the management did not set up official rules for handing out compensation. Amounts and terms differed from time to time and it seems like women generally were disadvantaged, which had not been the case in the formal compensation system applied before.

## 10.2 Severance pay in theory

Demands for severance pay have generally emanated from workers, who view it as compensation for costs associated with layoffs.<sup>3</sup> Some of these costs are identified in human capital theory and depend on the workers' degree of skill specificity.<sup>4</sup> When the required skills are of a general nature, training is typically financed by the individual, as in apprentice contracts, or by the public education system. The losses associated with being laid off are relatively small for workers with general skills, because they may be able to find equivalent jobs in other companies. When skills are firm-specific, the potential losses are greater. Few workers would be ready to pay for training in skills that could be used only in one company, because all returns on their investment would be lost in the case of a layoff. Typically, worker and employer share both the costs and the returns of firm-specific training by agreeing on a wage that is somewhat higher than the value of the marginal product during the training phase, thereafter somewhat lower; finally, toward the end of the working life, the wage again exceeds the value of the marginal product. Obviously, such an agreement presupposes a long-lasting employment relationship and severance pay may be seen as a penalty fee for a breach of contract.

The costs associated with layoffs are often thought to be positively related to age, indicating that old workers suffer more from being laid off than the younger. It is more difficult for those who are close to retirement to find another job, and as they have invested more in physical capital and social relations they find it harder to move geographically. Consequently, workers demand not only severance pay, but also severance plans in which benefits are positively related to age and seniority.

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<sup>3</sup> Edebalk & Wadensjö 1993, pp 122-123.

<sup>4</sup> Becker 1962.

From the employer's perspective, severance pay may at first sight look like an unnecessary cost, but an employer may obtain advantages by compensating redundant workers. When firm-specific skills are important, employers find personnel turnover costly. Correctly designed, a severance plan may induce workers to stay with the firm. That can be accomplished in two ways, either by offering compensation only to workers with a minimum length of service or by letting the compensation amount grow with length of service. In both cases, workers who quit lose a benefit.<sup>5</sup> Thus, one reason for employers to accept worker demands for severance pay, or to implement it voluntarily, is to reduce unwanted personnel turnover. Another reason, of more direct relevance to this thesis, is to affect the composition of the workforce when downsizing.<sup>6</sup>

As was mentioned in chapter 2, the optimal behaviour for employers when conducting personnel reductions is often to cut both ends of the age distribution: to release the youngest and the oldest workers.<sup>7</sup> In practice, however, such behaviour may violate laws, collective agreements or implicit norms if not combined with compensation to workers who have the strongest claims to their jobs. This may, for example, be workers with lengthy tenures at the company or male workers with families to support. Donald O Parsons argues that most severance plans in the United States are implicit contracts born out of such considerations.<sup>8</sup> His argument is based on three types of evidence: statements from managers shortly after the introduction of severance pay; the fact that few severance plans are made known to the public; and the absence of reserve funds. If severance pay were used to reward long-term commitment, the policy would be made known before layoffs are imminent, and the company would secure its commitment to compensate dismissed workers by creating a reserve fund for that particular purpose. In reality, severance pay has most often been financed on a pay-as-you-go basis.

To sum up, employers have two main rationales for compensating redundant workers: to reduce personnel turnover and to facilitate personnel reductions. When different categories of workers are compensated, workers with firm-specific skills are likely to get greater amounts than those with general skills. Compensation may furthermore be positively related to age and to the extent that the male-breadwinner norm is applied, men can be expected to get higher compensation relative to their previous incomes than women.

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<sup>5</sup> Edebalk & Wadensjö 1993, p 121.

<sup>6</sup> Edebalk & Wadensjö 1993, pp 121-122.

<sup>7</sup> Carmichael 1983, p 172; Lazear 1998, p 172.

<sup>8</sup> Parsons 2004.

### 10.3 Compensation in connection with nationalization

Swedish tobacco workers who lost their jobs in connection with nationalization were compensated on fairly generous terms, for which they could thank not only union representatives and Social Democratic politicians, but Otto von Bismarck as well. The German chancellor had already proposed the creation of a tobacco monopoly in 1882 for the purpose of taxation. The inquiry preceding this proposal had drawn up quite detailed compensation principles. Bismarck's ideas were never realized, but his inquiry inspired the Swedish investigators who presented their final report on tobacco taxation in 1911.

Although the investigators could not see any legal reasons why the state should compensate those who became redundant in connection with the creation of a state-owned monopoly, they thought that it would be unreasonable to perform this great transformation without compensating directly affected individuals.<sup>9</sup> If the state implemented its policy too insensitively, nationalization could lead to great dissatisfaction, not the least among the workers.<sup>10</sup> In the long run, future reforms of other kinds could be threatened.

The proposed compensation rules, which were virtually copied from Bismarck's proposition, were in principle the same for directors, managers, supervisors, foremen and workers.<sup>11</sup> But the investigators did not state that all who were employed in tobacco production should be entitled to compensation. For a justifiable claim, it was required that tobacco production was the main employment and that the individual had been "steadily" employed in the industry.<sup>12</sup> Someone who had just recently been hired when the monopoly came into force was not entitled to compensation from the state. In practice, the proposed rules defined "steadily" employed as having been employed for at least 4.5 years. Furthermore, since the purpose of the compensation was to facilitate the transition to another occupation, only those whose tasks were

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<sup>9</sup> *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del I*, p 63.

<sup>10</sup> This reasoning was inspired by the considerations made by a Swiss inquiry into the nationalization of alcohol production. *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del III: Tobaksbeskattning i utlandet*, p 76-77.

<sup>11</sup> *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del III: Tobaksbeskattning i utlandet*, p 88-93.

<sup>12</sup> *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del I*, p 64.

branch-specific were entitled to compensation.<sup>13</sup> Those who were employed in the tobacco industry but whose tasks were of general nature, such as clerks and storage workers, could continue with their trade in other industries and did not need state support, the investigators argued.<sup>14</sup> Finally, the investigators wanted to restrict compensation to Swedish citizens of age (which at the time was 21 years).

All who qualified for compensation were, according to the investigators' proposal, entitled to at least one annual income (an average was calculated on the two previous years).<sup>15</sup> For each additional year in the industry, the amount was raised by two fifths until a ceiling of five maximum incomes was reached, on condition that the person had turned 23 before these additional years of service. Thus, the maximum compensation amount was reached after 14.5 years of service and at the age of 41. The investigators justified the connection between compensation and age by the greater difficulties experienced by older employees and workers in finding other jobs. Since the purpose of the compensation was to help people change careers, the investigators proposed that the amounts were paid in lump-sums, and not as annuities.

The right to compensation should not only apply to those who lost their jobs in direct connection with nationalization, but also to those who became redundant during the first five years of the new company's activities.<sup>16</sup> The investigators thought that it could take some time before the company found its definite organization. Those who became laid off during the first 5 years were entitled to three fifths of the ordinary compensation amount.

The compensation rules in the government proposition from 1914 were based on the above inquiry. However, the government had listened to some statements from various bodies to which the proposition had been referred for consideration. One important change was that the government acknowledged certain compensation to those without branch-specific training.<sup>17</sup> Apart from

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<sup>13</sup> *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del I*, pp 65, 198.

<sup>14</sup> However, workers with general skills could apply for benefits from the state if they had particularly pressing reasons. The investigators proposed a fund for the purpose.

<sup>15</sup> *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del I*, p 27.

<sup>16</sup> *Betänkande och förslag angående reglering af tobaksbeskattningen afgifna den 2 september 1911 af särskildt utsedda kommitterade: Del I*, pp 24-25.

<sup>17</sup> This demand had been made by an organization for female clerks and shop assistants. Bihang till riksdagens protokoll 1914, Proposition nr 254, p 151.

referring to the unfairness of dismissing faithful servants without compensation, the critics also pointed out that nationalization would imply that a lot of employees in the same occupation became unemployed at the same point in time. The Minister of Finance regarded these objections worthy of consideration, but thought that the compensation amounts should be lower for those without branch-specific training, since they could be expected to find new jobs more quickly than those with specific training.<sup>18</sup> The government therefore proposed that compensation for employees and workers with general skills should amount to half an annual income, without regarding length of service or age. It also proposed somewhat higher compensation to those laid off after the monopoly had come into force. Full compensation was to be given during the first two years and thereafter the amount was reduced to three fourths.<sup>19</sup>

The Tobacco Workers' Union had not been given the opportunity to comment on the proposition before it was brought to Parliament and argued that the compensation scheme was too parsimonious and exclusive. As mentioned in section 4.2, the union pointed out that tobacco workers were particularly vulnerable to unemployment because they often had physical disabilities when entering the profession, or acquired them over time. At a meeting shortly after the government proposition the union demanded:

1. that yearly pensions be paid to workers older than 50;
2. that temporary unemployed workers also be eligible for compensation;
3. that those workers who had changed employer in the year preceding nationalization should be regarded as permanently employed and entitled to compensation;
4. that skills should not be considered when calculating the compensation amount; and
5. that foreign workers be entitled to compensation, on condition that they had lived in Sweden for at least five years or were married to a Swedish citizen.<sup>20</sup>

The same demands were put forward by Social Democrats in the two chambers of Parliament and were positively treated by the parliamentary committee. The distinction between specific and general skills was kept as a principle, but the committee made it clear, following the union, that such a distinction was hard to

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<sup>18</sup> Bihang till riksdagens protokoll 1914, Proposition nr 254, p 152.

<sup>19</sup> Bihang till riksdagens protokoll 1914, Proposition nr 254, p 155.

<sup>20</sup> Lindbom & Kuhm, pp 218-219.

apply in practice. Therefore it was important to include as many as possible in the groups of employees entitled to full compensation. According to the committee, in cigar production, not only foremen, cigar makers, cigar-cigarette makers and packers should be included, but bunchers and preparation workers as well.<sup>21</sup> The occupations entitled to compensation accounted for close on nine tenths of the workers employed in cigar factories.<sup>22</sup> The occupations not entitled to compensation were involved in manufacturing and decoration of boxes and in pure storage work.

The committee also enlarged the groups of employees entitled to compensation in other respects. The condition requiring workers to have been permanently employed at a certain factory was abolished. Instead, all redundant workers who had been permanently employed in the tobacco *industry* were entitled to compensation.<sup>23</sup> Both the inquiry of 1911 and the government proposition restricted compensation rights to Swedish citizens, which was criticized by the Tobacco Workers' Union. The union pointed out that a lot of foreign citizens had been employed in the industry for a long time and many were married to Swedes. Here, the committee stated that it was sufficient to be a Swedish citizen at the time of nationalization. Consequently, foreign citizens were given a chance to apply for citizenship. Another issue that had been taken up by the Tobacco Workers was the age requirements, which according to the union would affect many apprentices who had spent time learning a trade they would not be allowed to practice because of state intervention.<sup>24</sup> The committee thought that the age limit for compensation should be set to 18 years.

With regard to how the compensation amount was to be calculated, the committee mainly kept to the government proposition. However, it accepted the union statement that some old tobacco workers would find it hard to get new jobs and that it should be possible to pay the compensation in annuities. In order to encourage old workers to choose that option, the committee even suggested a 10 percent increase of the total amount if it was not paid as a lump-sum.

Parliament accepted the government proposition, with the amendments and changes suggested by the committee, without much debate.<sup>25</sup> When reviewing the whole decision process, it seems like the idea to compensate the redundant

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<sup>21</sup> For details about the equivalent jobs in the other branches of the tobacco industry, see Bihang till riksdagens protokoll 1914, Särskilda utskottets nr 3 utlåtande nr 1, p 28.

<sup>22</sup> This estimation is based upon information in Marcus 1911, p 178.

<sup>23</sup> Bihang till riksdagens protokoll 1914, Särskilda utskottets nr 3 utlåtande nr 1, pp 27-28.

<sup>24</sup> Bihang till riksdagens protokoll 1914, Särskilda utskottets nr 3 utlåtande nr 1, p 29.

<sup>25</sup> Riksdagens protokoll, Andra kammaren nr 80, 9 September 1914.



tobacco workers was accepted, in principle, by all parties. Nor the idea of treating workers with special and general skills differently was contested, the union strategy being rather to include as many as possible in the group with skills particularly related to tobacco production. An aspect that is striking, in its absence from the decision-making process, is gender. There was no discussion at all to differentiate compensation amounts to male and female workers. Like some other welfare systems of the time, state compensation for transition to other occupations in connection with the establishment of the Tobacco Monopoly was gender neutral. In practice the rules may have had different implications for men and women, but that was not the explicit intention of the decision makers.

#### 10.4 Support to redundant tobacco workers after 1920

On 1 June 1920 the formal right to severance pay ceased to be valid. Among the tobacco workers there was a fear that the company would now take the opportunity to make big reductions without handing out compensation. These fears were not immediately realized, and when the downsizing process began in 1921, the company continued with making severance payments.<sup>26</sup> The total compensation amounts are summarized in table 10.1. Here, it is shown that the Tobacco Monopoly spent more than 15 million *kronor* on severance pay in 1921, and that the cost never went below 8 million *kronor* in the following seven years. In relation to the total sales of the company, compensation to redundant workers was not a major expenditure, and the benefits averaged about 2.5 percent of the total wage bill. Interestingly, the biggest severance payments, in relative terms, were not made in years with mass-layoffs (1921 and 1927), but in 1922 and 1923. This indicates that the magnitude of this cost depended more on which workers were released than on the absolute number of released workers. As will be shown below it was more expensive for the company to release old workers with firm-specific skills than young workers with general skills. It was also more expensive to release male workers than female workers.

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<sup>26</sup> *Monopolkontrollutredningens betänkande angående anordnandet av den statliga kontrollen av Aktiebolaget Svenska tobaksmonopolets verksamhet 1928.*

**Table 10.1** Severance pay in relation to total wage bill and total sales

Year	A. Total wage bill	B. Total sales	C. Severance pay		
	<i>Kronor</i>	<i>Kronor</i>	<i>Kronor</i>	% of A.	% of B.
1921	15167085	136273543	555000	3.66	0.41
1922	10189168	129831465	426000	4.18	0.33
1923	8948404	119675555	452000	5.05	0.38
1924	8259109	120569995	277000	3.35	0.23
1925	8579154	113638359	146000	1.70	0.13
1926	8525465	112574568	65000	0.76	0.06
1927	8219208	113504313	216000	2.63	0.19

Source: Figures on support to redundant workers are found in *Monopolkontrollutredningens betänkande angående anordnandet av den statliga kontrollen av Aktiebolaget svenska tobaksmonopolets verksamhet* 1928. Information on total wage bill and total sales are found in the annual reports of the company board for the years in question.

There was no special fund earmarked for severance pay after 1 June 1920. Support to redundant workers was not a specified item in the annual reports of the company board and there was on the whole no formal severance plan.<sup>27</sup> Severance pay seems to have been an area where the boundaries separating the responsibilities of company board, management and factory managers were not completely clear. In the depression year of 1921, the terms for redundant workers were discussed and decided upon by the board. Two years later, 39 male cigar workers were bought out without the board's approval.<sup>28</sup> This was considered inappropriate by the board members, who instructed the managing director to bring up similar matters with the board in future.<sup>29</sup> Apparently, the managing director was unhappy with having his freedom of action limited. Somewhat later he requested the disposal of 25,000 *kronor* for making severance payments to redundant cigar workers “[...] on the terms that the

<sup>27</sup> The company board made a decision at the end of 1927 that was thought to be a guide to future severance payments. However, apart from the workers that were laid off at the end of this year and in the beginning of the next, few workers were affected by these rules since the downsizing process was put on hold and the personnel reserve was established in 1931. Moreover, the decision in December 1927 did not imply that severance pay was formalized in the sense that the rules were made official.

<sup>28</sup> SM, STM, Styrelsens protokoll, 20 August 1923, Bilaga I.

<sup>29</sup> SM, STM, Styrelsens protokoll, 20 August 1923; SM, STM, Styrelsens protokoll, 17 September 1923.

management in each particular case found fair”.<sup>30</sup> The request was accepted, on the condition that the managing director accounted for how the money had been spent. The principal issue of responsibility was again up for discussion at the end of 1926, when it was said that the amount, which could be used for severance payments at the executive manager’s own disposal, only concerned male cigar workers.<sup>31</sup> Thus, severance pay to female cigar workers and to workers outside cigar production still had to be brought up before the board for decisions. The special treatment of male cigar workers was not clearly motivated. It was probably considered of great importance to be able to respond quickly if workers from this category were ready to quit voluntarily in return for compensation. In this way the management could avoid some of the troubles associated with forcing male cigar workers to leave the company.

The terms offered to redundant workers were decided upon in an *ad hoc* manner, as may be seen in table A7.1, which summarizes the terms at various points in time and for various categories of workers in cigar production. Nevertheless, some patterns may be discerned.

First, it may be established that severance payments during the downsizing process in general were periodical. Workers were not given lump-sums, which typically had been the case in connection with nationalization. The practice of handing out periodical support instead of all at once reflects a paternalistic trait of the Tobacco Monopoly’s personnel policy; the workers’ ability to handle great sums of money was distrusted. Upon request from individual workers the company board could approve lump-sum payments, for example, when workers were about to pay for retraining courses or to start businesses of their own.<sup>32</sup> Exceptions could also be made when groups of workers declared themselves ready to resign. This was the case with a group of male workers in 1923 and a group of female workers ten years later.<sup>33</sup> Still, the norm was periodical benefits which, when extended over periods longer than a year, were gradually cut down in order to allow the workers to adapt to the new situation.

A second pattern is that the support to redundant workers handed out by the Tobacco Monopoly after 1920 was not means-tested. The amounts were not

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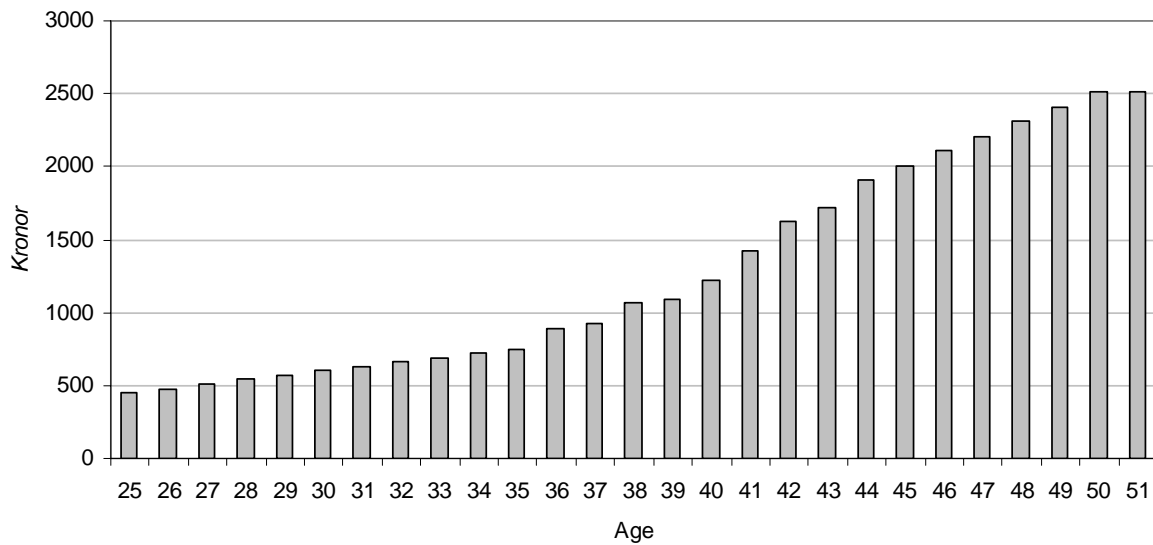
<sup>30</sup> Swedish: “[...] på de villkor, som ledningen i varje särskilt fall funne skäligen.” SM, STM, Styrelsens protokoll, 26 November 1923.

<sup>31</sup> SM, STM, Styrelsens protokoll, 21 December 1926.

<sup>32</sup> SM, STM, Styrelsens protokoll, 22 October 1923, Bilaga U.

<sup>33</sup> SM, STM, Styrelsens protokoll, 20 August 1923, Bilaga I; SM, STM, Styrelsens protokoll, 28 June 1933, Bilaga C.

**Figure 10.1** Support to redundant female workers in 1927 and 1928 (present values)



Note: The support consisted of weekly benefits and subsidised pension fees. A discount rate of 5 percent has been assumed when calculating the present values of the flows of benefits.

Source: SM, STM, Styrelsens protokoll, 19 December 1927, Bilaga E.

dependent on the workers' economic situation and were handed out irrespective of whether the worker got a new job or not.<sup>34</sup> Amounts did not differ between married and unmarried workers, nor between workers with and without children. Length of service was another variable that was usually not considered. On the other hand, a variable that was often taken into account was age, indicating an awareness of the higher costs associated with job losses for old workers. For the female workers released in 1927 and 1928, for example, support was extended by one week for each age year over 25 until a maximum of 30 weeks was reached at 39, and thereafter the support was raised by 100 *kronor* per year over 40.<sup>35</sup> In addition, the company subsidised pension fees for workers over 36, so that the system got some similarity with the retirement bridges of today. The idea was that pensions for those who left the company should not be reduced too much. The overall effects of this severance package are shown in figure 10.1, where present values of future flows of support to workers from 25 to 51 have been calculated. Worth noting is that the same support was given to workers

<sup>34</sup> SM, STM, Styrelsens protokoll, 7 February 1927, Bilaga A.

<sup>35</sup> SM, STM, Styrelsens protokoll, 19 December 1927, Bilaga E.

who quit voluntarily in the spring of 1927 and to those who were laid off in the autumn.<sup>36</sup> There was no principle saying that those who were forced to leave the company should get more support than those who were induced to leave, or the other way around. Rather, it was stressed that the terms should be similar for these two types of exits from the company.<sup>37</sup>

A third pattern is that the distinction between specific and general skills made in connection with nationalization continued to be important in the 1920s. A first indication of this pattern is seen when comparing the redundant male storage workers in 1921 with the male cigar workers that were released in 1923.<sup>38</sup> Whereas the gap in raw earnings between these two occupations was less than 10 percent, the compensation given to the cigar workers was at least ten times higher.<sup>39</sup> The comparison between storage work and cigar making is, however, a comparison not only between general and firm-specific skills, but also a comparison between jobs with low and high skill requirements. One may ask how the Tobacco Monopoly compensated qualified workers with general skills.

The answer came in September 1923 when the Tobacco Monopoly gave eleven male machine repair workers notice of dismissal and offered them 45 *kronor* per week for fifteen weeks, which, when related to their average earnings, was roughly the same terms as the storage workers had received two years earlier.<sup>40</sup> Metal workers were the highest paid blue-collarers at the Tobacco Monopoly. They earned almost twice as much as male cigar makers, but their severance pay was only equivalent to 14 percent of their annual income. Apparently, the Tobacco Monopoly did not compensate workers according to skill level, but according to the degree of skill specificity.

After receiving the notice of dismissal and compensation terms, the repair workers complained to their union representatives, and the issue went all the way to the executive committee of the Metal Workers' Union.<sup>41</sup> In a letter to the Tobacco Monopoly, the executive committee demanded that their members get

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<sup>36</sup> Terms for workers given early retirement were somewhat different as support for these were calculated as percentages of previous average incomes.

<sup>37</sup> SM, STM, Styrelsens protokoll, 17 October 1927.

<sup>38</sup> For details about the terms offered to these groups, see table A7.1.

<sup>39</sup> Compensation amounts have been related to the average earnings of the occupational groups in question, information about which is found in the annual reports of the company board.

<sup>40</sup> ARAB, STF, Inkomna skrivelser, E01: 11, 29 October 1923.

<sup>41</sup> Note that the metal workers at this point in time were not organized in the Tobacco Workers' Union.

compensation equivalent to that of the cigar makers.<sup>42</sup> This demand was rejected, with the following official explanation:

According to the opinion of the Tobacco Monopoly, it seems evident that it is not fair to place a skilled male cigar worker on equal footing with a metal worker. While the former can only use his skills at the Tobacco Monopoly and thus cannot find equivalent employment if laid off, the latter can turn to several other companies which may make use of his skills. If laid off by the Tobacco Monopoly the metal worker will thus not be in the same difficult position as the male cigar worker. The higher benefits that the Tobacco Monopoly has accorded the [cigar worker] have been dependent on the necessity to facilitate his transfer to another trade [...]<sup>43</sup>

When the matter was discussed by the company board, Holsti argued that it would be unreasonable to compensate mechanics in the same way as tobacco workers, since the latter had no alternative employers.<sup>44</sup> He warned that accepting the claim of the Metal Workers' Union could encourage other occupational groups to make the same, or higher, claims. Holsti got support from Nordenfeldt, who stressed that the metal workers had been given relatively generous compensation and that this was not only an internal matter for the company. In a similar way as he had reasoned with regard to the pension issue in 1921,<sup>45</sup> he held that the Tobacco Monopoly had to consider the consequences for other industries as well. Nilsson was more willing to accommodate the metal workers. He proposed the same principle that had been applied in connection with nationalization; compensation equivalent to half an annual income for

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<sup>42</sup> ARAB, STF, Inkomna skrivelser, E01: 11, 29 October 1923.

<sup>43</sup> Swedish: "Det synes nämligen enligt Tobaksmonopolets mening uppenbart, att det härvid rättvislighets icke går att jämställa en yrkesutbildad manlig cigarrarbetare med en verkstadsarbetare. Under det den förre endast kan finna användning för sin yrkesskicklighet hos Tobaksmonopolet och sålunda vid avsked icke kan hos annan arbetsgivare inom riket erhålla motsvarande anställning, står för den senare öppen möjligheten att ett flertal andra företag än Tobaksmonopolet kunna taga hans yrkesskicklighet i anspråk. Vid ett avsked från anställning hos Tobaksmonopolet kommer således verkstadsarbetaren i allmänhet icke i samma svåra läge som den manliga cigarrarbetaren. Det högre understöd, som Tobaksmonopolet tillerkänt den senare, har varit beroende på nödvändigheten att underlätta vederbörandes övergång till ett annat yrke [...]". ARAB, STF, Inkomna skrivelser, E01: 11, 29 October 1923.

<sup>44</sup> SM, STM, Styrelsens protokoll, 22 October 1923.

<sup>45</sup> See section 6.3.

workers with general skills. After some discussion, the company board decided to reject this compromise solution.

In theoretical terms the behaviour of the metal workers in 1923 may be related to the concept of pattern bargaining, which refers to how workers in one occupation often compare themselves with other occupations in order to justify higher wages and better employment conditions.<sup>46</sup> It seems like the management was well aware of this phenomenon and it is an issue for future research to find out whether the management could maintain the distinction between firm-specific and general skills over time.<sup>47</sup> Moreover, the possible effects of pattern bargaining were not limited to the Tobacco Monopoly as such, as pointed out by the director on duty. Although the number of redundant metal workers was small, these workers belonged to the biggest trade union in the Swedish labour market at the time. If the metal workers previously employed by the Tobacco Monopoly were granted generous compensation, metal workers in other companies could make similar claims, with unforeseeable impacts on the economy as a whole.<sup>48</sup> It is a matter for future research to find out whether the Tobacco Monopoly's support to redundant workers influenced conditions in other industries.

A fourth pattern when reviewing the terms offered to redundant workers for the period after 1921 is a gender differential. Even when controlling for the earnings gap between the sexes, men got more generous support than women.<sup>49</sup> This is shown by examples where male and female workers of the same age and occupation left the company in the same way at about the same point in time.

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<sup>46</sup> Ross 1948, pp 49-52; Kaufman 2002, p 143.

<sup>47</sup> There are some individual cases from the 1930s where fairly high levels of support were paid to workers not specialised in tobacco production. It may, for example, be mentioned that two redundant male storage workers, aged 30 and 42, got support exceeding 2,000 *kronor* in 1933. SM, STM, Styrelsens protokoll, 25 April 1933. Further studies of this question would require extending the period of our investigation to see whether these two cases were typical or not.

<sup>48</sup> Later on the Tobacco Monopoly would also be involved in a dispute with the Swedish Wood Industry Workers' Union. For an account of this episode, see Karlsson 2007a, pp 23-24.

<sup>49</sup> This pattern was not evident in 1921. When men and women close to retirement age were temporarily laid off in October that year, the former got 35 *kronor* per week in support and the latter 30 *kronor*. When related to the average earnings of cigar workers in the preceding year (1920), the support was lower for men (43 percent) than for women (54 percent). When related to the actual earnings of individual workers, which may be done by using information in the personnel records of Malmö Cigar Factory, it seems like male and female workers got about the same level of support.

The first comparison is between the group of male cigar workers that was bought out in August 1923 and the group of female cigar workers bought out in January 1924. Although the severance packages were differently designed for these groups,<sup>50</sup> the support given to men and women of a certain age can be calculated. Whereas a 30-year-old male worker was given 4,000 kronor for quitting in August 1923, a female worker of the same age was given two weeks of full pay plus 450 kronor. When related to average earnings in 1923, the man in this example was given severance pay that was equivalent to 148 percent of his previous earnings. For the woman, the same percentage was 29.

The second comparison regards workers given early retirement in 1927. In contrast to the example above, the severance packages had a similar design for both men and women. Support was expressed as percentages of average previous earnings of the affected workers. The gender gap was in this case smaller, but still evident. As seen in table 10.2, the percentages were the same for both men and women during the first two years. Thereafter the pension decreased more slowly for men than for women, so that there was a gap amounting to 10 to 20 percent in the subsequent years. When determining the early retirement pensions for women in autumn 1927, the management explicitly referred to the terms offered to men earlier the same year. Apart from observing that some of the affected men had a longer time to wait until the ordinary pension scheme set in, the differential was not justified.<sup>51</sup>

The third comparison regards cigar workers laid off due to shortage of work in 1927. Severance plans for male and female workers were differently designed this time. Men received periodical support in relation to their previous average earnings, while women received standardized amounts depending on their age. Pension fees were to some extent subsidised for both men and women. By assuming age and a discount rate, it is possible to calculate the present value of future benefit flows and attain comparable amounts. Two such calculations are found in table 10.3, one with a discount rate of 5 percent and another with a 10 percent discount rate, assuming that both workers were 35 years old.<sup>52</sup> Total

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<sup>50</sup> For details about the terms, see table A7.1.

<sup>51</sup> Although no female worker on this occasion had to wait so long until the ordinary pension scheme began, compensation levels were stated for five years and more. This indicates that the decision was thought to have precedential importance for future decisions about early retirements.

<sup>52</sup> Women's compensation depended on their age, but this was not true of the compensation for the male cigar makers released in 1927.



**Table 10.2** Early retirement pensions in 1927 (in percent of previous annual incomes)

Year	Men, spring 1927	Women, autumn 1927
1-2	70	70
3	70	60
4	65	50
5	60	40
6+	50	40

Source: SM, STM, Styrelsens protokoll, 17 October 1927, Bilaga A.

**Table 10.3** Support to laid-off workers in 1927

Value	5 % discount rate		10 % discount rate	
	Men	Women	Men	Women
Direct severance pay	0	300	0	300
Present value of future benefits	3046	446	2916	442
Present value of pension fees	1556	608	1141	522
Total value of severance pay	4602	1354	4056	964
Average annual income	3201	2046	3201	2046
Severance pay as % of earnings	144	66	127	47

Note: The workers are assumed to be 35 years old.

Source: SM, STM, Styrelsens protokoll, 17 October 1927, Bilaga A; *Aktiebolaget Svenska Tobaksmonopolets verksamhet år 1927: Styrelsens förvaltningsberättelse 1928*.

values of severance pay are related to the average annual incomes of male and female cigar makers. Irrespective on the chosen discount rate, male workers received more than two times higher support than female workers.

Not only was there a raw wage gap between the sexes, suggesting that the work of men and women was valued differently; there was also a gap in the valuation of job losses for men and women. The gap seems to have been greatest where the severance packages were designed differently, that is, where straightforward comparisons were more complicated. The male premium with regard to severance pay represents a change, compared to the rules applied until 1920, that was not the object of lengthy expositions in the internal company documents

reviewed for our study. The policy change was silent; the decision-makers did not feel obliged to provide a rationale for treating male workers more favourably. What we see may possibly be understood as an adaptation to a stronger influence of the male-breadwinner norm in society as a whole during the 1920s. Alternatively, this norm already had strong support among the managers in the company, and when the formal rules ceased to be valid they had more room to let their personal convictions affect the personnel policy.

Moreover, it should be said that the change did not go unnoticed by the affected female workers.<sup>53</sup> In their protest at the union congress in 1928, they argued that the proposal by Eriksson in the negotiations with the management during the spring of 1927 had undermined the prospects of equal treatment of male and female workers. When he claimed that the consequences of job losses were less severe for women, he was not only saying that the company should give preference to men, but also that it should compensate redundant men more generously.

## 10.5 Supported but not satisfied

It has been established that the Tobacco Monopoly continued to support redundant workers even though it was not obliged to by formal rules. This continuing practice may be seen as the efforts of a state-owned enterprise to combine rational business conduct with social responsibility. Technological changes made it rational to reduce the workforce, and in particular to release the older generations. Workforce reductions of that character were, however, incompatible both with social norms and expectations created in connection with nationalization, since senior workers had been promised employment protection. That the rules applied in connection with nationalization, which entitled senior workers to high compensation amounts, took on a precedential meaning is clearly seen in the reactions of the tobacco workers. Although the severance payments handed out by the Tobacco Monopoly were certainly generous in comparison with the terms in other industries, there was a widespread discontent with how the company treated redundant workers in the 1920s.

At the congress of 1928, two independent bills, one from the Malmö branch of the union and one from the Stockholm branch, described how the company had deserted the senior workers in its attempt to rejuvenate the work

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<sup>53</sup> See section 6.6.

force.<sup>54</sup> The Malmö branch wanted the state to force the company to provide employment protection to workers “of the old breed” or, if that was not possible, to guarantee early retirement with a pension amounting to 70 percent of annual income. The Stockholm branch also put forward two alternatives: that the Tobacco Monopoly applies the principle ‘last in, first out’ to personnel reductions, or retirement on generous terms.<sup>55</sup> The congress decided to press for the retirement alternative. This decision is interesting because it indicates that the majority of the congress delegates regarded employment protection for seniors as an unrealistic strategy. Indirectly, the congress accepted the management’s objective to rejuvenate the work force. In return, the “faithful servants” (defined by the congress as those employed in the industry since 1911 or longer) would receive compensation on the terms existing when the Tobacco Monopoly was created.

The claims of the union congress were put to the Ministry of Finance in autumn 1928, convenient timing given that the Tobacco Monopoly charter was about to be renewed.<sup>56</sup> The union sent a letter criticizing the management on two grounds. First, the severance pay to middle-aged women (aged 40-50) laid off the same year had been stingy, considering their difficulties in finding new jobs and the negative effects of tobacco work on the general ability to work:

In this context we would like to call attention to the fact that a tobacco worker in the age range 40-50 years has particular difficulties in finding another job under the present conditions. The tobacco workers generally begin in their trade at 17-18 years of age, and after some decades the workers are not suited for unskilled labor; the work in the tobacco industry mainly develops the sensitivity and speed of the hands, but the rest of the body receives little training in manual labour.<sup>57</sup>

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<sup>54</sup> ARAB, STF, Kongressprotokoll, A01, 1928.

<sup>55</sup> The suggestion was that workers receive an annual pension equivalent to two-thirds of the highest income of the preceding four years.

<sup>56</sup> *Tobaksarbetaren*, 14 December 1928, p 7. The congress statement also made Lovén submit a bill demanding higher compensation for redundant tobacco workers, which was rejected. Bihang till riksdagens protokoll 1929, Motioner i andra kammaren nr 334.

<sup>57</sup> Swedish: “Vi vilja vidare i detta sammanhang framhålla, att en tobaksarbetare i åldern 40-50 år under nuvarande konjunkturer har synnerligen svårt att erhålla annat arbete. Tobaksarbetarna hava som regel börjat sin yrkesutövning vid 17-18 års ålder, och efter några decenniers arbete inom detta yrke äro arbetarna i regel icke lämpade för vanligt grovarbete; arbetet inom industrin utvecklar företrädesvis händernas känslighet och snabbhet, men fysiken i övrigt får icke någon träning i grövre arbete.” *Tobaksarbetaren* 14 December 1928, p 7.

Second, the union accused the company of breaching the seniority principle when allocating jobs. The union did not deny the necessity of reducing the workforce due to mechanization, but wanted length of service to govern such reductions. According to the union, the Tobacco Monopoly had not only failed to follow the seniority principle when it conducted layoffs; it had hired a considerable number of young workers without previous experience even while releasing older ones.<sup>58</sup> It was not fair that senior workers were dismissed from an industry they had served since childhood, giving their best in return for an insignificant wage, particularly in their younger years.<sup>59</sup> This argument resulted not in a strict ban on releasing senior workers, but in a demand for fair compensation according to the principles formulated by the congress.

The management, in its reply, did not acknowledge any insufficiencies with regard to the compensation given to the redundant workers. On the contrary, “[w]hat the Tobacco Monopoly has done for laid-off personnel may probably be more than any other state, municipal or private institution has done in comparable cases.”<sup>60</sup> The company board forcefully rejected the union demand to make explicit promises regarding severance pay and argued that it would be best to resolve these matters on a case-by-case basis. In June 1929, a comment on the response from the management appeared in the Tobacco Workers’ journal *Tobaksarbetaren*. Although the journal acknowledged that the company had been more generous in compensating redundant workers than other employers, it pointed out that the correct comparison was between the compensation given to the tobacco workers who had been forced to leave the industry at the time of the creation of the Tobacco Monopoly and those who later lost their jobs.<sup>61</sup>

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<sup>58</sup> According to the letter, the estimate was that the Tobacco Monopoly hired at least 140 young workers between 1923 and 1928.

<sup>59</sup> *Tobaksarbetaren* 14 December 1928, p 7.

<sup>60</sup> Swedish: ”[...] vad Tobaksmonopolet sålunda åtgjort för avskedad personal är mer än någon statlig eller kommunal eller enskild institution gjort i motsvarande fall.” Bihang till riksdagens protokoll 1929, Bevillningsutskottets betänkande nr 23.

<sup>61</sup> *Tobaksarbetaren* June 1929.

## 10.6 Terms for workers in the personnel reserve

When severance pay is discussed in this chapter it refers to compensation and periodical support to laid-off workers, to workers who quit voluntarily or to those given early retirement. Or to put it briefly, to workers whose employment contracts were terminated due to shortage of work. From 1929 onwards, workers could be transferred to the personnel reserve, where they were given compensation for being at the company's disposal in case of a future need for more labour inputs. This section deals with the terms offered to workers in the reserve.<sup>62</sup>

The compensation to the workers in the personnel reserve was dependent on six factors: length of service, age, previous incomes, skill-specificity, sex and marital status. To be eligible for the personnel reserve a length of service in the tobacco industry of at least 15 years was required, along with having attained the age of 35. Thereafter the compensation increased for every second year of age, on condition that this year represented at least one more year of tenure, as shown in table 10.4. A maximum level of support was attained five years before retirement. The compensation was calculated as a percentage of the average earnings of the last two calendar years preceding the transfer to the reserve. The company continued to pay its share of the pension fee until retirement age.

There were different scales for workers specialized in tobacco production and those with more general expertise. This was justified by the particular difficulties in finding new jobs that tobacco workers were thought to face. The management had some discretion in determining which occupations were entitled to higher compensation, since the statutes only mentioned workers who had "[...] performed work that required a particularly long training period especially for the actual production of tobacco goods".<sup>63</sup> According to the statutes, the gap between workers with specific and general skills was greatest in the young age groups and narrowed as workers got older. The maximum level was equal for both categories.

With regard to gender, the relationship was the other way around; the terms were the same for male and female workers, until the last steps of the scale. Men

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<sup>62</sup> This section builds on information in SM, STM, Styrelsens protokoll, 26 January 1931, Bilaga C.

<sup>63</sup> Swedish: "[...] utfört sådant arbete, som fordrat en särskilt lång tids utbildning speciellt för den egentliga tobakstillverkningen". SM, STM, Styrelsens protokoll, 26 January 1931, Bilaga C.

**Table 10.4** Terms for workers in the personnel reserve

<b>Men</b>				<b>Women</b>			
Tenure	Age	General skills	Specific skills	Tenure	Age	General skills	Specific skills
15	35	20	30	15	35	20	30
15	36	20	30	15	36	20	30
16	37	24	33	16	37	24	33
16	38	24	33	16	38	24	33
17	39	28	36	17	39	28	36
17	40	28	36	17	40	28	36
18	41	32	39	18	41	32	39
18	42	32	39	18	42	32	39
19	43	36	42	19	43	36	42
19	44	36	42	19	44	36	42
20	45	40	45	20	45	40	45
20	46	40	45	20	46	40	45
21	47	44	48	21	47	44	48
21	48	44	48	21	48	44	48
22	49	48	51	22	49	48	50
22	50	48	51	22	50	48	50
23	51	52	54	23	51	50	50
23	52	52	54	23	52	50	50
24	53	56	57	23	53	50	50
24	54	56	57	23	54	50	50
25	55	60	60	23	55	50	50
25	56	60	60	23	56	50	50
25	57	60	60	23	57	50	50
25	58	60	60	-	-	-	-
25	59	60	60	-	-	-	-
25	60	60	60	-	-	-	-
25	61	60	60	-	-	-	-
25	62	60	60	-	-	-	-

Note: Workers in the personnel reserve got compensation until reaching retirement age, which was 62 for men and 57 for women.

Source: SM, STM, Styrelsens protokoll, 26 January 1931, Bilaga C.

and women under 48 received equal compensation relative to their previous income. Thereafter a gap emerged so that men got 60 percent of their previous income at the age of 55 and women of the same age got 50 percent.<sup>64</sup>

Some circumstances could lead to decreased compensation. If a worker in the personnel reserve received other incomes, the amount could be reduced, and if the worker obtained a permanent job, he or she left the system. Consequently, there was an obligation for the workers to report incomes to the company each year. If a female worker was unmarried when entering the personnel reserve and thereafter got married, compensation could be reduced, depending on “the circumstances”.<sup>65</sup> As pointed out by the union, the treatment of married women was somewhat inconsistent, since the compensation to a woman who was married when entering the reserve was not reduced.

The support to workers in the personnel reserve had both similarities and dissimilarities with the terms offered to workers who left the company permanently. The most prominent similarities were that the support increased with age and that it was higher for men and workers with firm-specific skills. Unlike the support to workers whose employment contracts were terminated, the support to workers in the reserve was related to length of service and means-tested. Finally, a crucial difference that made the new system attractive for the workers was that support was not temporary, but went on until retirement age (as long as the worker had not found another job).<sup>66</sup>

## 10.6 Summary

When the tobacco industry became a state-owned monopoly in 1915, not only former factory owners, but also redundant workers received compensation. Compensation amounts ranged from half to five annual incomes, depending on

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<sup>64</sup> Tenure requirements also differed in this part of the scale, so that a 55-year-old man had to have been employed for at least 25 years, while it was enough for a woman of the same age to have been employed for 23 years to reach the maximum compensation level.

<sup>65</sup> The complete wording in Swedish was: ”Om ogift kvinna å övergångsstat ingår äktenskap, kan ersättningen nedsättas att utgå med ett efter omständigheterna jämkat belopp.” SM, STM, Styrelsens protokoll, 26 January 1931, Bilaga C.

<sup>66</sup> As mentioned in section 6.7, the Tobacco Workers’ Union demanded that workers whose employment contracts had been terminated before the establishment of the personnel reserve should get the same terms as their colleagues in the reserve.

length of service and age. For workers with general skills the compensation was equivalent to half an annual income and not related to length of service or age. Male and female workers got the same treatment, receiving equal shares of their previous annual earnings.

The Tobacco Monopoly continued to compensate dismissed workers even after its legal obligation to do so had expired in 1920. Although the company lacked a formal severance plan, there were certain regularities in the support to redundant workers. Like it did before 1920, skill-specificity mattered a lot. This was most clearly seen in 1923 when cigar workers were bought out for amounts that exceeded ten times the support given to redundant metal workers. The difference between workers with specific and general skills was seen in the statutes for the personnel reserve as well, although not as pronounced. Unlike the rules that had been applied in connection with nationalization, gender mattered for the support in the 1920s. Even when controlling for age, occupation, exit reason and previous earnings, male workers were more generously supported than female workers.





## Chapter 11

# From one job to another

### 11.1 Introduction

Declining and changing composition of demand and technological progress may not only cause a need to reduce labour inputs, but also to reallocate labour within the firm. This was certainly the case in the Swedish tobacco industry of the 1920s when consumers' preferences shifted from cigars to cigar-cigarettes at about the same time as the production of both goods was mechanized. These interlinked developments had profound consequences for the involved workers – male as well as female.

The ability of an employer to reallocate labour internally is related to several factors.<sup>1</sup> One factor is the workers' competence; whether they are able to perform various tasks or are specialized in one particular job. Another factor, highlighted in this chapter, is the gender division of labour. If tasks are typed as either male or female, there may be difficulties in moving male workers to female tasks, and vice versa. Yet another factor of importance is the character of the internal labour market and the existing set of formal and informal employment practices. Some internal labour markets facilitate transfers but other do not. As will be shown in this chapter, transfers are complicated where wages are tied to individuals rather than to jobs, and where wage stability is given more weight than wage equality.

The chapter starts off by reconnecting to the literature on internal labour markets, introduced in section 2.4, and relating it to the Tobacco Monopoly. This is followed by accounts of how male and female tobacco workers were transferred within the company and the resulting disputes between the management and union.

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<sup>1</sup> This is sometimes referred to as 'functional flexibility'. Other concepts with similar meaning are also encountered in the research literature. Atkinson 1984; Kalleberg 2001, p 4809.

## 11.2 The Tobacco Monopoly as an internal labour market

For Doeringer and Piore, the authors of the most influential study in the field, the internal labour market refers to a specific type of company where jobs and wages are allocated according to certain principles. Empirical research has shown a great variety of employment practices between firms, sectors, countries and time periods. This study adopts the more open-minded view of Paul Osterman, who instead of making stylized descriptions of a certain kind of company identifies four aspects that together constitute an internal labour market (or a set of employment practices): job titles, wages, layoffs and deployment (reallocation) of labour. The following subsections briefly describe how these practices looked like at the Tobacco Monopoly.

### 11.2.1 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 of Malmö Cigar Factory contain evidence of both vaguely defined job titles and strictly defined ones.<sup>2</sup> For example, some workers were titled ‘preparation workers’ (*beredningsarbeterskor*), whereas other workers were given more specific titles such as ‘stemmers’ (*striperskor*) or ‘deck makers’ (*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. As discussed in chapter 8, there was also a category of workers whose exact tasks cannot be understood from their job title – the ‘day labourers’.

### 11.2.2 Wages

Wage forms and wage formation in the Swedish tobacco industry were described in section 4.8. It may be recalled that most tobacco workers had

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<sup>2</sup> For a list of job titles found in the personnel records, see section A2.4.

performance-based pay. Whereas hourly wages were related to individual characteristics such as age and gender, piece rates were related to products and not to individual characteristics. If new types of products or new production methods were introduced during the period of agreement, it was up to a classification board, consisting of representatives of the employer and union and an independent chairman, to decide upon piece rates. In 1918 it was stipulated that in these decisions the board should use existing rates for similar jobs as a guide. 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>3</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 set somewhat higher than the hourly wages. Thus the hourly wages became understood as minimum wages, although the concept as such was not used in the agreements.

### 11.2.3 Security

With regard to employment security the company had instructions from its owner, the state, to protect the workers from unemployment. However, the collective agreements did not include stipulations of the criteria to be used when deciding the order of selection at layoffs. Employment security and layoffs are further discussed in chapter 9.

### 11.2.4 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

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<sup>3</sup> Swedish: “[...] en god, i resp. arbete utlörd arbetare [...]”. MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser* 1924.

income was not to fall short of the previous average earnings.<sup>4</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 later in the chapter. To put it briefly, it may be established that the income guarantee gave rise to disputes of interpretation, until eventually abolished in negotiations held in 1923-1924.

### 11.3 Internal labour dynamics and gender division of labour

An interesting question in relation to internal labour markets, 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. However, this was not confirmed by a simple count of the number of job changes registered in the personnel records of Malmö Cigar Factory, which indicates that transfers of workers between jobs virtually ceased in 1921.<sup>5</sup> As discussed in section A2.5, the abruptness of the winding of up the internal labour flows, as well as qualitative evidence, suggests that the personnel records are unreliable in this regard.

For the purpose of our study, it is unfortunate that the registration of job changes ceased in 1921. At the same time, this fact is interesting as it indicates a basic change in the employment relationship – 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.

When reviewing the correspondence and minutes from the negotiations, the importance of seeing the transfers in relation to the gender division of labour is striking. The fact that jobs were typed as either 'male' or 'female' put

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<sup>4</sup> MS, FHK, Arbets- och löneavtal, F8F: 1, *Arbets- och löneföreskrifter vid A.-B. Svenska Tobaksmonopolets cigarrfabriker* 1915.

<sup>5</sup> See figure A2.2.

restrictions on 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. The union-management correspondence from 1923 shows that 13 male cigar workers were transferred to various jobs with payment on an hourly basis.<sup>6</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>7</sup> However, in the material reviewed for this thesis, some evidence was found of men being transferred to female jobs; the most prominent example being the events in the spring of 1927.<sup>8</sup> Besides, in the preceding years male hand cigar makers were transferred to semi-hand or mould work.<sup>9</sup> The management's policy in these cases was to pay a bonus, equivalent to the gender difference in wage level, to

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<sup>6</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 15 January 1923.

<sup>7</sup> Padavic & Reskin 2002, pp 62-63.

<sup>8</sup> See section 6.5.

<sup>9</sup> SM, STM, Styrelsens protokoll, 17 September 1923, Bilaga C, "P.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.

the male workers.<sup>10</sup> These crossings of gender borders were not dramatic. Feminization of cigar work was still a rather recent 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. It has already been mentioned that 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>11</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

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<sup>10</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.

<sup>11</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.

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>12</sup> not because of their inability but because they could manage heavy unskilled tasks.<sup>13</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>14</sup>

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 made on the basis of 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>15</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 “[s]ome of those workers who have proved to be most unsuitable for mould work” would be moved to preparation work.<sup>16</sup>

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<sup>12</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 7 November 1921; ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2, 20 April 1924.

<sup>13</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 2, 6 February 1925.

<sup>14</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 29 October 1921; Inkomna skrivelser från Tobaksmonopolet, 6 February 1925.

<sup>15</sup> Swedish: “En 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.” ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 30 August 1921.

<sup>16</sup> Swedish: “[n]ågra av de arbetare, som visat sig mest olämpliga för formarbetet, komma att överföras till stripning.” ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 19 October 1922.



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 [...].<sup>17</sup>

This statement was in line with a decision made by the union congress earlier the same year.<sup>18</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>19</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.

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<sup>17</sup> Swedish: "Slutligen 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 [...]". ARAB, STF, Utgående skrivelser till STM, B05: 1, 6 October 1923.

<sup>18</sup> ARAB, STF, Kongressprotokoll, A01, 1923, p 32.

<sup>19</sup> ARAB, STF, Utgående skrivelser till STM, B05: 1, 5 November 1922.

## 11.4 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.

### 11.4.1 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 the private trust concentrated production. In the process many workers were transferred between different 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 the conciliation board on several occasions.<sup>20</sup> The idea 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 the former principle, that is, 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. In an internal circular the union leadership complained that: "The merger of factories has caused an insufferable muddle of various rights and obligations for the

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<sup>20</sup> ARAB, STF, Förhandlingar, F01: 2, 2 April 1914, "Protokoll fört vid sammanträde med skiljenämnd inom tobaksindustrien å restaurant Pelikan"; ARAB, STF, Förhandlingar, F01: 2, "Protokoll hållet vid sammanträde utaf den för förhandling mellan Svenska Cigarrefabrikantföreningen och Internationella Tobaksarbetareförbundet i Sverige sammankallade Förstärkta Stora Nämnden i Stockholm den 6, 7 och 9 maj 1914"; ARAB, STF, Förhandlingar, F01: 2, "Protokoll fört vid sammanträde med skiljenämnd inom tobaksindustrien den 13 augusti 1915".

workers”.<sup>21</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>22</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>23</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>24</sup> The restriction of the income guarantee to temporary job changes was confirmed in

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<sup>21</sup> Swedish: “Sammanläggningen av fabriker ha medfört ett olidligt virrvarr om diverse rättigheter och skyldigheter för arbetarna”. ARAB, STF, Cirkulär, B03: 1, 23 April 1913.

<sup>22</sup> ARAB, STF, Förhandlingar, F01: 2, ”Protokoll hållet vid sammanträde utaf den för förhandling mellan Svenska Cigarrefabrikantföreningen och Internationella Tobaksarbetareförbundet i Sverige sammankallade Förstärkta Stora Nämnden i Stockholm den 6, 7 och 9 maj 1914”.

<sup>23</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>24</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 [...] shortage of work.” Swedish: ”Den 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.” 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.

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>25</sup>

The demand for tobacco goods was strong and increasing during the war 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>26</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>27</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 dated 30 June, Kindstrand mentioned the tense situation, which he feared could end up in a strike.<sup>28</sup>

Several rounds of negotiations were held until the issue was eventually solved by the conciliation board. During the negotiations the employer made a

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<sup>25</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>26</sup> ARAB, STF, Cirkulär, B03: 2, 21 June 1918, "P. M. Omläggning av cigarr- och cigarrcigaret-tillverkningen". The measures had been discussed and approved by the company board the month before. SM, STM, Styrelsens protokoll, 13 May 1918.

<sup>27</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>28</sup> A part of Kindstrand's wording in this letter is worthwhile reproducing in Swedish: "[d]et jäser i sinnen på fabrikerna och arbetarna förklara sig icke under några omständigheter kunna mottaga detta slag i ansiktet. Man kan befara att det leder till arbetskonflikt". ARAB, STF, Utgående skrivelser, B04: 4, 30 June 1918.

promise that workers transferred from semi-hand work to manufacturing of tip-less cigars would be guaranteed a 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>29</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>30</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>31</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>32</sup>

The income guarantee was extended to apply to transfers between piece-rate jobs in article 15 of the final agreement in 1919.<sup>33</sup> This was a partial victory

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<sup>29</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03: 1, 14 July 1918.

<sup>30</sup> Lindbom & Kuhm 1940, p 249.

<sup>31</sup> ARAB, STF, Förhandlingar, F01: 3, 6 November 1918.

<sup>32</sup> ARAB, STF, Förhandlingar, F01: 3, 23 January 1919.

<sup>33</sup> Hereafter the issue of incomes for transferred workers was often simply referred to as 'article 15' in the negotiations between management and union.

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 that the article would not apply to temporary workers or when the transfers were carried out to avoid layoffs.<sup>34</sup>

#### 11.4.2 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>35</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 perhaps was a reference to the situation during the years preceding nationalization.

The outcome of the first round of negotiations was rejected by the workers in a ballot. 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>36</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

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<sup>34</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>35</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>36</sup> ARAB, STF, Förhandlingar, F01: 3, 21 March 1921.

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 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 maintained that the affected cigar workers were not temporarily employed and that layoffs hardly constituted the alternative to transfers in this case.<sup>37</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

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<sup>37</sup> SM, STM, Styrelsens protokoll, 19 March 1923.

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 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>38</sup> Thereafter, Holsti repeated the argumentation of 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 – 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

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<sup>38</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 basic wage per hour. That the information was correct was confirmed by the union and was not the object of further discussion.



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 – 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>39</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 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>40</sup> The tobacco monopoly had not acted with the social responsibility that could be

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<sup>39</sup> ARAB, STF, Förhandlingar, F01: 4, 13 November 1923.

<sup>40</sup> ARAB, STF, Förhandlingar, F01: 4, 13 November 1923.

expected from an employer in its position.<sup>41</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.

### 11.4.3 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>42</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>43</sup>

Yet another employer proposal to raise the hourly wages was discussed at a meeting before Christmas.<sup>44</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>45</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 real wage. However, a contributing reason was the transfers from manual work to machine work in manufacturing

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<sup>41</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>42</sup> ARAB, STF, Förhandlingar, F01: 4, 6 December 1923.

<sup>43</sup> ARAB, STF, Förhandlingar, F01: 4, 12 December 1923.

<sup>44</sup> ARAB, STF, Förhandlingar, F01: 4, 22 December 1923.

<sup>45</sup> ARAB, STF, Förhandlingar, F01: 4, 22 December 1923.

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>46</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>47</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, 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>48</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>49</sup>

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<sup>46</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>47</sup> ARAB, STF, Förhandlingar, F01: 4, Bilaga 16, ”Förslag till arbets och löneföreskrifter vid Aktiebolaget Svenska Tobaksmonopolets fabriker och övriga arbetsplatser”.

<sup>48</sup> ARAB, STF, Förhandlingar, F01: 4, 22 January 1926.

<sup>49</sup> ARAB, STF, Förhandlingar, F01: 4, 8 February 1926.

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 “[could have been] performed as well by female labour”.<sup>50</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>51</sup>

## 11.5 Summary

This chapter has dealt with reallocations of labour taking place in the Tobacco Monopoly and stressed two aspects: the gender division of labour and the connection of wages to jobs.

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 – transfers of skilled male workers to unskilled ‘male’ jobs – 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.

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<sup>50</sup> Swedish: ”[...] som lika väl kan utföras av kvinnlig arbetskraft.” ARAB, STF, Förhandlingar, F01: 4, 8 February 1926.

<sup>51</sup> ARAB, STF, Förhandlingar, F01: 4, 1929-1930.

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 moved because of their inability in their original jobs. No reference was made to their chances in the external labour market.

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.

## Chapter 12

# Concluding discussion

### 12.1 Introduction

This study accounts for the downsizing process carried through by the Swedish Tobacco Monopoly in the inter-war era. It discusses the various options faced by the company and the union and the outcome of the process. In particular, the study revolves around three themes: (1) the methods of achieving reductions, (2) the categorization and treatment of workers and (3) the decision-making process. The aim of this final chapter is to bring together the main conclusions regarding these three themes and put the study into a wider perspective. It begins by recalling some background features of importance for understanding the downsizing process, before turning to the mentioned themes.

### 12.2 Preconditions

The tobacco industry has historically been subject to state intervention in many countries on the European continent. The Swedish Tobacco Monopoly had the state as a majority owner and was established for fiscal reasons in 1915. Workers made redundant in connection with nationalization were granted compensation and the company promised to let social considerations shape its personnel policies, as at the same time running the business efficiently.

Tobacco Workers' Union, which was open for all occupations, organized a very high share of the workers in the industry. A characterizing feature of the Tobacco Workers' Union was that its leadership did not reflect the composition of its members; while the leaders of the union were all men, most of the members were women.

After some years of expansion, the Tobacco Monopoly entered a downsizing process in 1921, which had both proactive and reactive features. The reduction of labour inputs was partly caused by the decision to introduce labour-saving technology and partly by the depression in 1920-1922.

From the start, it was clear that the Tobacco Monopoly needed to renew its production technology in order to be competitive. The lengthy debates on tobacco taxation from 1902 onwards had made factory owners hesitant to invest

and the Swedish tobacco industry was far from the technological frontier when the Tobacco Monopoly was eventually created. The post-war depression was less expected. In order to meet the crisis, and avoid reductions, the company cancelled an import agreement with a German firm and introduced discounts on domestic cigars.

The Tobacco Workers' Union also looked for ways to avoid reductions. Many workers accused the management of importing cigars from Germany; a matter that they thought should be brought to public attention. The union tried to persuade politicians to protect the tobacco industry from foreign competition and put the company under direct state management. The latter idea was, however, contested internally and it turned out to be impossible to convince even the Social Democratic Party of the advantages of state management. With regard to its attitude towards technological change, the Tobacco Workers' Union was more in line with the mainstream of the Swedish labour movement. The union raised few protests against mechanization as such. The introduction of machines was certainly not cheered, but there is no evidence of sabotage or refusal to work with machines.

Now, let us turn to the questions about what the downsizing process looked like, how it affected various groups of workers and how decisions were made.

### 12.3 Methods of achieving reductions

The first theme of this study is the methods of achieving reductions of labour inputs. This involves disentangling how the company and the union perceived the alternatives of action, as well as assessing the relative importance of various measures.

With regard to the basic trade-off between reducing the number of working hours and reducing the number of workers, the parties agreed, in principle, upon the priority of hours-reductions when shortage of work was temporary. This principle was also codified in the collective agreement. The problem was, however, to appraise how long shortage of work would prevail. Generally, the management was less inclined to implement hours-reductions than the union. Theoretically, the employers' position in this respect may be explained by the notion of fixed labour costs, introduced into economic theory by Walter Oi. Fixed labour costs refer to costs for labour that do not vary with the number of hours worked and have different implications for the trade-off between workers and hours depending on the time frame. Whereas the existence of fixed labour

costs makes it reasonable for employers to retain labour in temporary downturns, the reverse applies if the labour surplus endures for long periods.

Regarding the interplay between the Tobacco Monopoly and the Tobacco Workers' Union, it has been shown that both parties were uncertain about the future demand for labour. Relatively speaking the management had better knowledge about the technology and future machine investments. It was therefore more obvious for the management to see a permanent need to reduce labour inputs. The preference for hours-reductions rather than workforce reductions was not contested within the union. However, the union's policy was not consistent. Hours-reductions were almost as a rule accompanied by demands for compensation, which made hours-reductions less attractive for the management. The strategy of trying to attain both employment security and income security was eventually abandoned by the union leadership.

Although a topic of much discussion in the management-union interplay and certainly applied on occasions, hours-reductions were not an important method of achieving reductions of labour inputs for the Tobacco Monopoly. During the depression of 1921, the average number of hours per worker remained stable, while the number of workers was reduced substantially. The relative unimportance of hours-reductions at the Tobacco Monopoly is also seen if the company is compared with other manufacturing industries, where the number of hours per worker was temporarily reduced by 10 percent between 1920 and 1921.

The major way of dealing with shortage of work for the Tobacco Monopoly was to implement workforce reductions. From 1920 to 1928 the number of workers employed in the cigar factories was cut by 60 percent. Although there were some workers hired on temporary terms at the beginning of the downsizing phase, this group was small. Workforce reductions therefore mainly affected permanently employed workers, which meant that the company's social responsibility was put to the test. Initially, the management strategy was to offer retraining courses to young workers and pension old workers. Since the company had no pension scheme for blue-collars at the time, the company board was hesitant. The first wave of mass-layoffs in 1921 therefore only came to affect young, female workers. It was not possible for the management to lay off older workers until the autumn of 1921, when a pension scheme was well under way. Thereafter followed some years when workforce reductions could be accomplished by attrition and buyouts before layoffs were again implemented in 1927. On this occasion the measure affected senior male cigar makers, which was controversial. After union protests the company had to revise its original plans. As a response to this setback, because of the stretched-



out discussions about benefits that generally followed reductions, the managing director launched the idea of creating a personnel reserve. This institution, which had its model in the armed forces, implied that redundant workers were paid for being at the company's disposal if needed in the future.

In quantitative terms, our study of the personnel records from one of the company's cigar factories indicates that layoffs accounted for 49 percent of the workforce reductions, attrition for 38 percent and induced quits for 13 percent. Although active means to encourage workers to quit were not very important in relative terms, it is still interesting to see that a company in the inter-war period applied practices that we associate with downsizing today. It is also interesting to see that such a considerable part of the workforce reductions could be attained by attrition in spite of the low personnel turnover. This suggests that companies with higher rates of personnel turnover may have been able to achieve substantial reductions without having to terminate employment contracts.

Still, the importance of layoffs in the downsizing process of the Tobacco Monopoly is striking if contrasted with the Spanish Tobacco Monopoly, which was run by a chartered company with private owners. Mechanization appears to have been slower in Spain and the workforce reductions could be accomplished without layoffs. Why the patterns of adjustment were so different in Sweden and Spain is a matter for further research. Such research has to consider a number of factors, apart from differences in the natural rate of attrition, for example how charters were written, consumer preferences, the relative strength of trade unions and the relative importance of the tobacco industry for local labour markets.

## 12.4 Categorizing workers

The second theme of the study is about identifying and discussing what variables were important for categorizing workers in the downsizing process. Like the first one, this theme involves both qualitative and quantitative dimensions. Points of departure for the discussion about categorization are provided by theories on human capital, labour queues and gender division of labour. These theories are not used to formulate competing hypotheses, but rather to contribute to the understanding of the Tobacco Monopoly's personnel policy.

To put it briefly, human capital theory predicts that firms will protect and compensate workers with idiosyncratic skills. Since these skills are acquired by experience, age and length of service are usually central variables in empirical models based on the human capital theory. Both variables, age throughout our

period of investigation and length of service in the initial phase, were also relevant for the decision-makers at the Tobacco Monopoly. Looking at the age composition of the tobacco workers it may be established that the downsizing process meant both change and continuity. As the workforce shrank, the mean age of the workers increased, but the management's policy changed over time. When facing the depression of 1921, the management made cuts at both ends of the age distribution. Young female workers were laid off and senior workers, male and female, were given pensions. As time went on, the management became increasingly inclined to release middle-aged workers. This was because of the profound changes in the nature of work represented by mechanization. Short training periods and the importance of high work intensity and continuous flows in the factories made it advantageous to employ young workers and maintain high personnel turnover.

As mentioned, approximately half of the workforce reduction at the Tobacco Monopoly between 1920 and 1928 was attained by layoffs. The company was not restricted by formal regulations when establishing the order of selection but there was a seniority norm to consider, one so established that the union leadership acted as if it was included in the collective agreement. At the mass-layoffs in 1921, the outcome of negotiations between the management and union was to release "the youngest of the most recently hired" female workers. In the second round of mass-layoffs the same year, the management abandoned the seniority principle. Although age was used when defining layoff units, it was not applied when establishing the order of selection within the units, and nor was length of service. Instead the management referred to vaguer criteria such as family situation and physical status.

The abandonment of the seniority principle can be understood both from a power perspective and from economic theory. In the autumn of 1921 the whole Swedish economy was in a depressed state. Unemployment was higher than ever before and the union was in a very weak position. To strike was not an option and working to rule was not a very attractive alternative since many workers suffered from income reductions due to hours-reductions and the existing system of wage indexation. One can therefore say that the management abandoned the seniority principle because it could. Economic theory provides an explanation of *why* the management wanted to ignore length of service. As long as production technologies remain unchanged, senior workers often play an important role in training new workers. Employment protection is a way for the employer to reward seniors for transferring some of their skills to younger colleagues. In times of rapid technological change, as in the tobacco industry of the 1920s, the

skills of senior workers become obsolete and they no longer have a role in the training process.

Age and length of service mattered not only for determining the order of selection, but also for determining the compensation given to redundant workers. As shown in chapter 10, the practice of compensating redundant workers had its roots in legislation passed before the tobacco industry was nationalized. According to this legislation, compensation amounts were positively related to age and length of service (in the industry). After the legislation had expired, the Tobacco Monopoly continued to compensate older workers more generously, whereas length of service was often disregarded. This did not mean that firm-specific skills were unimportant; rather the contrary. In fact, the nationalization of the Swedish tobacco industry is an illustrative case of the significance of skill-specificity. Before the monopoly, the skills of the tobacco workers had been largely transferable between companies. Although there certainly were some skills that were idiosyncratic, such as knowledge about work routines and how to manufacture specific brands, tobacco workers could, and did, easily go from one factory to another. With the creation of the monopoly, these preconditions changed profoundly. From then on, the tobacco workers' skills were only useful in one company. As suggested by human capital theory, the employer took over a greater part of the training costs and the compensation amounts to workers specialized in tobacco production and workers with skills that could be used in other companies differed greatly. This difference was clearly demonstrated in 1923 when male cigar workers got ten times more in severance pay than male metal workers.

The second theoretical point of departure when investigating the categorization and treatment of workers with regard to the downsizing process is Lester Thurow's notion of labour queues. Thurow's idea is that employers, facing a complex reality and incomplete information, put workers into groups according to easily observed individual qualities. In the case of the Tobacco Monopoly, age may be seen as one such example. Gender was an even more profound quality that was used to distinguish workers, as it formed a basis for the division of labour. An interesting illustration of the importance of age and sex for categorizing the workers is that while the management often reported the number of male and female workers in various age groups when layoffs were announced, the job titles of the redundant workers were seldom mentioned. The importance of age and gender is also evident in the annual reports of the company board, which included detailed information of the composition of the workforce with regard to age and sex, but no details about how many workers in various occupational groups were employed. With regard to severance pay, men

were treated more favourably than women. This gap seems to have been most pronounced in cases where the compensation schemes were differently designed. The unequal treatment of men and women did not originate in the compensation rules that had been applied in connection with nationalization, but was the result of the management's discretion. It also seems like men got higher employment protection than women since, in order to avoid layoffs men were sometimes transferred to jobs that were usually done by women. Thus, the overall gender composition of the workforce employed at cigar factories was maintained at a stable level in the 1920s, in spite of the fact that male jobs were more exposed to technological changes and declining demand. This is not to say that the Tobacco Monopoly preferred male workers to female workers. Transfers of male workers to female jobs were carried out reluctantly by the management since male workers demanded higher pay for doing the same job. This study give at hand that the managers of the Tobacco Monopoly did not act in line with the claim of Reskin and Roos that male workers are often ranked higher than female workers by employers, in spite of wage differences favouring the employment of the latter. On the contrary, the managers of the Tobacco Monopoly wished to continue the feminization of the workforce, but were held back by social considerations based upon the need principle.

Basically, it was thought that old and male workers faced greater difficulties in competing for jobs in the regular labour market and therefore would suffer more from being released by the Tobacco Monopoly. According to official declarations workers with physical disabilities were protected for the same reason, although this only applied to men. Whereas the archival records contain many references to disabled male workers, references to disabled female workers are conspicuous by their absence in the material. The absence of disabled women is intriguing. The most obvious explanation is that there were few female workers with physical handicaps employed by the company, but there are also other possible explanations. It may have been the case that disability was not regarded as a big problem when it concerned women, since they were not supposed to be breadwinners. Disabled women may also have been less inclined, or able, to make themselves heard.

Age and sex were not the only demographic characteristics of interest for the decision-makers of the Tobacco Monopoly. The company also kept track of the marital status of its workers and included information about the share married in the annual reports. According to the annual reports, the marriage rate (defined as the share ever married) showed an upward trend for male as well as female workers in our period of investigation. However, such a trend could not

be established when investigating age-specific marriage rates for female workers at Malmö Cigar Factory.

Like it is with society at large, the evidence from the Tobacco Monopoly concerning the strength of the male-breadwinner norm is somewhat contradictory. In some respects, the company acted in accordance with the norm, but in other respects it showed a more pragmatic attitude. An obvious indication of the former was wage amendments to family fathers. But more often, the male-breadwinner norm was not mentioned, for example the case with the gender gaps in hourly wages. Although the Tobacco Monopoly accepted the male-breadwinner norm in certain respects, it also made provisions for the fact that about half of the women in the workforce were married. Some efforts were even made to facilitate the combination of gainful work and household duties. The company, for example, sponsored child care.

Turning to the actual downsizing process, it seems like the male-breadwinner norm was rather weak to begin with. Indirectly, the policy of concentrating the reductions to young workers in 1921 implied that most redundant workers were unmarried women. The management stated that it had considered the workers' family situation when establishing the order of selection in the autumn. Yet, married women did not face higher risks of being laid off than their unmarried colleagues within the same age group. Nor did the design of the buyout offers in 1923 and 1924 seem to be influenced by a wish to protect married male workers and encourage married female workers to leave the company. Gender certainly mattered for the compensation amounts, but not marital status; an observation that actually applied to all severance payments made by the Tobacco Monopoly in the 1920s.

In the second half of the 1920s the male-breadwinner norm became more outspoken. When establishing the order of selection among the male cigar workers in Malmö, the decision-makers had access to information about the marital status of the workers and whether spouses were employed by the company. In the negotiations that followed the announced layoffs of male cigar workers in 1927, a union representative proposed that married female workers should be released instead. Although not an official union policy, this idea seems to have taken root in the minds of the management. When female workers were laid off in the autumn of 1927, the measure only affected married women in general and those whose husbands were employed by the company in particular. Another indication in the same direction was found in the statutes of the personnel reserve, which stipulated that women who married while in the reserve could get their support lowered.

The seemingly increasing strength of the male-breadwinner norm over time cannot be seen as an isolated phenomenon caused by an individual trade unionist. Married women in gainful employment were questioned in many areas of the labour market at the time, not only in Sweden but in other countries as well. The success of this anti-feminist movement, which was fuelled by high levels of unemployment, differed between countries and sectors. Generally, marriage bars became more common in the service sector than in manufacturing industries. It was also easier to discriminate against married women in companies where this group was relatively tiny. For a company such as the Tobacco Monopoly, with a huge group of married women it would hardly have been possible to impose strict marriage bars. But, as shown in this study, the debate on married women in gainful employment hardly left female-dominated manufacturing industries untouched.

## 12.5 Making decisions about reductions

The third theme of the study is decision-making, which includes identifying the main actors of the downsizing process and conflicts of interests within their respective organizations.

The most prominent decision-maker was without doubt the managing director. At his side was the technical director, who often represented the company in its contacts with the union and assisted the managing director at meetings with the company board. Worth noting is that the Tobacco Monopoly did have a personnel department, but this unit had no leading role in the downsizing process. This finding has wider implications. As shown by Sanford Jacoby and others for the United States, the early twentieth century saw a development towards increased professionalization of big companies' personnel policies. From having been a domain of foremen and engineers, the implementation of personnel policies was taken over by personnel departments, which often got involved in power struggles with engineers and foremen. This study suggests that the professionalization of personnel policies in inter-war Sweden was still in its infancy. There were personnel consultants at the Tobacco Monopoly and other big firms, who may well have been involved in the implementation of personnel reductions, but they did not have the influence to shape the downsizing process in wider terms.

Apart from professionalization, centralization was an essential feature of the bureaucratization of employment practices described by Jacoby. Although there certainly was scope for action for factory managers and foremen, centralization was also a characterizing feature of the Tobacco Monopoly's

downsizing process. A clear illustration of this was given when the managerial body was summoned in autumn 1927 to discuss reductions at one of the cigar factories. Here, the managers of the cigar factories not directly affected by the reduction participated as well. Furthermore, personnel reductions were typically discussed by the company board, which had to give its approval of the proposed measures. It is doubtful whether this was a typical practice for big Swedish companies of the time. The interest of the Tobacco Monopoly's board in reductions probably had to do with the special nature of the company. Although reductions were implemented to cut costs in the long-run, they were associated with expenses in the short-run because of the company's continuing commitment to supporting redundant workers. Assuming that most Swedish employers at the time did not make severance payments, it is unlikely that personnel reductions generally were high on the agendas of company boards.

The downsizing process of the Tobacco Monopoly was not only shaped by the management and the company board, since the Tobacco Workers' Union also influenced the outcome. Typically, the union leadership was informed about reductions in advance and was thus given the chance to come up with alternative courses of action. Occasionally, the union was invited to negotiations. This was, for example, the case when hours-reductions were about to be implemented at the end of 1921. Here, the union representatives got the management to concentrate the measure to Saturdays instead of making daily hours-reductions. Looking at layoffs, negotiations were held in the spring of 1921, on the initiative of the Social Democratic representative on the company board. Later on, the management itself invited the union to participate in the decision-making process, without pressure from the company board. The management also gave workers the opportunity to quit voluntarily to leave room for colleagues. This new attitude may be seen in the light of the changed policy regarding the order of selection for layoffs. As the need principle became more prominent, the management saw greater advantages in involving the workers. The union had better knowledge about the situation of individual workers and, by letting the union participate in the selection process, the management probably hoped to avoid some of the protests usually associated with layoffs.

For the union leadership, participation in decision-making was a tricky issue. In principle, the union strived for influence, for example by demanding representation on the company board. But when actually given the chance to, the union leaders sometimes got cold feet. They declined management-invitations to participate in establishing the order of selection in 1927 and 1930. Whereas the need principle made the management more interested in involving the union, the same principle posed problems for the union leadership. Some members of the

union's executive committee argued that union participation would improve the decisions compared to the order of selection being established by the management alone. Other union leaders stressed the negative consequences for the organization. These, who turned out to be the majority, were afraid that union participation in this matter would cause an internal divide. The discussion in the Tobacco Workers' Union about participation echoes similar discussions about participation held before and after in other trade unions.

As established in chapter 1, problems may arise when principals, such as the owners of firms, delegate authority to agents, such as managers, in contexts with imperfect information. In private firms, managers may be expected to be less inclined to implement reductions than the owners, which is not necessarily the case in state-owned enterprises where the owner also has to consider aspects other than profitability. In the case of an enterprise such as the Tobacco Monopoly it is even more complex since there were two principals: the state and the private owners. The authority delegated from these principals may be cloudy or even contradictory, leaving room for the manager's interpretation and own preferences.

At first sight this appeared to be the case with the Tobacco Monopoly. The charter stipulated that profits and prices should be held at decent levels by organizing production as efficiently as possible. At the same time, the company had a particular responsibility towards its workers. However, this latter stipulation was not expressed in either the charter or the instructions to the managing director, but given to the state representatives on the board. In practice there seems to have been a fairly successful balance of interests within the company, where the Social Democratic board representative looked after the interests of the workers and the director on duty made sure that the personnel policies of the Tobacco Monopoly did not become too generous.

The owners were not entirely happy with the way the Tobacco Monopoly was administered in the 1920s, which caused the managing director to resign. One point of criticism concerned the expansion of the company's social activities. The complaints were, however, not aimed at how the reductions were dealt with or at the support given to redundant tobacco workers. On the contrary, the management was praised for the mechanization of production and the accompanying reduction of the workforce. The fears that the Tobacco Monopoly would be unable to implement the latest technology, which some politicians had expressed before nationalization, were not realized. It also seems like the Tobacco Monopoly's ways of dealing with downsizing were, by and large, acceptable for the union, which eventually buried its demand for direct state management.



The principals of the Tobacco Workers' Union, the members, were more numerous and heterogeneous than the principals of the Tobacco Monopoly. Within the union there were several groups, each with its own interests and preferences. The most important internal divide with regard to personnel reductions was probably that between men and women. However, this divide was unspoken for several years. There were no big discussions about men and women during the post-war depression. There were female delegates at the union congress of 1923, the first congress after the beginning of the downsizing process, but they did not bring up any complaints. It was not until 1927 that the divide between men and women was brought to a head. It seems like the male-dominated leadership maintained a balance between men and women for a while, at least within acceptable limits. After men had been substituted for women, as a result of an initiative from an individual union negotiator, the female workers could no longer be patient. At the congress in 1928, the female representatives were more active than ever before, accusing the leadership of failing to look after women's interests. This can be seen as the breakthrough of women in the leadership of the Tobacco Workers' Union. At the following congress (in 1933), the number of female members of the union board increased from one to three, one of whom served on the executive committee.

The tensions in 1927 and 1928 were not only associated with gender, but also reflected the gap between the central leadership in Stockholm and one of the local branches of the union. In line with Arthur Ross' reasoning, the local union leaders were more radical than the highest officials, who advocated a more moderate policy towards the company. The central leaders put more stress on the organization's cohesion and its united front in negotiations with the employer. The central leaders were also less inclined to turn to politicians for support than the local leaders. Unwise political moves could worsen the possibilities of negotiating with the Tobacco Monopoly, and in a wider perspective be seen as a failure of the union leaders at the national level.

Although the downsizing process implied challenges for the Tobacco Workers' Union, as demonstrated in this study, it has to be concluded that the union managed to deal with the difficulties fairly well. The union density reached remarkably high levels and the remaining tobacco workers improved their relative position in terms of wages.

## 12.6 From the past to the present

One of the main points of this study is that downsizing confronts employers and workers with a number of questions whose answers are far from obvious and involve economic as well as social considerations. Some of these considerations

are of general nature and have been of relevance for companies before and after the Tobacco Monopoly. This study shows that the seniority norm may have characterized personnel reductions even in the absence of formal regulations, and thus suggests that the debate on employment protection today have to look beyond jurisprudence and into the existence of social norms in the labour market. Furthermore, this study has illuminated the conflict between the seniority norm and technological change that is common in present-day labour markets. If employers stick to the principle 'last in, first out' when introducing labour-saving technology, they will often end up with aged workforces. If they ignore the principle, employers risk getting into conflicts with the law, union or remaining workers. The Tobacco Monopoly dealt with this dilemma in ways that are fairly similar to the practices of modern companies, that is, buyouts, early retirement and retraining.

This leads to further questions about what role the Tobacco Monopoly may have had for the development of the Swedish labour market as a whole. With state-ownership it followed that the conditions in the tobacco industry were often discussed by Parliament. The industry was therefore more visible than justified by its size. Moreover, the Tobacco Workers' Union was a part of the mainstream labour movement, which meant that tobacco workers participated in LO-congresses and LO-representatives participated in the congresses of the tobacco workers. Information about the practice of the Tobacco Monopoly in relation to personnel reductions could thus easily be spread to other blue-collar unions. An even more interesting fact is that some of the workers employed by the Tobacco Monopoly belonged to the Iron and Metal Workers' Union, the biggest union in Sweden at the time, and wanted the same terms as proper tobacco workers when they were made redundant. Whether the practices of the Tobacco Monopoly influenced companies in other industries that faced similar challenges is a question for future research.

Finally, this study may be related to the heated discussion on state ownership, which has a particular relevance to developing countries. Many researchers argue that state-owned enterprises, due to political pressures, are unable to shed labour and therefore doomed to lag behind in terms of productivity. However, the Swedish Tobacco Monopoly does not fit this image. Although the company at times hesitated to release workers, this study essentially shows a state-owned enterprise that was able to downsize and capture the benefits of technological change. Whether the Tobacco Monopoly was more successful in that respect than a privately owned industry is of course hard to tell, but the performance of the Tobacco Monopoly suggests that ownership structures are not the only determinants of efficient business conduct; market structures and institutions have to be taken into account as well. It may be recalled here that the Tobacco Monopoly was not completely protected from

competition, as there was a certain inflow of goods from other countries which created incentives for the management to rationalize production. It may also be recalled that although the state was the main owner of the Tobacco Monopoly, it was not the only owner. The private owners could, for example, exert influence by appointing the managing director and in that way make sure that the business was efficiently run. In contrast to many developing countries today, Sweden also had a well developed institutional framework, including public investigations and auditing. These institutions provided checks against managers' indiscretion and may be seen as a way of overcoming the principal-agent problem.

This study has contributed to the understanding of rationalization and downsizing processes by providing a fairly detailed account of the experience of an individual company. A challenge for future research is to disentangle general and specific patterns of adjustment in different countries, industries and historical contexts. The tobacco industry, with its rich variation in ownership and market structures, as well as institutional frameworks, may be a particularly fruitful subject of study in this regard.

## Sammanfattning

# Arbetsbrist

## Personalnedskärningar vid Svenska Tobaksmonopolet, 1915-1939

De senaste decennierna har präglats av nedskärningar. Hårdnande internationell konkurrens, arbetsbesparande teknologi och nya organisationsfilosofier har fått företag och andra organisationer att göra sig av med arbetskraft. Nedskärningarnas konsekvenser för samhällen och individer har blivit föremål för en hel del forskning. De olika sätt på vilket organisationer kan avyttra arbetskraft har dock blivit mindre uppmärksammat. Ofta sätts likhetstecken mellan personalnedskärningar och uppsägningar. En central utgångspunkt i denna avhandling är att såväl arbetsgivare som fackliga organisationer ställs inför en rad strategiska val i samband med nedskärningar. Arbetsgivare ställs inför dilemmat att balansera företagsekonomisk rationalitet mot socialt ansvarstagande. För fackliga organisationer innebär nedskärningar att den interna sammanhållningen ställs på prov. Den tidigare forskningen på området har i stort sett saknat ett historiskt perspektiv. Det finns väldigt få systematiska studier av hur företag och fackliga organisationer i det förflutna hanterat övertalighet. Detta är olyckligt av flera skäl, bland annat tillåter det nuvarande forskningsläget väldigt få utsagor om vad som egentligen är nytt i den utveckling som skådats de senaste årtiondena.

Denna avhandling undersöker de omfattande personalnedskärningar som genomfördes vid Svenska Tobaksmonopolet under 1920-talet, mot bakgrund av en djup depression och ett genomgripande mekaniseringsprogram. Fokus riktas mot den manuella arbetskraften. Kvalitativa och kvantitativa belägg kombineras för att beskriva och analysera samspelet mellan företagsledningen, bolagsstyrelsen och Tobaksindustriarbetarnas förbund, hur nedskärningarna diskuterades internt i de båda organisationerna samt, inte minst, processens utfall. Studien har tre genomgripande teman: (1) vilka metoder som användes för att åstadkomma nedskärningar, (2) hur arbetskraften kategoriserades i samband med detta samt (3) hur beslutsprocessen såg ut.

Avhandlingen bygger på källmaterial som hämtats såväl från företaget som från facket. Upplysningar om företaget, dess arbetskraft, styrelsens och

företagsledningens agerande har huvudsakligen hämtats från årsredovisningar och styrelseprotokoll. Tobaksmonopolets årsredovisningar innehåller förhållandevis detaljerade uppgifter om arbetskraftens ålders- och könssammansättning samt fördelning på olika verksamhetsgrenar. Styrelseprotokollen har karaktären av diskussionsprotokoll och innehåller utförliga redogörelser för företagsledningens och styrelseledamöternas ställningstaganden, inklusive promemorior. Ett annat viktigt källmaterial som använts är personalmatriklar från en av Tobaksmonopolets anläggningar – Malmö cigarrfabrik. Personalmatriklarna innehåller uppgifter om alla arbetare och förmän som anställts vid fabriken, exempelvis födelsedatum, civilstatus, familjesituation (barn), anställningsdatum, avgångsdatum, avgångsorsak, inkomster och befattning. Den sistnämnda uppgiften visade sig emellertid vid närmare granskning vara otillförlitlig, då omflyttningar av arbetskraft mellan befattningar inte registrerades i matriklarna efter 1921. Uppgifterna från personalmatriklarna omfattar över 1,800 individer under perioden 1915 till 1939.

Från Tobaksindustriarbetareförbundets omfattande arkiv används i avhandlingen främst dokument från organisationens centrala organ: kongressen samt förbundets styrelse och verkställande utskott. På kongressen, som vanligtvis sammanträdde vart femte år, diskuterades ledningens aktiviteter under de gångna verksamhetsåren samt motioner från medlemmarna. Kongressprotokollen är tryckta och har karaktären av diskussionsprotokoll. Det sistnämnda gäller även styrelseprotokollen. Detta material inkluderar även protokoll från det verkställande utskottet, vars högfrekventa möten ger goda möjligheter att följa förbundsledningens agerande och ställningstaganden i förhållande till nedskärningarna.

Samspelet mellan företaget och fackföreningen har belysts med hjälp av korrespondens och protokoll från kollektivavtalsförhandlingar. Även dessa dokument har hämtats från Tobaksindustriarbetareförbundets arkiv.

Avhandlingen består av 12 kapitel. I introduktionskapitlet presenteras utgångspunkter, syfte, avgränsningar, företaget och fackföreningen samt avhandlingens disposition och huvudsakliga resultat.

Kapitel 2 innehåller ett teoretiskt ramverk och relaterar avhandlingen till tidigare forskning. En central teoretisk utgångspunkt är att företag kan minska mängden arbetskraft på olika sätt, där en grundläggande avvägning är mellan att förkorta arbetstiden och att minska antalet anställda. Bägge alternativen leder vidare till nya valsituationer. Arbetstiden kan exempelvis förkortas genom att reducera antalet arbetstimmar per dag eller genom att växelvis permittera arbetskraft någon dag i veckan. Antalet arbetare kan reduceras genom att införa

anställningsstopp, erbjuda ekonomisk kompensation vid frivilliga avgångar (s k utköp) eller säga upp anställningskontrakt. I diskussionen om vilka faktorer som påverkar hur nedskärningar utformas anknyter avhandlingen till en rad centrala begrepp och teman inom den arbetsmarknadsekonomiska forskningen, såsom humankapital, interna arbetsmarknader, köteori, implicita kontrakt, könsarbetsdelning och principal-agent problem. I redogörelsen för tidigare forskning relateras till såväl arbetarhistorisk som företagshistorisk litteratur. Det konstateras att personalnedskärningar visserligen ofta nämns i förbifarten men att ämnet i sig sällan blivit föremål för historiska studier. Vad gäller tidigare forskning om Svenska Tobaksmonopolet påpekas att vare sig företagets eller fackets egna historieskrivare ägnat särskilt stor uppmärksamhet åt nedskärningarna under mellankrigstiden.

Kapitel 3 sätter in Tobaksmonopolet i en vidare historisk och samhälllig kontext – mellankrigstidens Sverige. Fastän perioden karaktäriserades av två allvarliga kriser och rationaliseringar uppvisade sysselsättningen inom tillverkningsindustrin som helhet en uppåtgående trend. Det fanns emellertid vissa industrier som avvek från det allmänna mönstret. Mot bakgrund av den höga arbetslösheten höjdes röster för att gifta kvinnor skulle lämna arbetsmarknaden för att ge plats åt manliga familjeförsörjare. Denna opinion, som samlade anhängare i alla politiska läger, ledde fram till att en utredning om gifta kvinnors förvärvsarbete tillsattes, som emellertid kom fram till att hinder för gifta kvinnor på arbetsmarknaden snarast borde avlägsnas. En annan omtvistad fråga på den svenska arbetsmarknaden under mellankrigstiden handlade om makten att leda och fördela arbetet samt om att anställa och avskeda arbetskraft. Den svenska arbetsmarknaden under mellankrigstiden präglades inte av direkt statlig inblandning, men det fanns en tendens till ökat statlig ägande av företag. Skapandet av Svenska Tobaksmonopolet 1915 kan ses som ett tidigt exempel på detta. Syftet var primärt att förse statskassan med ökade inkomster för att finansiera upprustningen i samband med första världskriget och de växande välfärdstagandena.

Kapitel 4 handlar om hur förhållandena mellan Svenska Tobaksmonopolet och dess arbetare kom att gestalta sig i vidare bemärkelse. Tobaksarbetarna var inledningsvis oroliga över vad det skulle betyda att bara ha en arbetsgivare. De krävde att bolaget skulle drivas direkt av staten, utan inblandning av privata intressen och ville ha garantier om skäliga anställningsvillkor. Tobaksarbetarnas krav blev i vissa avseenden tillgodosedda av de politiska beslutsfattarna i riksdagen. I kontraktet med staten utlovade Tobaksmonopolet att behandla arbetskraften med ”den särskilda omsorg som kommer av bolagets ställning såsom ensam arbetsgivare inom industrin”. Detta kom bland annat att

manifesteras i ambitiösa företagsanknutna välfärdssystem som sköttes av för ändamålet särskilt anlidade personalkonsulenter, även kallade fabriksystrar. Efter redogörelser av några allmänna karaktäristika vad avser Tobaksmonopolets personalpolitik riktas uppmärksamheten mot den fackliga organisationen, som var öppen för alla tobaksarbetare, oavsett yrke eller kön. Trots att kvinnor utgjorde en majoritet av medlemskåren var kvinnor underrepresenterade inom fackförbundets ledning. I kapitel 4 konstateras vidare att relationerna mellan arbetsgivare och fack på arbetsmarknaden inom tobaksindustrin var väl utvecklade redan före monopoliseringen, med nationella kollektivavtal och institutioner för tvistlösning. En nyhet som introducerades efter monopoliseringen var premieackordet, ett lönesystem som tog hänsyn såväl till prestation som till tidsåtgång. Lönemässigt förbättrades tobaksarbetarnas position relativt andra grupper av industriarbetare under mellankrigstiden.

Kapitel 5 handlar om de utmaningar som mötte Tobaksmonopolet och tobaksarbetarna under 1920-talet. Under den allvarliga krisen 1920 till 1922 sjönk efterfrågan på cigarrer dramatiskt. Den negativa efterfrågeutvecklingen fortsatte, om än i lägre takt, under resten av mellankrigstiden. Under 1920-talskrisen började också produktionen av såväl cigarrer som cigarr-cigaretter att mekaniseras på allvar. Mekaniseringen innebar en genomgripande förändring av arbetsprocessen i flera avseenden. Samma mängd tobaksvaror kunde tillverkas med en mindre arbetsinsats samtidigt som arbetet förenklades. Med bara några veckors träning kunde maskinarbetare tillverka fyra gånger så många cigarrer som handarbetare. Sammantaget ledde depressionen och de teknologiska förändringarna till arbetsbrist. Företagsledningen försökte inledningsvis undvika nedskärningar genom att annullera ett importavtal med ett tyskt bolag som ingåtts under den tidigare högkonjunkturen samt genom att rabattera inhemskt producerade varor. Facket reagerade genom att vända sig till politikerna och kräva ökat tullskydd. Däremot gjorde inte facket några försök att stoppa eller bromsa den påbörjade mekaniseringen. Den ökade användningen av maskiner betraktades som en obönhörlig utveckling.

Tobaksmonopolets åtgärder för att stimulera den inhemska efterfrågan till trots kunde nedskärningar inte undvikas. Kapitel 6 ger en kronologiskt upplagd skildring av hur företaget och facket hanterade situationer med arbetsbrist. Nedskärningarna påbörjades på våren 1921 med massuppsägningar inom cigarrtillverkningen. Företagsledningens ursprungliga idé var att skära i bägge ändar av åldersfördelningen och erbjuda de yngre arbetarna omskolningskurser och de äldre pensioner. Något pensionssystem för den manuella arbetskraften fanns emellertid inte i detta skede varför uppsägningarna enbart kom att drabba unga arbetare, i huvudsak kvinnor. Under sommaren följde växelvisa

permitteringar innan nya massavskedanden genomfördes i oktober. Denna gång hade företagsledningen utarbetat ett konkret pensionsförslag och den fick styrelsens tillåtelse att permittera äldre arbetare i avvaktan på bolagsstämman senare under hösten. Därefter följde några år utan massuppsägningar. Frågan om företräde till anställning för tidigare uppsagda arbetare aktualiserades och blev föremål för viss oenighet mellan företaget och facket.

Det hade bland fabrikscheferna sedan länge funnits en önskan att göra sig av med den manliga arbetskraften. Dessa förslag började ta konkret form under 1926 och mynnade ut i att huvuddelen av de manliga cigarmakarna blev uppsagda i början av följande år. Beskedet vållade stor förtvivlan bland de drabbade, som ansåg sig ha små möjligheter att få andra arbeten, och facket protesterade. Ordföranden för Malmöavdelningen kom att spela en avgörande roll i det följande skeendet, emedan han under förhandlingar med företagsledningen föreslog att manliga cigarmakare skulle återtas i tjänst och att företaget skulle göra sig av med ett motsvarande antal gifta kvinnor. Denna policy var inte sanktionerad av den centrala fackförbundsledningen men fick gehör hos företagsledningen. På kongressen 1928 anklagade kvinnliga representanter den fackliga ledningen för att ha svikit kvinnornas intressen. Samma år finns belägg för hur kvinnor på lokal nivå agerade på egen hand gentemot företaget i samband med uppsägningar.

Nedskärningarna var problematiska inte enbart för facket utan även för företagsledningen och chefer på lägre nivå. Som ett alternativ till uppsägningar, förtidspensioneringar och andra utvägar, som tidigare använts men som påfunnits vara otillräckliga, fattades år 1929 beslut om upprättandet av en personalreserv efter förebild från försvarsmakten. De arbetare och tjänstemän som överfördes till personalreserven erhöll kontant understöd fram till pensionsåldern mot skyldigheten att återinträda i tjänst om förhållandena så krävde. Institutionen underlättade nedskärningar samtidigt som företaget behöll en viss grad av flexibilitet. Mot slutet av undersökningsperioden blev företagsledningen vidare mer benägen att involvera facket i nedskärningsprocessen. 1927 inbjöds exempelvis Malmöavdelningen att medverka vid upprättandet av en turordningslista för uppsägningar och 1930 gjordes en liknande invit till fackets centrala ledning. Denna fråga, som kom att kallas 'personutbytet', gav upphov till långa diskussioner inom förbundet, som dock till sist valde att avböja medverkan.

Kapitel 7 är det första av fem tematiska kapitel som borrar djupare i frågan hur Tobaksmonopolet hanterade arbetsbrist. Kapitlet inleds med en allmän diskussion om avvägningen mellan arbetstid och arbetsstyrkans numerär. Därefter riktas uppmärksamheten mot hur företagsledningen och facket såg på



denna avvägning. Det visas att facket ofta tryckte på för att få till stånd tillfälliga arbetstidsförkortningar för att på så vis undvika uppsägningar, medan företagsledningen hade en mer avvaktande inställning. Kapitlet fortsätter med en kvantitativ undersökning som kontrasterar arbetstidens fluktuationer i tobaksindustrin med andra delar av tillverkningsindustrin. Här framgår att arbetstidsförkortning hade en betydligt mindre betydelse för att möta 1920-talsdepressionen i tobaksindustrin än i tillverkningsindustrin som helhet. Merparten av reduktionen av mängden arbetskraft åstadkoms genom att reducera antalet arbetare.

Mellan 1920 och 1928 minskade antalet arbetare i Tobaksmonopolets tjänst med tre femtedelar. Kapitel 8 innehåller en närmare undersökning av vilka metoder som användes för att åstadkomma denna minskning. En sammanställning av uppgifter om avgångsorsaker från Malmö cigarrfabriks personalmatriklar visar att uppsägningar svarade för 48 procent av reduktionen, naturliga avgångar för 39 procent och utköp för 13 procent. Kapitel 8 diskuterar vidare hur nedskärningarna påverkade arbetsstyrkans sammansättning i olika avseenden. En fråga som tas upp i detta sammanhang är användandet av arbetskraft med tillfälliga anställningskontrakt. Detta förekom i viss utsträckning under företagets första verksamhetsår, men 1918 gavs de som då var tillfälligt anställda status som ordinarie. Tillfällig arbetskraft anlätades åter i slutet av 1920-talet. Det var då frågan om att återanställningar av kvinnliga arbeterskor som tidigare slutat frivilligt eller blivit uppsagda. Tobaksmonopolet tog även in pensionerade arbetare på tillfällig basis. Det fanns även en till kategori arbetskraft vars benämning – *daglönare* – ger intryck av att de hade tillfälliga anställningskontrakt. Detta visade sig emellertid vid närmare undersökning vara högst tveksamt. Troligtvis var det snarare frågan om en kategori arbetskraft som kunde flyttas omkring mellan olika arbetsuppgifter från dag till dag. Det förefaller också som om benämningen endast förekom lokalt vid Malmö cigarrfabrik. Vidare visas i kapitel 8 att arbetsstyrkans ålderssammansättning förändrades som en konsekvens av nedskärningarna. Inledningsvis påverkade nedskärningarna främst de yngsta och de äldsta men efterhand kom åtgärderna att riktas mot arbetare i medelåldern. Till skillnad från åldersstrukturen, förblev arbetsstyrkans könssammansättning påfallande intakt. Vad cigarrtillverkningen beträffar är detta anmärkningsvärt med tanke på att den vikande efterfrågan på handtillverkade cigarrer och mekaniseringen främst påverkade arbetsuppgifter där män sysselsattes. Den stabila könssammansättningen tyder därför på att det förekommit vissa omplaceringar av manlig arbetskraft till traditionellt kvinnliga befattningar. Avslutningsvis diskuteras i kapitel 8 de uppgifter om andelen gifta män och kvinnor som återfinns i bolagets årsredovisning. Här görs också

beräkningar av åldersspecifika 'äktenskapsfrekvenser' utifrån materialet från Malmö cigarrfabrik.

I kapitel 9 undersöks de procedurer och turordningskriterier som användes i samband med uppsägningar. Kapitlet inleds med en teoretisk diskussion om möjliga tillvägagångssätt och hur arbetsgivare respektive arbetare kan förväntas agera. Därefter följer en genomgång av det kvalitativa källmaterialet för att belysa samspelet mellan Tobaksmonopolet och Tobaksindustriarbetareförbundet i situationer med uppsägningar. Före nedskärningarna på 1920-talet förefaller det ha funnits en senioritetsnorm i den svenska tobaksindustrin, enligt vilken arbetare med längre anställningstider skulle skyddas från uppsägningar. Senioritetsnormen tillämpades även vid uppsägningarna i april 1921, vilka också föregåtts av förhandlingar mellan parterna. Vid uppsägningarna i oktober samma år tillämpades emellertid andra kriterier, vilket ledde till protester från arbetarhåll. Att senioritetsnormen övergavs på hösten 1921 är inte förvånande med tanke på att mekaniseringen då hade tagit fart på allvar. Omvandlingen av arbets- och upplärningsprocesser försvagade företagens incitament att använda anställningstiden som ett turordningskriterium. Den höga arbetslösheten på arbetsmarknaden gjorde också att fackets påverkansmöjligheter var försvagade. Inte heller i samband med de uppsägningar som skedde senare togs hänsyn till anställningstiden. Turordningen vid uppsägningar kom istället att styras av behovsprincipen. Beträffande de manliga cigarrmakare som sades upp i början av 1927 sade sig företagsledningen ha valt ut personer utan fysiska handikapp. Vad gäller uppsägningarna på hösten samma år – som berörde kvinnor – var det gifta kvinnor som stod först på tur att bli uppsagda. Detta är det tydligaste uttrycket för den manliga familjeförsörjarnormen som påträffats i det genomgångna arkivmaterialet. De kvalitativa undersökningarna av procedurer och kriterier vid uppsägningar kompletteras av kvantitativa analyser av personalmatriklarna från Malmö cigarrfabrik. Detta material används för att, från ett individperspektiv, analysera risken att bli uppsagd i april samt oktober 1921. Denna analys fokuserar på kvinnor under 25 år, då den kvalitativa undersökningen visat att det var denna grupp som var mest utsatt för uppsägningar vid de två nedskärningarna. Uppsägningsrisken relateras till en rad olika förklarande variabler, exempelvis ålder, civilstatus, försörjningsbörda, befattning, anställningstid och inkomster föregående år. Den tydliga förändring i företagets policy vid uppsägningar som kunde utläsas i det kvalitativa källmaterialet bekräftades i den statistiska undersökningen. I april hade arbetarens ålder och anställningstid stor betydelse för risken att bli uppsagd, i oktober spelade dessa faktorer ingen roll. Den statistiska undersökningen visade emellertid också på ett outtalat drag i företagets policy: högpresterande arbetare,

d v s sådana vars inkomster var höga under 1920, skyddades från uppsägningar. En kvantitativ analys genomförs också på uppsägningarna av manliga cigarrmakare i början av 1927. Den indikerar att företaget vid detta tillfälle skyddade äldre arbetare med barn från att bli uppsagda, vilket inte framgick av de officiella deklARATIONerna.

Nedskärningarna vid Tobaksmonopolet präglades i flera avseenden av företagets speciella karaktär. En aspekt av central betydelse var att tobaksarbetare som blev övertaliga i samband med företagets bildande hade tillerkänts rätt till kompensation. I kapitel 10 visas att Tobaksmonopolet även fortsättningsvis kompenserade övertaliga arbetare, trots att företaget inte hade någon formell skyldighet att göra det. Fackets agerande visar också tydligt att de tidigare reglerna betraktades som prejudikat. I enlighet med de regler som tillämpats i samband med monopoliseringen fick arbetare vars färdigheter var direkt kopplade till tobaksproduktion betydligt högre ersättningsbelopp än arbetare med allmän kompetens. Detta kan förstås i ljuset av humankapitalteorin, enligt vilken anställningskontrakt och avgångsvederlag påverkas av huruvida de färdigheter som arbetskraften besitter är företagsspecifika eller generella. I kapitel 10 påvisas också att män i regel fick högre ersättning, mätt i förhållande till sina genomsnittliga inkomster, än kvinnor under 1920-talet. Detta mönster hade inte funnits i samband med företagets bildande.

Nedskärningar innebär inte bara att arbetskraft skickas ut på den öppna arbetsmarknaden utan i många fall också till omplaceringar av arbetskraft *inom* företag, vilket är temat för kapitel 11. I fallet Tobaksmonopolet komplicerades omplaceringar av två förhållanden: (1) den rådande könsarbetsdelningen och (2) lönernas koppling till individuella prestationer. Inom cigarrtillverkningen arbetade män antingen som cigarrmakare eller med uppgifter utanför den direkta produktionen. I det genomgångna arkivmaterialet finns belägg för omplaceringar av manlig arbetskraft från cigarrarbete till lagerarbete och liknande. Det finns också vissa belägg som tyder på att män kunde omplaceras till sysslor som betraktades som 'kvinnliga'. Möjligheterna att omplacera kvinnlig arbetskraft mellan uppgifter i den direkta produktionen var större än för män, eftersom kvinnor kunde sysselsättas i beredningsarbete, sortering av färdiga produkter samt med tillverkning och etikettering av lådor. Omplaceringar var en fråga som under nedskärningsprocessens inledande skede gav upphov till upprepade diskussioner mellan företagsledningen och facket. Eftersom lönerna var prestationsbaserade drabbades omplacerade arbetare ofta av inkomstförluster, vilket föranledde fackliga krav på kompensation. Problemet

löstes till slut med att timlönerna, som de facto utgjorde minimilöner för ackordsarbetare, höjdes.

Avhandlingens huvudsakliga slutsatser sammanfattas och diskuteras i kapitel 12. De lösningar som användes i Tobaksmonopolet uppvisar många likheter med företeelser som vi idag förknippar med nedskärningar – exempelvis förtidspensioneringar, utköp, avgångsvederlag och omskolning. En fråga för den vidare forskningen är att ta reda på vilken betydelse Tobaksmonopolets personalpolitik i dessa avseenden kom att ha på andra företag och industrier. Fastän svårigheterna emellanåt var uppenbara lyckades Tobaksmonopolet hantera de utmaningar som nedskärningarna innebar. Företaget är därmed intressant att studera i ljuset av den aktuella debatten om statsägda företags (o)förmåga att hantera övertalighet och dra fördel av ny teknologi.



## Appendix 1

# Primary sources

### A1.1 Introduction

Archives from both the company and union have been used in order to investigate issues related to personnel reductions at the Tobacco Monopoly. Some of the material is to be regarded as internal documents, reflecting views not necessarily expressed in public or to the other party. Other documents reflect the interplay between the management and union. The documents also relate to different levels of the involved organizations.

### A1.2 Material from the company

The annual reports of the Tobacco Monopoly contain fairly extensive accounts of what the board considered as important events and activities. They include information about financial results and from 1916 onwards personnel issues as well, which probably reflects the company's particular nature. Initially, the information on human resources was sparse, limited to number of white-collars (men and women) in various positions and to blue-collars (adult and under-aged, men and women) in various branches,<sup>1</sup> and short notes on collective agreements that were entered into during the year. In 1917, the board began to account for welfare activities directed towards workers and employees. The following year, personnel issues were given increased space in the report with descriptions about wage conditions, more detailed information on the demographic composition of the workforce and a section on health status of the workforce. This development continued in the report for 1919, when the workforce was described in greater detail and decomposed on factory level. Average wages for male and female workers in different occupations were also included. In addition to personnel issues, the annual reports have also been useful as a source of quantitative data on production and investments in machinery and profits, and qualitative statements on how the board perceived the state of affairs. It should, however, be remembered that the annual reports

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<sup>1</sup> Note that the occupational distribution of blue-collars was not included in the annual reports.

are documents that were intended for official publication. Some of the information included in the reports may have been edited and some information about important considerations may have been left out. Although comparatively rich in detail, the annual reports can hardly be used as the only source for an investigation of the personnel reductions at the Tobacco Monopoly.

A source that can give insights into the internal affairs of the company is the minutes from the board meetings,<sup>2</sup> which have been made available for this study by Swedish Match.<sup>3</sup> The board of the Tobacco Monopoly held meetings on a monthly basis, or more frequently, to make decisions about principal matters and to get information from the management on measures in various areas. Accounts of discussions, as well as copies of correspondence and memos, were included in the minutes, which, like the annual reports, are rich in information concerning personnel issues, including workforce reductions. From 1931 onwards, personnel issues were treated under a particular heading at each board meeting. The great attention directed towards the workforce probably reflects the nature of the Tobacco Monopoly as a chartered company with the state as the majority owner. When looking at board minutes from other big firms of the same period remarkably little is found about personnel policies in general and personnel reductions in particular. For example, the board of *Kockums Mekaniska Verkstad* in Malmö did not discuss layoffs of blue-collarers at all during the depression in 1921, although this crisis seriously affected the company.<sup>4</sup> Apparently, decisions about hiring and firing of workers were taken at lower levels.

Although personnel issues are more visible in the minutes from the Tobacco Monopoly, one has to remember that important considerations were also made at lower levels. It would have been interesting to investigate the correspondence between the company headquarters and the managers of the factories around the country, and the minutes from the managerial body, but this material has not been available for research.

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<sup>2</sup> A general discussion about company board minutes as sources for historical inquiry is found in Arlebäck 1995, pp 28-32.

<sup>3</sup> Swedish Match was founded in 1992 and is basically a merger of *AB Svenska Tobaksmonopolet* and *Svenska Tändsticks AB*. The company has its main office in Stockholm.

<sup>4</sup> The board did, however, make a decision about reducing the number of white-collarers “[...] as far as possible [...]”. MS, Kockums Mekaniska Verkstads arkiv, Styrelsens protokoll, AII, 16 December 1921.

However, material from one of the factories, Malmö Cigar Factory, is available and has been used.<sup>5</sup> These archives do not include much correspondence between factory managers and headquarters, but do include personnel records, which are of great use for illuminating the outcome of the reductions. The personnel records of Malmö Cigar Factory are further described in appendix 2.

### A1.3 Negotiation minutes and correspondence

An important part of this study is to illustrate the interplay between the management and union leadership. This aspect is partly covered by the board minutes from the Tobacco Monopoly but a more direct source is the minutes from collective bargaining, which have been preserved in the archives of the Tobacco Workers' Union. Like the minutes from the company board, the negotiation minutes not only reflect actual decisions but also discussions and alternative proposals. The minutes from the negotiations over collective agreements contain remarkably little information about how the parties viewed personnel reductions. An issue that was more frequently and intensively discussed was transfers of workers between jobs as a consequence of rationalization and changes in consumer demand.

Another source that sheds light on the union-management interplay is the correspondence between the parties, where views of personnel reductions were more frequently discussed. For example, it is possible to see at what stage the union was informed about various measures, how the union responded and how the management motivated its actions to the workers. Most often the correspondence went between the union leadership and the management. Letters were sent from the union to the company board on some occasions, but this was rare. Letters from the union were generally signed by the chairman or by the *ombudsman* whereas the management was represented by the executive director or the technical director.

Negotiation minutes as well as correspondence have been found in the archives of the Tobacco Workers' Union, which are deposited at the Labour Movement Archives in Stockholm.

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<sup>5</sup> This material is included in a collection named after Malmö Cigar Factory's predecessor, *Frans Henrik Kockums Tobaksfabrik*, and is deposited at Malmö City Archives.



## A1.4 Material from the union

The archives of the Tobacco Workers' Union are extensive and it has been necessary to make limitations. When describing the internal union discussions, the study therefore concentrates on material from congresses and meetings of the central union leadership (the board and the executive committee). No systematic attempt has been made to review and extract the extensive correspondence between the union leadership and branches, or the archives of the branches. The selection of sources to review for this study may of course have had some influence on the conclusions. It is, for example, possible that discussions between male and female union members went on at the local level before they appeared on the table of the union leadership. On the other hand, it is unlikely that issues of more general importance went totally unnoticed by the union leadership and the congresses in the long run.

The union congresses were held every fifth year or so. At the congresses the delegates discussed the leadership's activities since the last congress, as well as motions introduced by individual members or branches. The minutes from the congresses are available in print and include the union board's statements concerning bills and fairly detailed accounts of the following discussions. The minutes from the congresses constitute an important source for revealing differences of opinions regarding the downsizing process within the union.

Another source that illuminates the internal life of the union is the board minutes. Like the company board, the union board discussed and made decisions about positions of principle. Since the board had members from all over the country, it did not meet very frequently, but the union also had an executive committee that could, and did meet more often. During the depression year of 1921, for example, the executive committee had 30 meetings, of which many included lengthy discussions on issues related to the personnel reductions.

## Appendix 2

# The personnel records of Malmö Cigar Factory

### A2.1 Introduction

The Tobacco Monopoly kept detailed personnel records from its start in 1915, with separate systems for white-collars and blue-collars. To all appearances the information for the personnel records was collected and documented locally at each factory, but some of the data was also passed on to the headquarters, where it was processed by the statistical department. This appendix describes and discusses the personnel records of blue-collars employed at Malmö Cigar Factory.<sup>6</sup>

### A2.2 Extent

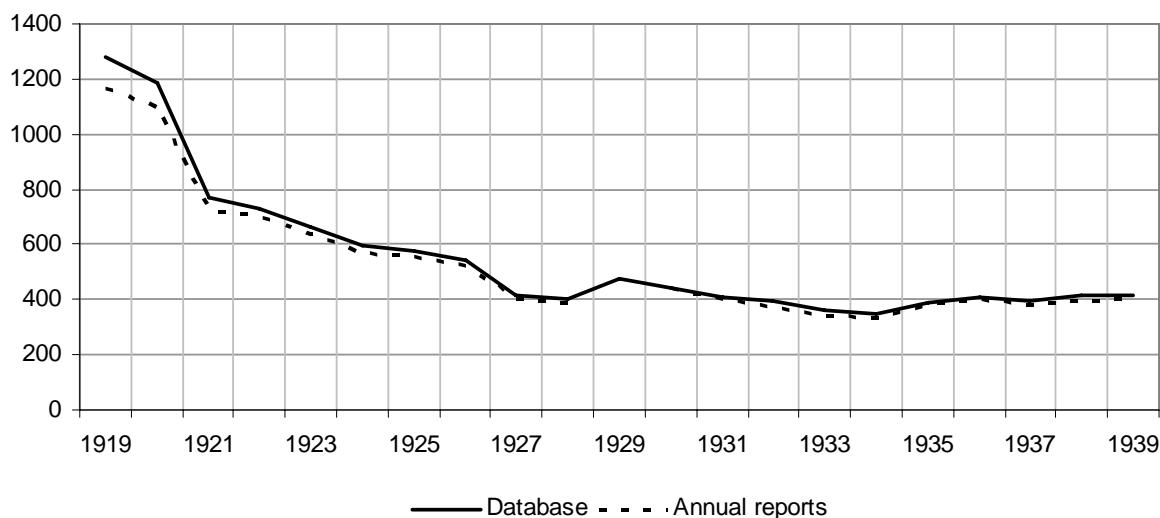
The records are stored as files containing forms with information on each worker, and foreman, and have been deposited at the Malmö City Archives.<sup>7</sup> There are in total 8 files covering the period until the mid 1940s, when a new record keeping system was introduced. Data on all workers employed at the factory at some time between 1915 and 1939, covering 1,887 individuals (413 men and 1,474 women), have been extracted and entered into a database. The database has been used for many different purposes in this study, for example to investigate the flows of workers in and out of the factory, marriage rates and layoff risks. As shown in figure A2.1, the number of workers in the database at

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<sup>6</sup> The personnel records of Malmö Cigar Factory are also accounted for in Karlsson 2007a. For a source-critical discussion of personnel records, see Jansson 1970, pp 17-23. For recent examples of how personnel records have been used by economic historians, see Seltzer & Simons 2001; Seltzer 2007; MacKinnon 1997; Howlett 2004; Hamilton & MacKinnon 1996; Sammartino 2002.

<sup>7</sup> MS, FHK, Matriklar över slutade arbetare, D4A: 1-8.

**Figure A2.1** Number of workers at the end of each year according to the database and annual reports



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

the end of each year corresponds well with and the number of workers according to the annual reports, particularly for the later period. For the early years, there are more workers in the database than stated in the annual reports, which indicates that there was a certain number of workers that *de facto* were not working, but who were not formally removed from the personnel records.

## A2.3 Contents

Workers were assigned an employment number when they started to work at the factory. Since the same number and card were used if the worker left and later returned, the record card contains the employment history of each worker at the factory. The contents of the record card are summarized and briefly commented upon in table A2.1. With the exception of the fields for certificates from physician, priest and employer and dating of accidents, all of the pre-printed fields were used and some information was regularly noted even though there was no pre-printed field for it, as is evident below. Under the heading 'Various notes' there were also some lines where permission and sick leaves were recorded until around 1919.<sup>8</sup>

<sup>8</sup> Since the annual reports from 1920 onwards contained information on the average number of sick days, there was probably a special record system for keeping track of absenteeism.

**Table A2.1** Contents of the personnel record form

<b>Swedish</b>	<b>English</b>	<b>Comment</b>
<i>N:r</i>	Number	Employment number. Assigned in order of appearance.
<i>Tillnamn</i>	Second name	Changes were recorded when female workers got married.
<i>Förnamn</i>	First name	All first names.
<i>Född den</i>	Birth date	Day-month-year
<i>Född i</i>	Birth location	City or village and county.
<i>Mantalskrifn. - ort</i>	Location of registration for census purposes	City, parish and county.
<i>Bostad</i>	Address	Block and street address. Changes were recorded but not dated.
<i>Gift år</i>	Married year	Usually also month and day.
<i>Gift med</i>	Married to	Name and sometimes occupation. Number if the husband or wife was employed by the company.
<i>Minderåriga barn, födelseår</i>	Under-aged children, birth years	Sometimes also month and day.
<i>Antagen den</i>	Date of acceptance	Day-month-year when the worker was accepted, which did not necessarily correspond with the date the worker actually began working. This field was often left blank.
<i>Afgått den</i>	Date of resignation	Day-month-year. Exit reason usually recorded as well.

Swedish	English	Comment
<i>Anställning:</i> <i>fr. den</i>	Employment: from date	Day-month-year.
<i>såsom</i>	as (position)	For examples of job titles, see table A.2.3. Not updated after 1921.
<i>vid</i>	at (department)	Usually only states 'at the cigar factory'.
<i>Löneförmåner</i> <i>fr. den</i>	Wage benefits from date	Day-month-year and space for notes about type of benefits. Mainly used to record compensation to redundant workers.
<i>Erhållet anmärkning för:</i>	Complaints against:	Day-month-year and space for notes about type of complaint (usually theft).
<i>Diverse anteckningar:</i> <i>Läkarebetyg</i>	Various notes: Doctor's certificate	Field not used.
<i>Olycksfall den</i>	Accidents, dates	Field not used.
<i>Fredjebetyg</i>	Priest's certificate	Field not used.
<i>Arbetsbetyg</i>	Employer's certificate	Field not used.
<i>Arbetsförtjänst:</i> <i>År</i>	Earnings: Year	
<i>Arbetade månader</i>	Months worked	Whole and half.
<i>Kr.</i>	Total amount	Compensation to redundant workers excluded.

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

A new, but similar, record card was introduced in the 1930s, where the main novelties were fields for maintenance obligations, wage additions, and reason for resignation. These changes were unimportant in practice as the two former fields were never completed and information about exit reason had been collected before as well. The new card also reported the number of hours worked annually, instead of the number of months worked.

When assessing the information in the personnel records it may be useful to distinguish between time-invariant and time-variant data.<sup>9</sup> The former category refers to information that does not change over time, such as the birth date and birth location of a worker. This type of information is uncontroversial and may be assumed to be fairly reliable. The latter category refers to things that *can* change over time, for example civil status and job title. The reliability of this kind of information is more problematic since it depends on the carefulness of the updating process, which in turn depends on the incentives of the company to collect information and workers to report changes.

## A2.4 Marital status

With regard to marital status, it may be established that the company had an interest in keeping track of whether its workers were married or not, which is reflected in the fact that marriage rates were included in the annual reports. It may also be established that male workers had an interest in informing the company when they got married, since there were wage additions for married male workers. The same applied if male workers got children. Female workers, on the other hand, may have been less inclined to report if their marriage, given the debate on married women in gainful employment. However, it is unlikely that large numbers of married female workers were able to conceal their marital status for longer periods of time, particularly in view of the company's extensive involvement in the welfare of its workers. It should also be noted that changes in marital status were often associated with changes of last names and addresses as well, which was information that the record keepers tried to update.

With regard to the updating of changes of marital status, greater doubts may be directed to whether the record keepers registered the transition from being married to being a widow or widower. As mentioned in section 8.3.2, the annual reports of the company board, until 1934, included the share of workers *ever* married.

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<sup>9</sup> Jansson 1970, p 21.

The database *Deceased persons in Sweden 1947-2003* was used to check whether status changes from being married to being a widow/widower were updated in the personnel records.<sup>10</sup> This database, which is made up of information from a variety of public records, contains personal data, including marital status at death and the date of the last change of marital status, for all deceased persons in Sweden between 1947 and 2003. The check included all workers which according to the personnel records were married at any point between 1915 and 1939, 204 men and 426 women. 25 percent of the men and 60 percent of the women were identified in *Deceased persons in Sweden 1947-2003*.<sup>11</sup> Only three cases of unrecorded widows were encountered among the female workers.<sup>12</sup> In addition, four cases of unrecorded divorces were encountered among the female workers.<sup>13</sup> Overall, the check suggests that the personnel records of Malmö Cigar Factory are fairly reliable with respect to marital status.

## A2.5 Job titles

Ignoring slight variations in spelling, 84 job titles were encountered in the personnel records of Malmö Cigar Factory. Examples of Swedish denominations and how they have been classified into occupational categories are summarized in table A2.2.

The personnel records have some obvious shortcomings when it comes to job titles. One is that workers sometimes have two, or more, job titles, which makes it unclear whether the person had multiple occupations or whether there had been an undated transfer between jobs. In other cases, the worker had double job titles, of which one was written in parentheses, which suggests that the worker had a main occupation and a sideline. Overall, the number of workers with double job titles was limited. Of the 1,111 workers employed at the factory in the beginning of 1921, 47 had two job titles, of which 27 had one title in parentheses. Most often, one of the two titles was 'day labourer', which is further discussed in section 8.3.1. For descriptive and analytical purposes in

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<sup>10</sup> *Sveriges dödbok 1947-2003* [Electronical resource] 2005.

<sup>11</sup> This reflects the fact that the male workers on average were older than the female workers and more often had died before 1947.

<sup>12</sup> No equivalent case was encountered among male workers.

<sup>13</sup> One equivalent case was encountered among male workers.

**Table A2.2** Job titles in the personnel records

<b>Job titles in Swedish (examples)</b>	<b>Type of work</b>	<b>Description</b>
<i>beredningsarbetare, striperska, däcksmakerska, bladsortererska</i>	Preparation work	Preparation of raw tobacco.
<i>cigarrarbetare, cigarmakare, cigarmakerska, cigarröverrullare, handcigarrlärling, överrullare, vickelmakare, vickelmakerska vickelvändare, vickelvänderska, vickelarbetare</i>	Cigar work	Manual or semi-manual manufacturing of cigars.
<i>cigarr-cigarettarbetare, cigarr-cigarettmakare, cigarr-cigarettlärling, lärling å 204, cigarr-cigarett 201, handcigarr-cigarettlärling</i>	Cigar-cigarette work	Manual or semi-manual manufacturing of cigar-cigarettes.
<i>cigarettarbetare, cigarettmakerska, cigarettöverrullare, cigarett-överrullerska, handcigarettlärling</i>	Cigarette work	Cigarette manufacturing.
<i>maskinvickel, maskinlärling, M W lärling, M överrullare, maskin cig</i>	Machine work	Workers whose occupational titles directly relate to machines.
<i>sorterare, sortererska, sorterlärling, sortering, lärling i sortering 204</i>	Packaging	Sorting and packaging of finished cigars and cigar-cigarettes.
<i>packbiträde, lagerarbetare, klisterska, lådspikare, lådstifterska</i>	Boxes & storage	Manufacturing of boxes. Handling of the finished products.
<i>tvätterska, kokerska, gårdskarl, portvakt, hjälp i markenteri, chaufför, reparatör, rullare, städerska, snickare, kontorsbud</i>	Other work	Work not directly related to tobacco production.
<i>underverkmästare, förman, fabriksbiträde, visitatör, volontär</i>	Supervising	Employees with the tasks of leading and supervising work. <i>Volontär</i> referred to technicians in training.

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



this study it has been assumed that the first title, or the title outside parentheses, was the main occupation of the worker. Day labourers have been classified as preparation workers, if not stated otherwise in the personnel records.

Another shortcoming is that status changes from being an apprentice to a fully trained worker were not included in the personnel records. There were norms for training periods in the collective agreements, but it is not possible to read from the personnel records how these norms corresponded with practice. However, it was recorded when apprentices were transferred in an atypical way, for example from being a cigar maker apprentice to becoming a preparation worker. The reason for this was probably that the apprentice was considered unsuitable for work as a cigar maker or that the factory management occasionally made bad forecasts about the future demand for labour in various positions. The latter interpretation is supported by incidences of several apprentices being transferred at the same point in time.

The most serious shortcoming with regard to job titles is that the updating of transfers between jobs within the factory virtually ceased in connection with the post-war depression.<sup>14</sup> The annual numbers of registered job changes, expressed as a percentage of the total number of workers at the end of each year, are found in figure A2.2, which shows that only a small number of job changes were registered after 1921, and no job changes at all were registered from 1933 onwards. At first glance, one may think that the internal labour flows of Malmö Cigar Factory ran dry as the downsizing process began. This interpretation is highly doubtful, for several reasons. One is that the transfers ceased abruptly, which is obvious when examining the notebook used for summaries of information in the personnel records.<sup>15</sup> In 1920, the notebook contained monthly information on transferred workers (name, number, date of movement, original job and new job). The same information was included the following year, although not on a monthly basis. However, according to the note book the last transfer ever made at Malmö Cigar Factory were made in May 1921, after which the practice of keeping notes on transferred workers was no longer maintained.

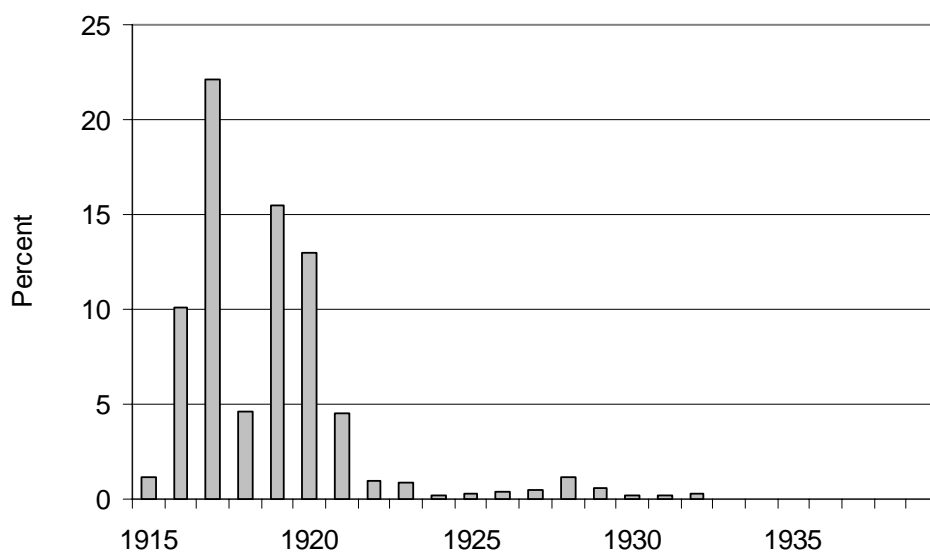
Another reason for doubting the statistics on job changes is the ample evidence found in qualitative sources indicating that the internal movement of workers continued even after the downsizing process had begun. For example, in the spring of 1921, the management reported that “[...] a highly substantial

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<sup>14</sup> It may be noted that the job titles of newly hired workers continued to be recorded after 1921.

<sup>15</sup> MS, FHK, Matrikeluppgifter, D4E: 1, 1920.

**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.

number [...]” of women had been moved from cigar to cigar-cigarette production.<sup>16</sup> In a letter dated November 1922 the union described how workers were sometimes moved hastily between jobs over the course of a single day.<sup>17</sup> According to the annual report of the Malmö branch of the union, “[...] crowds of workers [...]” were displaced in 1925 as a consequence of the introduction of machines for cigar-cigarette production.<sup>18</sup>

Thus, it seems like the intensity of transfers increased so much that the factory management did not find it worthwhile to keep the records updated.

<sup>16</sup> ARAB, STF, Inkomna skrivelser från Tobaksmonopolet, E03:1, 15 July 1921.

<sup>17</sup> ARAB, STF, Utgående skrivelser, B04: 5, 5 November 1922.

<sup>18</sup> Swedish: “[...] en massa arb [sic]” MS, FHK, Styrelseberättelser Tobaksarbetarna i Malmö, F8D: 1, ”Styrelseberättelse för Sv Tobaksindustriarb förb:s Malmö avd för tiden 1 januari 31 december 1925”. See also MS, FHK, Styrelseberättelser Tobaksarbetarna i Malmö, F8D: 1, ”Styrelseberättelse över avd:s verksamhet under 1928”.

## A2.6 Date of employment

Length of service is a central variable when analyzing the layoff risks in 1921 that may easily be calculated from the information on date of employment given in the personnel record card. However, a complicating fact is that some of the workers had been transferred to Mamö Cigar Factory from some other factory within the Tobacco Monopoly.<sup>19</sup> This information was recorded on the card, although not always with the exact date when the worker was originally hired by the Tobacco Monopoly.

## A2.7 Exit reasons

The card in use until the 1930s had no pre-printed field for the exit reason, but this information was usually given in connection with the date of resignation anyway. The recorded reasons are found in 17 categories in the database. The annual frequencies for men and women are reported in table A2.3 and A2.4. The categories are as follows:

1. Shortage of work (*arbetsbrist*).
2. Dismissed due to various discipline offences. This category contains three cases of drunkenness (*fylleri*) and four cases of neglect (*försumlighet*). Most of the other cases were workers who have been dismissed because of theft.
3. Dismissed (*avskedade*), without further specification.
4. Given notice (*uppsagda*), without further specification.
5. At own request (*på egen begäran*), without compensation or support.
6. At own request (*på egen begäran*), with compensation or support.
7. 'Shortage of work/at own request' (*arbetsbrist/på egen begäran*).
8. Early retirement (*förtidspension*).
9. Old age retirement.
10. Disability (*arbetsoförmåga*)
11. Death.
12. Transferred to another factory.
13. Transferred to the personnel reserve (*övergångsstat*).
14. Reached the age of 18 (*vid fyllda 18*). Some errand boys in the 1930s were hired on the condition that their contracts were terminated when they turned 18.

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<sup>19</sup> These workers most often came from Landskrona Cigar Factory, which was closed down in 1918

15. Other reasons. This category contains two female workers that resigned due to marriage in 1919.

16. No stated reason and no compensation or support recorded. The high number of exits of female workers without reason in 1930 and 1931 concerned workers hired on temporary terms.

17. No stated reason, compensation or support recorded. This category mainly consists of the old workers that were temporarily laid off in October 1921.

**Table A2.3** Exit reasons for male workers

Year	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
1915	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
1916	0	3	2	0	0	0	0	0	0	0	2	1	0	0	1	8	0
1917	0	5	1	4	13	0	0	0	0	3	0	0	0	0	0	6	0
1918	0	6	2	3	10	0	0	0	0	0	2	0	0	0	0	7	0
1919	0	8	1	0	5	0	0	0	0	6	2	0	0	0	1	6	0
1920	5	5	4	0	21	0	0	0	0	0	2	1	0	0	1	8	0
1921	32	0	0	0	2	1	0	0	2	0	5	2	0	0	2	5	31
1922	0	0	0	0	0	0	0	0	0	0	5	1	0	0	0	2	2
1923	0	0	0	0	0	22	0	0	0	0	0	0	0	0	0	0	2
1924	0	0	0	0	0	5	0	0	2	1	0	0	0	0	0	0	0
1925	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0
1926	0	0	0	0	0	0	0	0	5	0	2	0	0	0	0	0	0
1927	13	0	0	0	2	0	0	1	9	0	3	0	0	0	0	1	0
1928	0	0	0	0	1	0	0	0	0	0	1	0	0	1	0	3	0
1929	2	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0
1930	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	1	0
1931	1	0	0	1	1	0	0	0	0	0	2	1	0	4	0	0	0
1932	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
1933	0	0	0	0	0	0	0	1	1	0	0	0	0	2	0	0	0
1934	0	0	0	0	0	0	0	0	1	0	2	1	0	2	0	1	0
1935	0	0	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0
1936	0	0	0	0	1	0	0	0	3	1	0	0	0	1	0	0	0
1937	0	0	0	0	1	0	0	0	3	0	2	0	0	2	0	1	0
1938	0	0	0	0	0	0	0	0	3	0	0	1	0	2	0	0	0
1939	0	0	0	0	3	0	0	2	4	0	0	0	0	0	0	0	0

Note: The various categories of exit reasons are explained in the text.

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

**Table A2.4** Exit reasons for female workers

Year	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
1915	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1916	0	0	2	0	3	0	0	0	0	6	0	0	0	0	0	64	1
1917	0	5	4	4	50	0	0	0	0	3	2	4	0	0	0	18	0
1918	0	5	3	0	24	0	0	0	0	1	5	0	0	0	1	20	1
1919	0	5	3	0	37	0	0	0	0	0	3	2	0	0	3	25	0
1920	2	1	3	0	82	0	0	0	0	2	2	6	0	0	0	35	0
1921	249	0	3	0	37	2	0	0	0	7	4	1	0	0	0	6	30
1922	3	2	1	1	26	1	0	0	0	1	3	0	0	0	0	5	2
1923	2	0	0	0	39	1	0	0	0	0	0	0	0	0	0	4	0
1924	18	0	0	0	12	0	27	0	0	1	0	1	0	0	0	1	0
1925	0	0	0	0	20	2	0	0	0	0	1	0	0	0	0	7	0
1926	0	0	0	0	8	0	0	0	9	0	0	0	0	0	0	13	0
1927	37	0	0	0	3	38	0	11	11	0	2	0	0	0	0	1	0
1928	3	0	0	0	3	6	0	5	0	0	2	0	0	0	0	1	0
1929	1	0	0	0	4	0	0	0	0	0	0	1	0	0	0	0	0
1930	3	0	0	0	6	0	0	0	0	0	0	2	0	0	0	40	0
1931	2	0	0	0	1	1	0	0	0	0	2	0	0	0	0	24	0
1932	0	0	0	0	9	0	0	0	1	3	1	0	0	0	0	2	0
1933	0	0	0	0	2	6	0	0	5	1	1	0	12	0	0	3	0
1934	0	0	0	0	5	0	0	0	0	0	2	0	0	0	0	0	0
1935	0	0	0	0	4	0	0	0	0	1	1	0	0	0	0	0	0
1936	0	0	0	0	1	0	0	1	0	1	0	0	0	0	0	0	0
1937	0	0	1	0	8	0	0	0	0	0	2	0	0	0	0	0	0
1938	0	0	0	0	10	0	0	0	4	3	0	0	0	0	0	0	0
1939	0	0	0	0	13	0	0	0	8	8	0	0	0	0	0	0	0

Note: The various categories of exit reasons are explained in the text.

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

## A2.8 Temporary workers

The cards in the personnel records had no pre-printed field indicating if the worker was employed on a temporary basis. Initially, this information was simply written on the top of the card and cancelled if the worker was given a permanent position. There is no information of when the temporary status began and ceased, but it is known that all temporary workers employed in 1918 were granted permanent status. When temporary workers were again hired at the end of the 1920s, exact dates when the employment began and ceased were filled in.

However, exit reasons were not recorded for workers hired on temporary terms in this phase.

## Appendix 3

# Sales and employment by branch

**Table A3.1** Sales of tobacco goods in Sweden, 1916-1939

<b>Year</b>	<b>Cigars</b>	<b>Cigar-cigarettes</b>	<b>Cigarettes</b>	<b>Smoking tobacco</b>	<b>Chewing tobacco</b>	<b>Snuff</b>
	Pieces	Pieces	Pieces	Tons	Tons	Tons
1916	62811	66472	703670	586	380	5724
1917	82054	97946	890928	747	408	5953
1918	80867	100060	1041379	532	311	6486
1919	125204	131253	1477908	893	467	6993
1920	88900	118339	1558506	775	381	6524
1921	57985	116771	1345447	815	329	6097
1922	62325	118495	1123168	897	292	5653
1923	39728	119826	1058431	944	201	5501
1924	39120	127734	1088657	1001	237	5364
1925	39477	136830	1084937	1029	224	5310
1926	41139	141300	1204363	1023	211	5257
1927	40109	141222	1283907	1000	197	5132
1928	39015	146393	1446048	981	183	5004
1929	37156	160300	1640100	976	171	4844
1930	35586	173962	1864449	943	149	4856
1931	32452	171055	1998923	921	142	4834
1932	30577	171389	2012367	1009	134	4844
1933	29178	169659	1894031	1015	121	4740
1934	29040	173525	1877617	999	109	4581
1935	27160	179305	1843045	999	103	4471
1936	26250	188613	1805882	1040	100	4416
1937	25980	192523	1822210	1060	94	4392
1938	25335	196145	1888585	1070	89	4340
1939	23488	196568	1976452	1110	86	4245

Note: All volumes in thousands.

Source: Vasseur 1940, pp 432-433.

**Table A3.2** Number of workers employed in various branches of the Swedish tobacco industry, 1919-1939

Year	Cigars			Cigarettes			Smoking tobacco			Rolling tobacco			Snuff			Other activities			All branches		
	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T
1919	411	2941	3352	267	919	1186	56	141	197	110	187	297	108	92	200	134	180	314	1086	4460	5546
1920	380	2778	3158	165	695	860	35	86	121	87	159	246	102	84	186	370	194	564	1139	3996	5135
1921	272	1804	2076	162	532	694	40	85	125	78	133	211	110	75	185	365	181	546	1027	2810	3837
1922	283	1918	2201	121	455	576	42	81	123	76	127	203	107	64	171	301	140	441	930	2785	3715
1923	233	1728	1961	105	435	540	38	86	124	65	109	174	104	61	165	274	129	403	819	2548	3367
1924	216	1476	1692	106	445	551	48	92	140	57	101	158	101	57	158	249	144	393	777	2315	3092
1925	220	1628	1848	163	462	565	43	95	138	52	95	147	90	58	148	236	145	381	804	2483	3287
1926	211	1440	1651	102	452	554	39	88	127	44	84	128	84	58	142	243	142	385	723	2264	2987
1927	183	1243	1496	96	429	525	41	84	125	49	79	128	79	57	136	231	136	367	679	2028	2707
1928	176	1134	1310	94	475	569	42	79	121	46	73	119	77	56	133	227	140	367	662	1957	2619
1929	168	1298	1466	91	528	619	42	89	131	45	71	116	71	51	122	247	148	395	664	2185	2849
1930	170	1242	1412	98	536	634	40	79	119	42	72	114	72	54	126	253	148	401	675	2131	2806
1931	162	1129	1291	107	561	668	41	73	114	38	72	110	62	60	122	245	142	387	655	2037	2692
1932	153	1068	1221	85	530	615	41	76	117	37	69	106	59	62	121	248	140	388	623	1945	2568
1933	150	922	1072	85	478	563	37	73	110	39	66	105	60	59	119	240	137	377	611	1735	2346
1934	144	907	1051	85	475	560	41	68	109	39	67	106	61	56	117	239	147	386	609	1720	2329
1935	147	999	1146	87	463	550	38	65	103	40	74	114	61	52	113	241	145	386	614	1798	2412
1936	143	1059	1202	88	409	497	36	69	105	40	70	110	60	53	113	258	145	403	625	1805	2430
1937	142	1059	1201	93	410	503	35	69	104	34	75	109	62	54	116	270	144	414	636	1811	2447
1938	137	1086	1223	94	394	488	33	76	109	37	86	123	60	56	116	282	142	424	643	1840	2483
1939	135	1034	1169	107	364	471	48	142	190	17	44	61	49	54	103	277	145	422	633	1783	2416

Note: M = men, W = women, T = total number of workers.

Source: Annual reports of the Tobacco Monopoly 1919-1939.



## Appendix 4

# Descriptive statistics: April 1921

**Table A4.1** Descriptive statistics, female workers under 25 at Malmö Cigar Factory on 5 April 1921

Variable	Observations	Mean	Min	Max
Age	579	19.76	15	24
Married	579	0.06	0	1
Children	579	0.07	0	1
Preparation	574	0.36	0	1
Cigar	574	0.13	0	1
Cigar-cigarette	574	0.32	0	1
Sorting	574	0.10	0	1
Apprentice	579	0.26	0	1
Day labourer	579	0.14	0	1
Transferred	579	0.10	0	1
Tenure (years)	579	3.08	0.37	5.79
Earnings 1920	547	182.49	80	328
Layoff	579	0.26	0	1

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

**Table A4.2** Cross-tabulation of marital status and children, female workers under 25 at Malmö Cigar Factory on 5 April 1921

Married	Children		Total
	No	Yes	
No	512	34	546
Yes	25	8	33
<b>Total</b>	<b>537</b>	<b>42</b>	<b>579</b>

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

## Appendix 5

# Descriptive statistics: October 1921

**Table A5.1** Descriptive statistics, female workers under 25 at Malmö Cigar Factory on 4 October 1921

Variable	Observations	Mean	Min	Max
Age	386	20.54	15	24
Married	386	0.08	0	1
Children	386	0.08	0	1
Preparation	380	0.35	0	1
Cigar	380	0.11	0	1
Cigar-cigarette	380	0.33	0	1
Sorting	380	0.10	0	1
Other	380	0.11	0	1
Apprentice	386	0.18	0	1
Day labourer	386	0.12	0	1
Transferred	386	0.13	0	1
Tenure (years)	386	4.12	0.27	6.29
Earnings 1920	364	194.56	114	309
Layoff	386	0.20	0	1

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

**Table A5.2** Cross-tabulation of marital status and children, female workers under 25 at Malmö Cigar Factory on 4 October 1921

Married	Children		Total
	No	Yes	
No	334	23	357
Yes	21	8	29
<b>Total</b>	355	31	386

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

## Appendix 6

# Descriptive statistics: January 1927

**Table A6.1** Descriptive statistics, male cigar workers at Malmö Cigar Factory in January 1927

Variable	Observations	Mean	Min	Max
Age	84	44.33	24	63
Children	84	0.50	0	1
Married to co-worker	84	0.25	0	1
Disabled	84	0.20	0	1
Layoff	84	0.55	0	1

Source: SM, STM, Styrelsens protokoll, 7 February 1927, Attachment C.

**Table A6.2** List of disabilities among male cigar workers at Malmö Cigar Factory in January 1927

Denomination (in Swedish)	Frequency	Retained	Laid-off
<i>Konstgjort ben</i>	2	1	1
<i>Halt</i>	4	2	2
<i>Låghalt</i>	4	1	3
<i>Puckelryggig</i>	1	0	1
<i>Styv arm</i>	1	0	1
<i>Styva fingrar</i>	1	1	0
<i>Styvt ben</i>	4	2	2
Total	17	7	10

Source: SM, STM, Styrelsens protokoll, 7 February 1927, Attachment C.

## Appendix 7

# Compensation terms

**Table A7.1** Compensation and support to redundant workers at various points in time between 1921 and 1933

Point in time	Category	Type of exit	Terms	Source
1921, April	Female workers under 25	L	25 <i>kronor</i> per week for 12 weeks	1
1921, October	Female workers: (1) under 25 (2) 25-35	L	Full wage for 2 weeks, thereafter:  (1) 20 <i>kronor</i> per week for 15 weeks (2) 30 <i>kronor</i> per week for 15 weeks	2
1921, October	Male storage workers: (1) under 25 (2) 25-35	L	Full wage for 2 weeks, thereafter:  (1) 25 <i>kronor</i> per week for 15 weeks (2) 35 <i>kronor</i> per week for 15 weeks	3
1921, October	Female workers over 55	P	30 <i>kronor</i> per week until 1 February 1921	4
	Male workers over 60	P	35 <i>kronor</i> per week until 1 February 1921	4
1923	Male cigar makers	B	3,500-5,500 <i>kronor</i> (lump-sum)	5
1923	Metal workers	L	45 <i>kronor</i> per week for 15 weeks	6
1924	Female workers: (1) under 20 (2) 20-30	B	Full wage for 2 weeks, thereafter:  (1) 20 <i>kronor</i> per week for 15 weeks (2) 30 <i>kronor</i> per week for 15 weeks	7

Point in time	Category	Type of exit	Terms	Source
1927, February	Male cigar makers over 56	P	70 % of previous earnings for three years 65 % of previous earnings the fourth year 60 % of previous earnings the fifth year 50 % of previous earnings thereafter	8
1927, February	Female workers over 55	P	70 % of previous earnings until pension age (31 months for the youngest worker, one month for the oldest)	9
1927, February	Male cigar makers, various ages	L	100 % of previous earnings for one week 90 % of previous earnings for one week 85 % of previous earnings for one month 80 % of previous earnings for one month 75 % of previous earnings for one month 70 % of previous earnings for three months 60 % of previous earnings for three months 50 % of previous earnings for six months 40 % of previous earnings for six months + 150 <i>kronor</i> per year (pension fee) until 1942 January-May 1929 100 <i>kronor</i> per month (extra support to unemployed)	10
1927, May	Female workers: (1) under 25 (2) 25-39 (3) 40-51 (4) over 35	B	(1) 30 <i>kronor</i> per week for 10 weeks (2) 30 <i>kronor</i> per week for 15 weeks + 30 <i>kronor</i> annually per year above 25 (3) 30 <i>kronor</i> per week for 30 weeks + 100 <i>kronor</i> annually per year over 40 (4) + 120 <i>kronor</i> per year for maximum 6 years (pension fee)	11
1927, May	Female workers over 52	P	70 % of previous earnings for two years 60 % of previous earnings for third year 50 % of previous earnings for fourth year 40 % of previous earnings thereafter	11
1927, October	Female workers: (1) under 25 (2) over 25	L	20 <i>kronor</i> per week for 15 weeks 30 <i>kronor</i> per week for 15 weeks + 1 week extra per age year over 25	12

Point in time	Category	Type of exit	Terms	Source
1927, December	Female workers	P	70 % of previous earnings for two years 60 % of previous earnings for third year 50 % of previous earnings for fourth year 40 % of previous earnings thereafter	13
1928, January	Female workers	P	70 % of previous earnings for two years 60 % of previous earnings for third year 50 % of previous earnings for fourth year 40 % of previous earnings thereafter	14
	Female workers: (1) 25-39 (2) 40-51 (3) over 35	L	(1) 30 <i>kronor</i> per week for 15 weeks + 30 kronor annually per year above 25 (2) 30 <i>kronor</i> per week for 30 weeks + 100 kronor annually per year over 40 (3) + 120 <i>kronor</i> per year for maximum 6 years (pension fee)	15
1933	Female workers various ages	B	600 kronor (lump-sum)	16

Note: Previous earnings exclude fringe benefits and overtime-pay. B = Buyout, L = Layoff, P = Early retirement.

Source: 1 = SM, STM, Styrelsens protokoll, 18 April 1921; 2 = SM, STM, Styrelsens protokoll, 26 September 1921, Bilaga G; 3 = SM, STM, Styrelsens protokoll, 26 September 1921, Bilaga G; 4 = SM, STM, Styrelsens protokoll, 26 September 1921, Bilaga G; SM, STM, Styrelsens protokoll, 19 January 1921; 5 = SM, STM, Styrelsens protokoll, 20 August 1923, Bilaga I; 6 = ARAB, STF, Inkomna skrivelser, E01: 11, 29 October 1923; 7 = Matriklar över slutade arbetare, D4A: 1-8; 8 = SM, STM, Styrelsens protokoll, 9 April 1927, Bilaga H; 9 = SM, STM, Styrelsens protokoll, 9 April 1927, Bilaga H; 10 = SM, STM, Styrelsens protokoll, 7 February 1927, Bilaga C; SM, STM, Styrelsens protokoll, 9 April 1927, Bilaga H; 11 = SM, STM, Styrelsens protokoll, 17 October 1927; 12 = SM, STM, Styrelsens protokoll, 17 October 1927; SM, STM, Styrelsens protokoll, 19 December 1927, Bilaga E; 13 = SM, STM, Styrelsens protokoll, 19 December 1927, Bilaga E; 14 = SM, STM, Styrelsens protokoll, 19 December 1927, Bilaga E; 15 = SM, STM, Styrelsens protokoll, 19 December 1927, Bilaga E; 16 = SM, STM, Styrelsens protokoll, 28 June 1933, Bilaga C.



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