

THE 'SPORTING EQUALITY' ARGUMENT FOR IMPOSING LABOUR MARKET RESTRICTIONS

JOHN McDONALD

FLINDERS UNIVERSITY

In a recent contribution to *Sporting Traditions* Owen Covick has argued that it may not be necessary for clubs to collude in order to ensure "sporting equality" in professional team competitions.¹ One reason advanced is that the importance of sporting equality as an attraction for spectators is overrated. Covick presents alternative theories of spectator behaviour, viz, that many spectators are "committed supporters" of a particular club, and others are "champ followers", which predict that sporting equality will not be an important determinant of attendances. There is some empirical support for this argument. For example, a study of attendances at SANFL minor round games strongly suggests that many spectators are committed supporters and sporting equality is of minor importance in determining the gate.² At a more informal level, the huge galleries that watched "the worlds' number one golfer" Greg Norman dominate the 1986-87 Australian golf circuit are evidence in favour of the champ followers hypothesis and against that of sporting equality, albeit that the evidence relates to a non-team sport.

A second and very persuasive argument advanced by Covick is that the sporting production function is stochastic. The idea is that output, i.e., the success of the team, is highly uncertain given the inputs chosen by the club. If this is the case, it may be extremely difficult to identify a team that will be successful, and as a consequence, even if club A has twice as many resources available to purchase its team than club B, it is possible that club B's team will in fact be more successful. This theory suggests that on average richer clubs will be more successful but on many occasions poorer clubs' teams will prevail. If there is sufficient uncertainty in the production process then poorer clubs will often be successful, and the competition will possess sufficient sporting equality even

if clubs do not collude.

The recognition that the production function is stochastic is clearly important for an understanding of the behaviour of clubs. One example that springs to mind is that clubs may perceive that there are people who are better able to identify the input combination that will produce a winning side, or by their (input) influence reduce the uncertainty of production. This kind of reasoning explains the great value placed on the manager or coach by clubs.

Although there are many other implications flowing from Covick's analysis this comment restricts itself to considering the following question: given that clubs perceive the need for sporting equality in the competition, why do they often argue that the way to achieve this is by imposing general restrictions on labour contracts?

Before addressing the question it is perhaps worth noting that it may be that the importance of achieving sporting equality is merely used as a rationale for imposing restrictions in the labour market. In other words, clubs see some advantage (e.g., in reducing total player costs) in imposing restrictions, and sporting equality is used as a justification for this action. If this is the case it is nevertheless interesting to ask if this is a valid justification.

If there is a perceived need for sporting equality then the obvious solution is to handicap in some way the more successful clubs. Often only a few clubs, and maybe only the most successful club, needs to be disadvantaged. Handicapping can be achieved in a number of ways and the method adopted is most likely to be one that is acceptable to those who make the handicapping decision.

One way of handicapping is by directly disadvantaging a competitor in the game itself as is done in some golf competitions, horse-races and professional sprints. Another example of this kind of handicapping occurred on early England cricket tours of Australia and South Africa when the home side was able to field more players than the tourists. This form of handicapping is unacceptable in most sports because it is considered that it will seriously affect the very character of the game, or it is argued that spectators are interested in a game that will decide the "best team" not the best team given that one team has been handicapped. It is worth noting that golf handicapping is a characteristic of the amateur rather

than the professional game and is done to increase the enjoyment of the players, not spectators, whilst horse-racing and professional sprinting handicapping were introduced in order that these sports would be more attractive events for gambling.

There are other ways that successful clubs can be directly disadvantaged or less successful clubs encouraged. Resources of successful clubs can be redistributed to the less successful. The percentage of gate receipts or payments for television screening rights can be increased for unsuccessful clubs. Sponsors of less successful clubs can be given special advertising bonuses by the league. Low interest loans can be advanced to less successful clubs. The winner of the league can enjoy the honour of making a financial contribution to promote the league.

Restrictions can be placed on the access of successful clubs to players and coaches. For example, the winning clubs may be forbidden from bidding for new league players or may only be able to bid for players after other clubs have signed players. An upper limit may be placed on transfer payments paid by the top clubs or on the total wage bill of such clubs. If a team persistently wins the competition then it may be forced to dispense with the services of players and coaches, or sever ties with sponsors, generous patrons or directors.

Some of these suggestions constitute restrictions on labour conditions but they are selective in that they affect the personnel of one or two clubs in the league and are much less pervasive than enforcing, say, a maximum wage for all players or imposing zoning conditions or a draft on all new league players.

In contrast to the arrangements just described, many of the procedures for promoting sporting equality that have been proposed are indirect methods. Some are "equal opportunity" rules, e.g., draft or zoning arrangements for new league players, or are designed to reduce the incentives richer clubs can offer to encourage players to join their club e.g., maximum wage payments and transfer payment limits. One problem is that richer clubs are not necessarily the most successful clubs, so that even if richer clubs are relatively disadvantaged this may not lead to greater sporting equality.

A second and more serious problem with these procedures is that

they are not comprehensive. Although the clubs may be put on an equal footing in some respects, the successful rich clubs maintain their advantage in obtaining personnel in other respects, for, even, if all employment conditions were forced to be the same, most players would prefer to play for rich successful teams than unfashionable unsuccessful teams. For example, it is reasonable to suppose that many players would prefer to play for Carlton or Collingwood even if the conditions of a contract with a less fashionable team were slightly more attractive. The problem of achieving overall equality can be illustrated by the following hypothetical example. Consider two clubs A and B located in different cities such that A has a potential spectator audience twice that of B. In this situation, short of pooling all revenues and then making an equal distribution, it will be difficult to design a set of equal opportunity rules that will result in overall equality. The reason is, A will retain an advantage over B, because if A achieves the same level of success as B, it will tend to obtain bigger gates and hence bigger revenue.

Certainly, indirect handicapping procedures would seem to be a less sure way of promoting sporting equality. It seems strange to advocate a general set of restrictions on all clubs when what is required is to selectively encourage a few unsuccessful and discourage a few successful clubs. Indeed one may surmise that in many leagues it may be enough simply to disadvantage any club that persistently wins the competition over a number of seasons. For example, a sensible procedure would be for the clubs to agree in advance that if a club wins the competition, say three years in succession, or three years out of five, then the club would win a special trophy and great glory but also be subject to a set of restrictions designed to disadvantage it relative to the other clubs in the competition. This is a simply direct method of dealing with sporting inequality when it has actually arisen for whatever reason, and is in stark contrast to "equal opportunity" indirect methods that involve imposing a complex set of rules on players or clubs'. Such rules can often be circumvented and usually rely for their credibility on some loosely stated theory about the way in which sporting dominance will arise. If indirect methods are such a blunt instrument for effecting sporting equality why are they advocated?

It is reasonable to conjecture that the handicapping procedure adopted will reflect the preferences of the handicapping decision makers. In many sports this decision is made by the league. It is often argued that in Australia and Europe professional sporting clubs attempt to maximise sporting success subject to breaking even financially in the longer run.' The decision process of the league is more difficult to characterise. Often the league is governed by a committee consisting of representatives from the clubs.⁴ It is notable that players do not usually directly participate in the league's decision making process. If some handicapping is seen as necessary to preserve sporting equality in the competition then it is not surprising that a method that may generally reduce the costs of clubs at the expense of players is preferred to a direct re-distribution procedure which threatens the autonomy of the clubs. This I think goes a long way to explaining why general labour market restrictions are often advocated by employers as a method of maintaining sporting equality. Also, the above considerations suggest that for the sporting equality argument to be a valid justification for imposing general labour market restrictions, it must be shown that sporting equality is an important determinant of attendances, that the labour restrictions will lead to significantly more equality, and that more selective handicapping procedures are ineffective.⁵

NOTES:

1. Owen Covick, "Sporting Equality in Professional Team Sports Leagues and Labour Market Controls: What is the Relationship?" *Sporting Traditions*, 2.2, 1986, 54-73. I would like to thank Owen for his most helpful comments on an earlier draft of this paper.
2. Philip Drever and John McDonald, "Attendances at South Australian Football Games", *International Review of Sport Sociology*, 16, 1981) 103-113. Clive Morely and K.G. Wilson in "Fluctuating VFL Attendances: Some insights from Economic Analysis", *Sporting Traditions*, 3.1, 1986, 69-81 found that the evenness of the competition seemed to have a minimal effect on total attendances at VFL games over the last 35 years.

The results of R.A. Hart, J. Hutton and T. Sharot in "A Statistical Analysis of Association Football Attendances", *Applied Statistics*, 24, 1975, 17-27 are similar. Other evidence is presented in Henry G. Demmert, *The Economics of Professional Team Sports*, Heath, Lexington, 1973 and Roger G. Noll ed., *Government and the Sports Business*, The Brookings Institution, Studies in the Regulation of Economic Activity, Washington, 1974, 415.

3. American professional team sport clubs are often characterised as profit maximisers. For profit maximisers, if financial penalties are imposed on successful clubs, the incentive to win is reduced, and there will be a tendency to optimise profits by minimising costs.
4. The way decisions are made by such a committee can best be characterised by the game theoretic models, see for example, J. von Neumann and O. Morgenstern, *Theory of Games and Economic Behaviour*, Princeton University Press, 1947 and K.H. Borch, *The Economics of Uncertainty*, Princeton University Press, 1968.
5. P.J. Sloan in "The Labour Market in Professional Football", *British Journal of Industrial Relations*, 7, 1969 and "The Economics of Professional Football: The Football Club as a Utility Maximiser", *Scottish Journal of Political Economy*, 18, 1971 argued that sporting equality is an important determinant of sporting attendances and that labour market restrictions lead to more sporting equality than a free labour market. In an interesting interchange, Braham Dabscheck in "Sporting Equality: Labour Market vs Product Market Control", *Journal of Industrial Relations*, 17, 1975, while agreeing that sporting equality is important, argued that labour market restrictions, such as zoning and a transfer payments system, do not lead to sporting equality. He advocated that players be employed on long-term contracts and that a complex system of rules designed to give clubs equal financial strength be introduced. This it was hoped would result in an even competition. Sloan in "Sporting Equality: Labour Market Versus Product Market Control - A Comment", *Journal of Industrial Relations*, 18, 1976, questioned the feasibility and effectiveness of implementing

Dabscheck's income pooling scheme, but seemed to be in favour of some form of pooling of receipts. Some other articles that consider these issues are P.J. Sloan; "Restriction of Competition in Professional Team Sports", *Bulletin of Economic Research*, 28, 1976, P.J. Sloan, "Sport in the Market?", *Hobart Paper*, No. 85, IEA, 1980, N.C. Wiseman, "The Economics of Football", *Lloyds Bank Review*, No. 123, 1977 and J.A. Schofield, "The Development of First-Class Cricket in England: An Economic Analysis", *Journal of Industrial Economics*, 30, 1982.