

Major League Baseball spring training delayed as lockout continues

Alan Gilman
24 February 2022

Last December 1, when the 2017-2021 collective bargaining agreement for Major League Baseball (MLB) expired, baseball's 30 owners, 23 whom are billionaires, immediately locked out the 1,200 players.

"We hope that the lockout will jumpstart the negotiations and get us to an agreement that will allow the season to start on time," MLB Commissioner Rob Manfred said in a letter to baseball fans. "This defensive lockout was necessary," he continued, "because the Players Association's vision for Major League Baseball would threaten the ability of most teams to be competitive."

The owners' "jumpstart" resulted in a break-off of negotiations until January 13, day 43 of the lockout. Prior to the February 16, 2022 scheduled start of spring training, only five brief negotiating sessions had been held since January 13.

With spring training delayed and the scheduled March 31 opening of the regular season in jeopardy, negotiations are now taking place on a near-daily basis.

The players, whose bargaining unit is the Major League Baseball Players Association (MLBPA), have been seeking a series of improvements to the economic structure of the sport, with a goal of significantly increasing the salaries of younger players, improving competition among teams to prevent "tanking," curbing service time manipulation, which limits free agency, and directing a much greater share of baseball's increasing revenue to its players.

The owners, who have vastly increased their revenue share as a result of the last collective bargaining agreement (CBA), intend to maintain their beneficial wealth distribution by offering small, incremental changes in a new CBA.

Since CBAs were first negotiated in the late 1960s, they have been structured to expire during the off-

season. Initially, owner lockouts of the players or players' strikes were frequent, with lockouts taking place in 1973, 1976 and 1990, and strikes occurring in 1972, 1980, 1981 and 1994-1995.

No lockouts or strikes have taken place for the past 30 years. Today, however, both the owners and the players are being impacted by the same mounting economic tensions and pressures, including the global pandemic, that have fueled a growing strike wave in the US and around the world.

Baseball revenues through 2019 (pre-pandemic) rose for 17 consecutive years, reaching \$10.7 billion in 2019, according to *Forbes*. This represents a 43 percent increase during the past two collective bargaining agreements.

Moreover, the profits teams have received over this period have helped drive franchise values up by hundreds of millions and, in many cases, billions of dollars.

However, in recent years, players' salaries dropped for the first time since the owners colluded to limit salaries in the 1980s. In 2021, combined player payroll spending by all 30 Major League Baseball teams decreased by 4 percent compared with the last full season, 2019. Total payrolls today are at 2015 levels.

Much of this reflects a decline in the share of revenue going to the players as a consequence of the "competitive balance tax," commonly referred to as the luxury tax.

This "tax" was implemented in 1997, ostensibly for the purpose of creating competitive balance, particularly for the benefit of small market teams. It has the effect of limiting the total amount each team can spend on player salaries. Any team exceeding this limit has to pay a large tax based on the amount in excess of the threshold.

The owners, however, have utilized the “competitive balance tax” to limit players’ salaries by lowering the threshold.

The tax threshold in 2021 was \$210 million per team, only a small increase from the limit of \$189 million in the final year of the previous collective bargaining agreement (2016). A similar 11.1 percent increase for the final year of the next CBA would mean a threshold of roughly \$233 million in 2026.

The competitive balance tax threshold has not grown at the same rate as league revenues. According to Ronald Blum of the Associated Press, the threshold rose 18 percent from 2013 to 2019. Over the same period, according to MLB, revenue rose by 49 percent.

Tom Sawchik of the *Score* reported that from 2003 to 2019, the last full season before the COVID-19 pandemic, league revenues grew by 167 percent, from \$3.88 billion to \$10.37 billion. The base tax threshold, however, only rose 76 percent over that period, from \$117 million to \$206 million.

Compounding the disparity between total revenue and total payroll is the fact that teams rarely exceed the threshold, while it has become common for teams to spend significantly less than their threshold. This occurred again last season, as a dozen teams reported total salary costs at only 50 percent or less than their maximum salary threshold.

The MLBPA has proposed an increase in the threshold from its present \$210 million to \$245 million in 2022, and \$273 million by 2026. The owners have proposed an increase to \$214 million in 2022, topping out at \$222 million by 2026, the last year of the agreement.

Another major issue impacting players is the extreme level of inequality that exists within teams. Though free agency has led to a few players earning astronomical salaries, most players earn far less, and most careers are of short duration.

The average major league career lasts three to four years, meaning most players will never even make it to free agency. Of the players on opening day rosters last season, 46 percent made less than \$1 million, with 35 percent at less than \$600,000, according to an Associated Press salary survey. The minimum salary last season was \$570,500.

The CBA that expired on December 1 had the smallest minimum salary gains in both the first year

and over the life of the contract. The 2021 minimum salary of \$570,500 was just 12.4 percent over the minimum salary (\$507,500) in 2016, the final year of the previous CBA.

In contrast, the CBAs that expired in 2006, 2011 and 2016 had minimum salary increases over the life of the agreements that totaled 63.5 percent, 26.6 percent, and 22.6 percent, respectively. The MLBPA, which accepted a 12.4 percent increase during the last five-year agreement, is now demanding a minimum salary of \$775,000 in 2022, which would be a 35.8 percent raise over last year.

Another way to increase the salaries of younger players is to decrease the six-year period before one becomes eligible for free agency. The ability to sign with any team results in more lucrative contracts for the players. It has been reported, however, that the MLBPA has dropped that demand.

It is generally believed that players need approximately four weeks of spring training to be ready for the season. Therefore, next Monday is generally considered the unofficial deadline for a new CBA to be agreed upon in time to preserve March 31 as Opening Day.



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