

## Human Capital Formation in Elite Team Sport: Evidence from the Manchester United Soccer Academy

*Bill Gerrard, University of Leeds*

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Human resources, both playing and coaching talent, are a critical source of sustainable competitive advantage for pro sports teams. The competitive nature of the sports industry ensures that the human capital formation process is very efficient with low survival rates for players and coaches with limited human capital endowments. The human capital (HC) perspective was proposed by Becker (1975) who argued that the acquisition of skills through formal education and training as well as career experience should be viewed as an investment process akin to that of firms investing in fixed tangible assets. Becker differentiated between general and firm-specific HC. General HC refers to general skills that are transferable between firms whereas firm-specific HC refers to skills that are specific to the individual firm with little value to other firms. Firm-specific skills create a mutual dependency between the firm and the individual since it is costly to both parties if the employment contract is terminated. The importance of the HC perspective for understanding pro team sports has been recognised by Gerrard and Lockett (2007). Gerrard and Lockett build on the work of Berman et al. (2002) who found that team experience was a key success factor in the NBA. Gerrard and Lockett interpret team experience as team-specific HC in contrast to age, career experience and other indicators of individual player quality which are seen as measures of general HC.

This study focuses on the process by which HC is developed in European soccer. Whereas in North America, youth development is undertaken primarily through the educational institutions with players recruited to the major leagues through a draft system, in European soccer teams themselves take principal responsibility for youth development, recruiting players as young as five years old and training these players within the team's own soccer academy on a part-time basis (outside school hours) with the most successful youth players being offered a full-time training contract at age 16. The cross-Atlantic differences in the structure of youth development raise a number of issues from the HC perspective. If teams undertake the youth development process, this allows an opportunity to develop team-specific HC at an early age. However there may be negative implications in terms of general HC formation particularly the inevitable conflict between the competing demands of elite sport training and general educational attainment. This conflict is institutionalised if training is undertaken predominantly outside schools and colleges. This can have long-term repercussions for youth players who exit early from pro team sports with few transferable skills.

This current study attempts to provide some initial evidence on the achievement probabilities of European soccer academies as a prelude to a more extensive study of HC formation in professional sports teams. An internal study by the Professional Footballers' Association in England estimated that on average only 15 per cent of new full-time soccer trainees aged 16 will have a professional soccer contract at age 21. This study attempts to provide a best-in-class benchmark for achievement probabilities by focusing on Manchester United's soccer academy widely regarded as the one of the top soccer academies in England. Information on the career paths of Manchester United trainees since 1990 has been gathered primarily from various editions of the Sky Sports Football Yearbook. Since 1990, 222 trainees have joined Manchester United at age 16/17. Of these 41 left the club before age 18 and have not subsequently made any league appearances for a professional football club. There are 16 current trainees age 16/17 still at Manchester United. Hence the number of trainees entering the age group 18 is 165. The career survival rate is calculated as the number of players reaching the next age group as a percentage of the total entering the previous age group net of the current players still remaining in that age group. The career survival rate in the age group 16/17 is 80.1 per cent. That is, four out of five trainees entering the Manchester United soccer academy at age 16 can expect to be still with a professional team (almost certainly continuing as a trainee with Manchester United) at age 18. Just over 55 per cent of Manchester United trainees exit professional football before age 21. This is significantly below the average exit rate of 85 per cent across all professional teams in England. However it indicates that the exit rate for trainees remains very high even for those at one of the top Premiership teams. A new trainee at Manchester United over the last 17 years has had a less than 1-in-2 chance of still being a professional soccer player at age 21. It should also be noted that fewer than 10 per cent of all Manchester United trainees can expect to have a full career as a professional career lasting to age 30 and older.

Professional soccer is a highly competitive industry with high exit rates not only in the early training years but continuously throughout the full career period. Achieving a full career as a professional soccer player is the exception rather than the rule even for Manchester United trainees (although they do significantly better than the average trainee). All trainees at professional soccer teams are exceptionally talented players but it is only the exceptional of the exceptional that make it as professional soccer players. Based on the career paths of Manchester United trainees since 1990, it is possible to calculate the probability of having a career as a professional soccer player (and allowing for varying retirement age) for those who complete their training contract

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and remain in professional soccer beyond age 18. Of the 222 Manchester United trainees, 51 exited at either age 19 or 20 with less than 10 league appearances in the FAPL and/or the Football League. Of those 82 players who remained in the game at a professional level at age 21 or above and made at least 10 league appearances, 14 players can be deemed as having Premiership careers, 19 as Championship careers, 32 as League One careers and 17 as League Two careers (as determined by the average divisional ranking of all of their career league appearances up to May 2007). Of the 14 Manchester United trainees since 1990 who have gone on to achieve Premiership careers, all are still playing. There is a high exit rate of Manchester United trainees early in their careers who move to teams in the lowest two divisions. This is hardly surprising given the lower financial rewards as well as the tactical and motivational difficulties faced by trainees from one of the top teams in world soccer with whom they may have been training since the age of six. They are likely to be ill-prepared to deal with their (relative) "failure" at the very highest level and to come to terms with playing at a significantly lower standard of professional soccer in much inferior facilities than they have been accustomed for the last 15 years or so. It should be noted that achievement probability of 10.53 per cent of a career in the FAPL from age 21 – 35 is in large part due to the exceptional cohort of Manchester United trainees in the early 1990s who not only went on to achieve Premiership careers but did so mostly with Manchester United as well as achieving international recognition (i.e. full caps) with their respective national teams.