Salary Discrimination among Superstars: An Evidence from Major League Soccer

Hoyoon Jung, University of Northern Colorado
Yoon Tae Sung (Advisor), University of Northern Colorado

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Within sports economics, most of the previous literature on salary determination focused on two different threads: discrimination by race/nationality (Arrow, 1973; Becker, 1971) and superstar effect (Adler, 1985; McDonald, 1988; Rosen, 1981). However, little attention has been paid to the study that links discrimination and superstar effect. In specific, it is unclear whether there is salary discrimination among superstar players. Understanding the existence of salary discrimination among superstars in Major League Soccer (MLS) is especially imperative given that acquiring star players in one strategy for boosting attendance and improving the prosperity of the league (Bradbury, 2019). This is because international superstars may prefer to play in European Soccer Leagues with its prestige and higher financial rewards if MLS turns out to be a discriminatory league. Therefore, the purpose of this paper is to explore the degree to which superstars are discriminated against by origin of birth.

The reasons that MLS merits a study of salary discrimination among superstars are as follows. First, unlike soccer leagues in Europe where player salaries generally remain confidential and private, MLS salary data are readily available. Second, MLS praises itself as the most diverse league (as determined by player’s birthplace) among the five major sports leagues in the United States (Major League Soccer, 2018), providing a reasonable testing ground for examining the existence of discrimination. Third, unlike other professional sports in which the definition of “superstar” is somewhat arbitrary, MLS offers an objective measure of “superstar” due to the presence of “Designated Player (DP)” rule (Jewell, 2017). The provision of DP whose salary does not count against the salary cap is an exception in MLS.

The dataset included a total of 458 observations of players’ salaries in the 2018 MLS season. A set of independent variables included a vector of player performance measures (i.e., goals and assists), experience variables (i.e., career experience, games started and substituted, and minutes played), superstar status (i.e., DP), and individual characteristics (i.e., origin of birth, age, height, footedness, and position). Moreover, we differentiated regular player (RP) and DP due to the heterogeneity in performance and players’ characteristics between the two groups (Prockl & Frick, 2018). Using ordinary least squares regression, we found little evidence of salary discrimination among superstars, indicating DPs are neither favored nor discriminated against by origin of birth. However, this study found that the player’s origin of birth variable as well as position, experience, age, and footedness are statistically significant in explaining RPs salaries.

To our best knowledge, our paper is one of only two papers (the other being Prockl & Frick, 2018) that investigated the existence of salary discrimination among superstars. This study filled the gap in the literature on discrimination and superstar while uncovering no evidence of discrimination among superstars in MLS. The findings of this study could be beneficial for MLS to promote itself as the most diverse and non-discriminatory league to attract more talented (Rosen, 1981) and popular (Adler, 1985) international superstars.