



Labour market regulation and team performance: The Victorian Football League's Coulter Law, 1930–1970

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ABSTRACT

The Coulter Law was a set of Victorian Football League (VFL) recruiting and payment rules that operated from 1930 to 1970 and set maximum wages for individual players. Testing of the conventional view – that most VFL clubs breached these rules to maximise the utility derived from winning games – is hampered by the unavailability of individual wage data. We develop a model that observes connections between player turnover and team performance at three VFL clubs. The ways that clubs managed team payrolls in a regulated labour market are not sufficient to explain variations in team performance. Clubs lost experienced players to minor leagues, regardless of whether they complied with the Coulter Law. The ability of clubs to develop replacement players had a stronger influence on team performance.

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1. Introduction

Graham 'Polly' Farmer was a majestic Australian Football player who had dominated the Western Australian Football League since making his debut for East Perth as an 18-year old. During the 1961 season, Farmer, then aged 27, made it known that he wanted to move to a Victorian Football League (VFL) club to play at the highest level possible. In negotiating with Farmer, VFL clubs were restrained by the Coulter Law, the League's recruiting and payment regulations that had been established in 1930 to set a maximum player wage and outlaw the payment of signing-on bonuses and other inducements. Until 1970 the Coulter Law was the major device used by the VFL to stabilise the financial position of its clubs and promote competitive balance – a situation where resources and talent are distributed in a way that makes games unpredictable and attractive to spectators. In 1961 the League's maximum match payment was £6 per game – only 17 per cent of the Basic Wage, Australia's centrally determined minimum wage for full-time workers (Hawke, 1994, p. 146; Hess, Nicholson, Stewart, & De Moore, 2008, p. 239; Vamplew, 1987, p. 156). Farmer chose to join Geelong and his contract included additional payments at a base rate of £1000 per year (over £55 per match in an 18-game season), a guaranteed job as a car salesman and payment of the rent on a house. Geelong also slipped East Perth £1,500 cash in return for releasing Farmer – another practice that was prohibited by the Coulter Law (Hawke, 1994, pp. 148, 151). Farmer was thus able to capture the economic rents that his skills generated, just as he would have been able to have done had the labour market been competitive. Clandestine player payments came from sponsors and patrons and were not part of the formal club wage structure. They were not recorded in club financial statements for reasons of probity and to avoid League sanctions.

Football observers had for some time been convinced that breaching the Coulter Law to secure star players was a common practice among clubs. There were complaints in the press that non-compliance by clubs had made the regulations 'farcical' as

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early as 1931 (Donald, 2003, p. 31). In 1950 19-year old Herb Henderson was on a train from Mildura, carrying his football gear in a hessian sack, having been invited to try out with Richmond. Footscray's secretary and another official boarded at North Melbourne, the second last stop, called out Henderson's name and persuaded him to get off the train. For a fee of £100, Footscray signed a player who would become a star fullback (Lack, McConville, Small, & Wright, 1996, p. 162; Western Bulldogs Forever Foundation, 2010, p. 120). Such incidents prompted Hec de Lacy to write of a 'black market' for football talent in Melbourne's *Sporting Globe* in 1951. 'While the League takes a serious view of any proved breach of the Coulter Law, club officials wink at authority and go on with the bartering and sub-surface trafficking in players' (de Lacy, 1951, p. 6). Harry Beitzel, a commentator and former umpire wrote in 1967 that players such as South Melbourne's Bob Skilton and St Kilda's Ian Stewart were being paid more than League regulations allowed. 'It was common knowledge that most of the star players were under contracts that paid them many times more than the Coulter Law limit' (Hess et al., 2008, p. 239).

The willingness of clubs to breach the Coulter Law to attract and retain stars reflected hierarchical wage structures in which the wages bill was dispersed between a few highly paid players and a large number of relatively lower paid players. Clubs also used the regulations 'as a control over the wage demands of a majority of the players' (Sandercock & Turner, 1981, p. 123). Most of Farmer's teammates at Geelong received the maximum wage with no further benefits. 'I was paid the same as everyone else', one player recalled. 'There were probably some who got a little more, but I didn't ask and I didn't care' (Bill McMaster, interviewed by Author 1, 29 June 2010).

At Melbourne, Australian Football's oldest club, scrupulous adherence to the Coulter Law created a more compressed wage structure. Like other football clubs in Australia and Britain, Melbourne was founded by middle-class sports enthusiasts who never considered that anyone might make a living out of playing the game. In recruiting, the club offered non-monetary benefits that were derived from affiliation with the Melbourne Cricket Club (MCC). Joining Melbourne gave a young man the opportunity to be part of a winning team, to play in finals and to play on the Melbourne Cricket Ground every second week. With selection on the senior list came honorary membership of the MCC and the right to attend all football and cricket matches at the ground. The club found jobs for players that needed them through a formal 'Coterie' of patrons and ex-players and if necessary paid the educational fees of players (Ron Barassi, interviewed by Author 1, 18 September 2007). Paying all players equally helped Melbourne to field cohesive teams, in which group norms about teamwork and discipline were obeyed because the approval of the group was valued. Under Frank 'Checker' Hughes (coach from 1933 to 1941 and 1945 to 1948) and Norm Smith (coach from 1952 to 1967), Melbourne teams were even, physically strong and did not depend on individual brilliance to win matches (Collins, 2008; Frost, 2005). The only other club to comply strictly with the Coulter Law was Collingwood, where a philosophy that to pay one person more than another 'would lead to personal jealousies and discontent' had prevailed since 1896 (Stremski, 1986, p. 213).

VFL clubs faced a perfectly elastic labour supply curve for new players, as the number of young men who were willing to play League football at the maximum wage (or less) was virtually unlimited. Most entry-level players from the Melbourne metropolitan area simply turned up at their local club at the start of training for the new season and asked to try out. Clubs also fielded second and third (junior) grade teams that allowed them to maintain at low cost large squads of potential replacements for senior players. As players matured and took on greater family responsibilities, clubs that continued to pay the maximum wage were likely to have found it difficult to motivate them or prevent them from taking higher paid jobs elsewhere. 'Home grown' players who had joined a club for free may have resented extra wages being paid to star recruits, especially where morale was already affected by sectarianism, as was the case at South Melbourne in the 1930s and Hawthorn in the early 1950s (Branagan & Lefebvre, 1995; Frost, 2005). VFL footballers were weekend athletes, but they were not amateurs. Money from football was important to players, especially in times of generally high unemployment, such as during the 1930s, or when a player lacked the skills needed to enter the labour market for high-paying jobs. A player who was paid only the maximum wage could apply for coaching jobs at minor league clubs, which operated in unregulated labour markets and could offer wage premiums for League players that compensated for lower levels of prestige and standards of play. Well-credentialed League players who were nearing the end of their careers could add value to suburban and country teams and be paid closer to their market value. Fred Fanning's wage increased from £3 to £20 per game when he left Melbourne in 1947 to coach Hamilton in country Victoria (Collins, 2008, p. 145) and when Melbourne's Laurie Mithen was appointed captain-coach of Port Melbourne in the Victorian Football Association (VFA) in 1963 his wage increased from £6 to a reported £30 per game (Keenan, 2008, pp. 124–125).

Data from several professional sports have been used to test the influence of labour market flexibility on economic performance. In team sports workers (players) are mutually interdependent and clear, objective performance measures are readily available, as in many cases are the individual wage data needed to calculate measures of intra-team wage disparity (Fricke, Prinz, & Winkelmann, 2003). This is not the case in most other industries. Links have been established in studies of sports with competitive labour markets between payroll size and team success, thus confirming the negative impact of revenue disparities between teams on levels of competitive balance (Hall, Szymanski, & Zimbalist, 2002). Research on the effects of how a team decides to allocate its payroll among players on team performance has involved empirical testing of two theoretical propositions derived from experimental economics and psychological theories. These propositions relate to efficiency wage models – where some workers are paid above the market-clearing wage – where worker effort is influenced by the wage paid to co-workers. On the one hand, where workers' roles are complementary and teamwork is needed to complete tasks, workers at the tail end of the talent distribution may withhold effort if they perceive that they have not been paid a 'fair' wage (Akerlof & Yellen, 1990; Levine, 1991). This suggests that compression of wage structures is conducive to improved team performance. On the other hand, the argument that reduced effort from highly skilled workers carries

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