

Salary Determination in Major League Soccer: A Panel Study

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Abstract

Contrary to the situation in Europe, where player salaries remain private and confidential (the only exception here is “Serie A” in Italy), the player unions regularly publish this kind of information for each of the US Major Leagues. In this paper we use an unbalanced panel with detailed player-season-information from the seasons 2006 to 2015 to estimate a multi-stage salary model for MLS players. We find that the impact of age on salaries follows an inverted u-shape. In addition, we find a statistically significant positive effect of last season’s as well as career performance. Experience abroad yields a significantly higher salary as does tenure with the current team (controlling for team-specific fixed effects). Perhaps surprisingly, career length in MLS is negatively associated with salary. Thus, we confirm most of the findings that have been reported in previous research using data from European football leagues (e.g. Lucifora & Simmons, 2003; Frick, 2007; Bryson et al., 2014).

As designated players (a status completely unknown in Europe) represent a special group in MLS we are particularly interested in a number of interaction effects. Our models reveal that the DP status yields the highest additional salary for defenders. The main drivers of DP salaries are career games played and club-specific fixed effects, explaining about 60 percent of the observable variation in player salaries (suggesting a much better model fit than we find for regular players).

Keywords: Wage Differentials, Salary Determination, Major League Soccer

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