

# WHO WON THE MAJOR LEAGUE BASEBALL STRIKES?

By

David A. Lutzko

Department of Business and Economics  
Wilkes University

Correspondence address: Department of Business and Economics  
Wilkes University  
Wilkes-Barre, PA 18766

E-mail: [dlatzko@wilkes.edu](mailto:dlatzko@wilkes.edu)

## **Abstract**

This paper develops a method for determining the winner of a strike. Since strikes are costly for both sides, a union and a firm are each better off settling on the same contract they would end up with after a strike without incurring the costs of a strike. A union will be willing to go out on strike only when it believes that it can obtain a more favorable contract after a costly holdout than by immediately accepting the firm's final proposal before the strike deadline. Similarly, the firm will accept a work stoppage when it too expects to obtain a more favorable contract by doing so than by agreeing to the union's last proposal prior to the strike. Winning is defined relative to what each side could have obtained in the absence of a strike, not by comparing the new contract to the old contract. The union wins a strike by acquiring sufficient improvements over the proposals the firm made prior to the start of the strike. The method is applied to the series of Major League Baseball work stoppages. The union lost the 1972 strike but won the 1981, 1985, and 1990 work stoppages.

## WHO WON THE MAJOR LEAGUE BASEBALL STRIKES?

Concerned about spiraling salaries, Major League Baseball owners proposed a radical change in the method by which salaries were determined during the 1990 round of collective bargaining with the Major League Baseball Players Association. In order to forestall an in-season strike, the owners locked the players out of the spring training camps on February 15, 1990. The issues in dispute when the work stoppage began were the implementation of a revenue sharing plan, the elimination of salary arbitration, roster size, and the minimum salary.<sup>1</sup> Under the owners' proposal, the salaries of players with less than 6 years of major league service would be determined by a formula, with the total salary bill fixed according to a revenue sharing plan. The owners also proposed keeping major league rosters at 24 players and offered a minimum salary of \$85,000.

The players union rejected the owners' revenue sharing plan and proposed that the status quo salary arbitration scheme be changed to make players with 2 years of service eligible for arbitration. The players demanded a 25-man roster and a minimum salary of \$112,500. During the lockout, the players rejected the owners' offer to open the camps in exchange for a no-strike pledge. The lockout ended on March 19, 1990. The owners had abandoned their revenue sharing plan. Under the new collective bargaining agreement, 17 percent of players with between 2 and 3 years of service became eligible for salary arbitration. The minimum salary was set at \$100,000. The contract also called for 24 man rosters in 1990 and 25 man rosters for the remainder of the 4-year contract.

Consensus opinion holds the players to be the winners of this and other recent work stoppages. But this judgement, like with strikes and lockouts in other industries, is generally based on comparing the new contract to the old collective bargaining agreement. This is inappropriate if one wishes to determine whether the owners or the players union won the work stoppage because it is possible that all of the union's contract improvements could have been obtained prior to the lockout if the owners' last proposals had been accepted. If this is the case, then the union gained nothing of substance from the work stoppage; the union would have lost the lockout/strike. The purposes of this paper are to develop a method of determining whether or not the union has won a strike, to work through an example using the 1990 baseball lockout, and to apply this methodology the other Major League

Baseball work stoppages.

## I. THE CONCEPT OF “WINNING” A STRIKE

Since strikes are costly for both sides a union and a firm are each better off settling on the same contract they would end up with after a strike without incurring the costs of a strike. A union will be willing to go out on strike only when it believes that it can obtain a more favorable contract after a costly holdout than by immediately accepting the firm’s final proposal before the strike deadline. Similarly, the firm will accept a work stoppage when it too expects to obtain a more favorable contract by doing so than by agreeing to the union’s last proposal prior to the strike. Thus, winning will be defined relative to what each side could have obtained in the absence of a strike, not by comparing the new contract to the old contract. The union wins a strike by acquiring sufficient improvements over the proposals the firm made prior to the start of the strike.

Any costs associated with a strike such as the potential profits foregone by the owners of the firm or wages lost by workers will be ignored in the determination of its outcome. My interest is in measuring results not effort, and costs reflect effort and sacrifice. Since the imposition of costs is not usually the goal of the parties to a collective bargaining disagreement, the costs of a strike are valued only for what they bring in contract improvements over the other side's proposals. When making the judgement that the United States and its allies won the Persian Gulf War, the conclusion is not based on the quantity of armaments used or the number of soldiers engaged or even the amount of casualties or any other measure of costs. Rather, victory is determined by success on the battlefield and who submitted on whose terms. The method described below applies this last criterion to collective bargaining disputes: is the eventual contract closer to the union’s or to the firm’s original terms.

## II. METHODOLOGY

The winner of a strike will be determined by comparing the final proposals of the firm and the union on the issues in dispute at the commencement of the work stoppage to the eventual contract settlement.<sup>2</sup> The disputed contract provisions will be classified into seven subsets: (1) wages, (2) pay supplements, (3) fringe benefits, (4) working conditions, (5) job security, (6) equity, and (7) union security. The appendix to this paper lists the

provisions in each subset. For the 1990 Major League Baseball lockout, minimum salary and the revenue sharing scheme are in the pay supplements subset, roster size is in the working conditions subset, and arbitration eligibility is in the equity subset.

Some of the contract items under consideration are measured in dollars, some are qualitative, some are measured in units of time, and some are just pure numbers. The difficulty of aggregating variables measured in different units is overcome by reducing them all to pure numbers along a zero to ten scale. Values are assigned to each disputed provision in each subset by scoring the union's last proposal prior to the beginning of the strike on that provision ten and the firm's proposal zero. The negotiated outcome in the final contract for each disputed provision will be fitted along the zero to ten scale. If the provision in the agreement coincides with the firm's final proposal, the provision is scored zero; if it follows the union's proposal, it is scored ten. Intermediate outcomes will be valued through linear interpolation along the zero to ten scale.

A score is then calculated for each subset with a disputed provision by averaging the values for the provisions in the subset, giving each provision in the subset equal weight. The average score for each of the subsets with a disputed provision is summed and, then, averaged to determine an overall score for the contract, giving equal weight to each subset. This overall score must, by construction, fall between zero and ten. A score less than five indicates a victory for the firm: the contract is closer to the firm's last offer before the strike commenced than to the union's. A score greater than five signals a victory for the union. An overall score equal to five signals a draw.

Each disputed provision within a subset is given equal weight in the determination of the score for that subset and each subset with a disputed contract provision is given equal weight in the calculation of the overall score for the strike. It would be great if weights corresponding to the importance attached by the parties to the provisions could be discovered. The assignment of equal weights is arbitrary but not completely unreasonable. The method related in this paper considers only those items specifically described as being in dispute. Minor items on which agreement has not yet been reached are unlikely to be mentioned in publicly available sources. It is safe to assume then that only the most important contract provisions are being considered in this study, but I would not place too much emphasis on the exact score for a strike's outcome. The method indicates the general trend of the

outcome.

### III. ANALYSIS OF 1990 LOCKOUT OUTCOME

A. Minimum Salary – The owners proposed a minimum salary of \$85,000 while the players demanded \$112,500.

The contract called for a minimum salary of \$100,000.  $(10)(100,000 - 85,000)/(112,500 - 85,000) = 5.45$

Pay Supplements

B. Revenue Sharing – The owners' final proposal before the lockout contained a revenue sharing plan which linked total salaries and revenues. The players opposed this plan. The contract did not contain a revenue sharing plan. 10.0 Pay Supplements

C. Roster Size – The players proposed setting the roster at 25 players while the owners wanted a 24-man roster.

For the first year of the contract, the roster size was 24. For the remaining 3 years, the roster size was set at 25. This gives an average roster size of 24.75 over the length of the contract.  $(10)(24.75 - 24)/(25 - 24) =$

7.50 Working Conditions

D. Arbitration Eligibility – The union proposed that players with 2 years major league service be eligible for salary arbitration. The owners' last offer was that arbitration be done away with for players with less than 6 years' service. In the contract, 17 percent of players with 2 years service became eligible for salary arbitration. The remainder became eligible after 3 years service. So, the average number of years service required for arbitration eligibility was 2.83.  $(10)(2.83 - 6)/(2 - 6) = 7.92$  Equity

The scores for the relevant subsets are: Pay Supplements = 7.72, Working Conditions = 7.50, and Equity = 7.92. The overall score for the strike is the average of the 3 subsets, 7.7. Since an overall score greater than 5.0 indicates a victory for the union, the conventional wisdom is correct: the Major League Baseball Players Association did win the 1990 lockout.

### IV. OTHER BASEBALL WORK STOPPAGE OUTCOMES

The first league-wide major league baseball strike began on April 1, 1972. The sole issue in dispute was the size of the owners' contribution to the players' pension fund.<sup>3</sup> The owners proposed a \$400,000 increase while

the players sought an increase of \$850,000. On April 13, 1972, an agreement was reached that called for a \$500,000 increase in the pension contribution. Fringe benefits 2.2. SCORE = 2.2 VICTOR = OWNERS.

The first in-season, league-wide strike occurred during the 1981 collective bargaining negotiations. The players walked out on June 12, 1981. Once again, there was only one issue in dispute: the method of compensation for teams that lost players to free agency.<sup>4</sup> The owners proposed a scheme under which the teams that lost players statistically ranked among the top 40 percent of all players would be entitled to compensation from the team signing the player. If the free agent was ranked among the top 33 percent, the team received the 16th ranked player on the signing team. The team would receive the 19th ranked player off of the signing team if the free agent was ranked among the top 34 to 40 percent of players. The players proposed a pool compensation scheme. Teams that attempt to sign free agents by participating in the reentry draft place 4 players off their 40-man roster into a pool. Teams losing a free agent could select from this pool or receive an amateur draft choice. Before the strike even began, the NLRB ruled that the owners did not bargain in good faith. A federal mediator was brought in. The strike was settled on July 31, 1981. Compensation would be required for the top 30 percent of free agents. Teams signing a free agent could protect 24 players and other teams attempting to sign free agents could protect 26 players. The other players on the team's 40-man roster went into a pool from which teams losing to free agency a player ranked in the upper 20 percent choose a player. Teams losing a player rated among the top 20 to 30 percent received two amateur draft choices. Equity 8.5. SCORE = 8.5 VICTOR = UNION.

During the 1985 negotiations, Major League Baseball owners sought major changes in the salary arbitration scheme because many franchises were allegedly losing money.<sup>5</sup> The owners proposed that arbitration eligibility be raised from 2 to 3 years of service. They proposed a limit of 100 percent on the size of the increase arbitrators could award. In addition, the owners proposed a formula that would link the increase in the owners' contribution to the players' pension fund to the rise of revenues and salaries. A minimum contribution of \$15.5 million was offered. The owners' additional contribution would drop to zero when salaries increased by \$38 million in one year. The players opposed any limit on the size of arbitrator awards and proposed that players remain eligible for arbitration after 2 years. The owners' pension fund contributions had traditionally (but not contractually) been one-third of the national TV money. This would have been \$60 million in 1985. The players

proposed that the owners contribute \$40 million to the pension fund with the remaining \$20 million to go to financially troubled clubs. The strike began on August 6, 1985 and ended on August 7, 1985. The agreement called for the owners to contribute \$196 million into the pension fund over the 5-year contract. There was no cap on the salary awarded by the arbitrator. Beginning in 1987, players became eligible for arbitration after 3 years of major league service. Equity 7.0, Fringe benefits 9.67. SCORE = 8.3 VICTOR = UNION.

The most recent baseball strike began on August 12, 1994.<sup>6</sup> The owners proposed that salary arbitration be eliminated and that a salary cap be implemented. The owners also offered the players a 50/50 split of revenues. The players opposed any cap on salaries and demanded no less than the 58 percent of revenues they currently received. The players also proposed that the eligibility for salary arbitration be lowered to 2 years service, that the minimum salary be raised to \$175,000, and that pension levels be increased for pre-1970 players. The 1994 World Series was cancelled, but the players returned to work without a contract prior to the start of the 1995 season. A new collective bargaining agreement was not signed until 1997. Since the contract settlement came so long after the strike ended, it seems unlikely that the strike had much influence on the agreement.

## V. CONCLUSIONS

This paper has described a method of determining the winner of a strike by comparing the eventual contract settlement to what the union and the firm could have obtained in the absence of the strike. The method uses information on each side's final proposals before the work stoppage began and is, therefore, superior to comparing the old and new contracts. It may be possible to use this technique to devise a test that would be an improvement over studies such as Farber (1978), McConnell (1989), and Card (1990) that rely solely upon wage settlements to test various theories of the causes and outcomes of strikes because wages are almost always just one of several items in dispute.<sup>7</sup>

## APPENDIX<sup>8</sup>

### CONTRACT PROVISIONS

#### Wage subset

- 1) basic rate of pay

#### Pay supplements subset

- 1) methods of compensation
  - a) time payments (hourly, daily, weekly, monthly)
  - b) incentive wage payments
  - c) commission payments
  - d) mileage payments
- 2) compensation for travel
  - a) travel time
  - b) per diem allowance
  - c) meal allowances
  - d) lodging allowances
  - e) transportation allowance
  - f) incidental expenses
- 3) clothing allowances
  - a) furnished and/or replaced
  - b) maintained
- 4) nonproduction bonuses
- 5) shift differentials
- 6) pay differentials for hazardous or unpleasant work
- 7) wage adjustments
  - a) cost of living
  - b) deferred wage increases
  - c) contract reopening
- 8) wage garnishment
- 9) overtime
  - a) daily, weekly, outside regular hours
  - b) time and one half, double time
- 10) premium pay for weekends
- 11) number of hours of reporting pay
- 12) number of hours of call-in/call-back pay
- 13) paid meal periods
- 14) progression plans
- 15) holiday pay

#### Fringe benefits subset

- 1) leaves of absence
  - a) education
  - b) military service
  - c) maternity
  - d) personal reasons
- 2) vacation plans
- 3) maximum vacation weeks allowed
- 4) number of paid holidays
- 5) medical care benefits
- 6) loss-of-income protection

- 7) pension plans
- 8) life insurance
- 9) profit sharing plans
  - a) profits sharing
  - b) thrift plans
  - c) stock purchase

Working conditions subset

- 1) time allowance for paid rest periods
- 2) limiting or regulating crew size
- 3) weight-lifted limitations
- 4) scheduled weekly hours
- 5) existence of union-management safety committees
- 6) environmental provisions
- 7) safety equipment

Job security subset

- 1) slack work periods
- 2) attrition arrangements
- 3) limitations on subcontracting
- 4) interplant transfer and preferential hiring
- 5) relocation allowances
- 6) restrictions on work by nonbargaining unit personnel
- 7) prefabricated materials use
- 8) advanced notice of layoffs
- 9) supplemental unemployment benefits plans
- 10) wage-employment guarantees
- 11) severance pay

Equity subset

- 1) industrial relations committee
- 2) anti-discrimination clauses except for union membership or activity
- 3) older worker provisions
- 4) wage administration provisions
  - a) formal job evaluations
  - b) production standards
  - c) time study
- 5) rate structure provisions
- 6) equal pay for equal work
- 7) red-circle rate
- 8) equal distribution of overtime
- 9) seniority provisions
  - a) merging seniority lists
  - b) probation period for new employees
  - c) retention of seniority in layoffs
- 10) regulation of job posting
- 11) testing provisions
- 12) grievance and arbitration provisions
- 13) restrictions on moonlighting
- 14) right to refuse overtime

Union Security subset

- 1) superseniority for union officials
- 2) duration of agreement
- 3) union security
  - a) union shop
  - b) modified union shop
  - c) agency shop
  - d) maintenance of membership
- 4) sole bargaining provision
- 5) dues checkoff
- 6) management rights provisions
- 7) "favored nations" clauses
- 8) restrictions on posting or distribution of union literature
- 9) issues and timing of contract reopeners
- 10) leave of absence for union business
- 11) paid leave for union business
- 12) no-strike and no-lockout provisions
- 13) anti-discrimination clause for union membership or activity

## ENDNOTES

1. The details of the owners' and players' proposals on the issues in dispute are from Richard Justice, "Baseball Unveils Salary Proposal", Washington Post, January 11, 1990, p. C1 and C2; Richard Justice, "No Weekend Break for Baseball Sides", Washington Post, February 24, 1990, p. D1 and D8; Richard Justice, "Gates Open for Baseball", Washington Post, March 20, 1990, p. A1 and A10.
2. The inspiration for this strategy is the framework used by Kochan and Block (1977) to rank bargaining outcomes in different industries.
3. Sources for the details of this negotiation are "Striking Players Abandon Camps", Washington Post, April 2, 1972, p. F1 and F4; "13-Day Baseball Strike Ends", Washington Post, April 14, 1972, p. C1
4. Sources for the owners' and players' proposals on the items in dispute and for the contract are Jane Leavy, "Baseball Players Strike; Talks to Continue", Washington Post, June 12, 1981, p. D1 and D2; Jane Leavy, "Baseball Begins Again on Aug. 9", Washington Post, August 1, 1981, p. A1 and A6; Bart Barnes, "Players' Pool Compromise at Heart of Deal", Washington Post, August 1, 1981, p. D1 and D2.
5. Sources for the proposals and contract are Dave Sell, "Baseball Settlement No Closer", Washington Post, August 5, 1985, p. D1 and D5; Murray Chass, "'There's A Strike,' Players Are Told By Union Head", New York Times, August 6, 1985, p. A17 and A19; Dave Sell, "Baseball Goes Out on Strike", Washington Post, August 7, 1985, p. A1 and A7; Dave Sell, "Baseball Strike Settled", Washington Post, August 8, 1985, p. A1 and A8.
6. See Richard Justice, "With Baseball's Last Out, a Strike", Washington Post, August 12, 1994, p. A1 and A22, for details of the owners' and players' proposals.
7. For example, the Communications Workers of America struck Western Electric on November 9, 1950. The union sought an 18-month contract with a 15 cents an hour general wage increase. The union also sought a union shop, an increase in transfer and mobility expenses in line with inflation, observance of the same holidays as other Bell system employees, seven days notice of layoffs, and arbitration of all separations from payroll. The firm proposed a 24-month contract with a wage re-opener after 16 months. The proposal also called for an average pay increase of 10 cents an hour. The firm rejected the union's proposals for a union shop, advanced notice of layoffs, and separation arbitration. A strike at Michigan Bell began and ended at the same time. The union picketed different exchanges every day, thereby hindering the use of strikebreakers. As many as 150,000 telephone workers were off the job. A 15-month contract settlement was reached on November 19, 1950. Wage increases averaged 11.3 cents an hour. One additional holiday was agreed to. The union obtained maintenance of dues clause. There were no provisions for layoff notices or arbitration. Wages 2.6, Job security 0.0, Union security, 8.75, Fringe benefits 10.0, Equity 0.0, Pay supplements 0.0. Sources: Joseph A. Beirne Memorial Archives of the Communications Workers of America, Washington, DC, National Planning 1950-52 Box, letter to local presidents dated 11/2/50; CWA News December 1950. SCORE = 3.6 VICTOR = FIRM.
8. See United States Department of Labor (1973) for a description of these provisions.

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- Card, David, 1990. Strikes and Wages: A Test of an Asymmetric Information Model. Quarterly Journal of Economics. 105, August 1990: 625-659.
- Farber, Henry. 1978. Bargaining Theory, Wage Outcomes, and the Occurrence of Strikes. American Economic Review. 68, June 1978: 262-271.
- Kochan, Thomas A. and Richard N. Block, 1977. An Interindustry Analysis of Bargaining Outcomes: Preliminary Evidence of Two-Digit Industries. Quarterly Journal of Economics. 91, August 1977: 431-452.
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