

Baseball Basics for Brits

Volume 3. Players: Development, Contracts and Transactions

In this volume of Baseball Basics for Brits we will be looking at the standard career path of MLB players. This includes:

- The amateur player draft
- How players make their way to the Majors
- The contracts they can receive when they get there
- How players move between different teams.

Player development

The subject of MLB players - how they are acquired and moved by teams, what types of contracts they sign, and so on – is an important one for Brits to learn about because many aspects are quite different to how things work in British sports.

This is true right from the very start in how players begin their professional careers.

In Britain, it is the professional clubs themselves that predominantly coach, develop and bring through young players. Players can start with a club from an early age ('under eights' teams are common) and, if good enough, a player will move into a team's Academy at sixteen years old before 'graduating' as a professional.

In baseball, Major League franchises

draft players when they have finished high school (aged 18) at the earliest, although occasionally overseas players are signed at 16 or 17 years old. Their development up to that point is the responsibility, both in coaching and financial terms, of schools and colleges rather than the teams themselves.

Remember from Volume 1 that there are 30 MLB franchises across North America (all but one, the Toronto Blue Jays, in America) and these are essentially the only show in town to play professional baseball there, other than some independent leagues that run across the States.

Every MLB team has a series of Minor League affiliate clubs (usually five) to which essentially they loan the players and then control how they move between them (e.g. if a player is at their Single-A team and is performing well,

the parent MLB club may decide to reassign them to their affiliated club in the next level up, Double-A, and neither affiliate gets a say in the matter).

The Amateur draft

Most players enter the ranks of professional baseball via the amateur player draft, which takes place in June each year.

The draft is open to players in America, Canada or an American territory who have just graduated from high school, or college players once they have reached 21 years old (players at junior or community colleges, somewhat equivalent to sixth form/colleges in Britain, can be drafted at any age).

The draft includes 50 rounds and the general order in which teams pick in each round is determined by the final standings from the previous season. The team with the worst regular season record picks first, the team with the best record goes last (pick number 30). This order can change in the first couple of rounds. If a team loses one of the better players in the game via free agency, they will receive a draft pick as compensation from the team that signed the player.

The players don't really get a say in who they are drafted by. Once a team picks a player they still have to agree a signing bonus with them, so some players can make it clear they are looking for a significant sum and end up falling to a richer team as a result.

However, if a player doesn't come to an agreement with the team he is drafted by, he cannot simply go and negotiate with another team instead. He has to wait another year for the next draft to come along.

If a player is drafted out of high school, he has more leverage in the negotiations because he can opt to go to college instead of signing with the team. Although a team that 'loses' a player in this way will receive an extra pick in the following year's draft, teams try to avoid this situation if at all possible.

Ultimately the decision to sign out of high school or go to college instead will depend on each individual case.

Some simply don't want to carry on in the education system and want to focus on baseball full-time at 18 years of age. It's generally considered that dedicating yourself in this way alongside all the support (coaching, playing opportunities etc) a professional organization brings is the best way to develop.

However, others will want to go to college for more than sporting reasons. Additionally, some players develop at different rates and signing at 18 would be selling themselves short.

That's what happened to pitcher Stephen Strasburg. By his own admission, he wasn't ready to be drafted out of high school, being overweight and needing to mature both on and off the field. After his time in college, he was one of the most talked about prospects in recent memory and was selected with the first pick of the 2009 draft by the Washington Nationals. They gave him a record-breaking \$15.1m contract.

Since this point, a new system has been introduced that is designed to limit how much each team can spend on draft bonuses.

MLB teams now are given a 'bonus

pool” to spend on their drafted players. There are guide prices set for the different picks across the first 10 rounds and a team’s bonus pool is based on the number and type of selections they have that year. Teams are penalised for exceeding their bonus pool in the form of a tax and the potential to lose first-round picks in the following season.

In 2016, the Philadelphia Phillies have the first selection due to having the worst record in 2015 (63-99), however their bonus pool of \$13.4m is slightly less than that of the second-picking team the Cincinnati Reds’ (\$13.9m), in part due to them having an additional Competitive Balance pick. For comparison, the Chicago Cubs will have the lowest bonus pool of just over \$2.24m.

Players signed in the first round can expect a draft bonus of between \$1m and \$2m, with the very top picks getting even more.

International players

Players from other countries that were not resident and educated in North America generally are not currently subject to the draft and are free to negotiate with all teams; however plans are afoot to introduce an international draft in the coming years.

The most notable country that supplies players in this way is Cuba. This is a baseball hotbed, but the political regime in the country doesn’t allow players to make their way over to the States. Cubans have to defect, often in secret escapes leaving behind family members in the knowledge that they will not be allowed back into the country.

Some players are signed out of Europe. The current record signing bonus for a European youngster is \$800k. This was

the sum paid by the Minnesota Twins to 16 year old German outfielder Max Kepler-Rozycki in 2009. He made his Major League debut for the Twins at the end of the 2015 season.

Japanese players

Players from Japan deserve their own section as there are specific rules that apply in their case.

A Japanese player cannot move to MLB as a free agent until he has played for nine years in the Japanese Nippon Professional Baseball (NPB) competition. They can only move to MLB before this if their Japanese team agrees to put him through the ‘posting’ process over the offseason. MLB teams have four days to submit a blind bid as part of an auction and if the Japanese team finds the highest bid acceptable, the player then has 30 days to negotiate a contract with the MLB team.

It’s often not a great system for the player. Not only does the player have just one team to negotiate with, by this point the team has already allocated several million dollars to win the rights to the negotiations. Much as the player and his agent wants them not to, they will consider this expense when it comes to deciding how much they are prepared to offer the player in his contract (all of the posting fee goes to the Japanese team). Consequently only a few players go through the posting process each year.

A similar ‘posting fee’ system also exists for players in the Korean Baseball League.

Moving through the minors

A player’s development from draftee to Major Leaguer will be different for each individual. In fact the majority of players

that are drafted never make it to the Majors, such is the standard required. Most will spend two to four years developing their game in the minors, progressing through the different levels, before getting the call. Occasionally a player can make it within a year or so.

Factors that can play a part include ability, work ethic, injuries slowing down progress, and the player's age when they were signed. A player signed straight out of high school may need more development years in the minors than a player who has spent an extra 3 or 4 years playing college baseball, for example.

Salaries within the minors are much lower than even the Major League minimum and are negotiated on an individual basis, other than for first-year players whose salary is set by the MLB Commissioner's Office. Indeed, a federal lawsuit was filed in 2014 aimed at increasing salaries based on the claim that the Major League teams in control of the Minors were deliberately suppressing salaries (the lawsuit is still ongoing). Additionally, players only get paid during the season.

As a rough guide, players in Single A (the main lowest level) receive \$1010 per month, \$1550 in Double A and \$2150 in Triple A (the highest minor league level). On top of these salaries, players get \$20 meal money per day.

Contracts

There are two fundamental points relating to MLB contracts that you need to know. The first is that every player that enters MLB via the amateur draft gets covered by the same standard contractual rights. The second is that those contract terms sit with the player

and regardless of how they move between teams, the contractual rights simply move with them rather than a new contract being agreed.

When a player is drafted, he is under contract for seven minor league seasons. During that time by and large he can be moved between teams (different affiliate clubs of the same MLB team, or moving to another MLB organisation and being assigned to one of their affiliate teams etc) without any say-so on his part. The compromise there is that the underlying contract stays the same.

Major League contracts

When a player gets promoted to the Major Leagues, he is then under contract for six full MLB seasons before he becomes a free agent. His contract may be cancelled or extended during this time for various reasons.

In the first year, players receive the **minimum salary** as set by MLB (\$507,500 in 2016, equivalent to £356k, March 2016). For the next two years, most players receive a salary close to, if not a little higher, than the minimum salary set for those years.

During the final three years, a player is said to be **arbitration eligible**. This means that each year the team and the player will negotiate a one-year contract. If they cannot come to an agreement on the salary, an arbitration hearing is held where each side will put forward their case. The arbitration panel will choose one of the two figures on the table (they cannot just split the difference between the two offers) and their decision is final.

At the end of these six years, the player becomes a **free agent** and is able to sign

for any team they like (the equivalent of a 'Bosman' free transfer in football). This is the stage at which players can command lucrative multi-year contracts worth millions of dollars and is also the first time in which they get a chance to decide which team they will play for.

The player once again becomes a free agent when each subsequent contract he signs runs out, or at a point when he can opt-out of the contract.

Exceptions

Some players will reach arbitration at the end of their second year. They are known as **Super 2** players and it means the very top young players can earn a slightly higher salary than the relatively modest sum they would get otherwise.

The process of arbitration can be disruptive for both the club (who don't know how much they will have to pay the player year-on-year) and the player (who, via his agent, has to go through the hassle – particularly the media interest - of agreeing a new deal each year).

Consequently, teams and the better-performing players will often look to agree a multi-year contract to cover some or all of the arbitration years, and even sometimes to delay that player's free agency. In those cases, a player understandably will be expecting a good payday if it means giving up his right to negotiate with every other team by a few years.

Case Study: Jason Heyward

As an example, let's look at outfielder Jason Heyward's career earnings so far. He signed a \$1.7m draft bonus with the Atlanta Braves in 2007 and then made his MLB debut in 2010. As noted, once

up in the Majors, he was under contract for six years before he could become a free agent.

Over his first three seasons, Heyward earned either the MLB minimum or a bit more than this, namely: 2010 - \$400k, 2011 - \$496,500, 2012 - \$565k.

Heyward's salary was 'arbitration eligible' for the first time in his fourth season and, because he had become a very good player over those first three seasons, his salary jumped to \$3.65m.

Prior to his fifth season, Heyward and his then team the Atlanta Braves agreed a two-year contract to cover his remaining two arbitration years under contract, amounting to \$4.5m in 2014 and \$7.8m in 2015 (that became \$8.3m with bonuses added).

Prior to Heyward's final season under his initial 6-year period, the Atlanta Braves traded him to the St Louis Cardinals. Atlanta decided that they would be unable to afford to sign Heyward to a longer-term contract to avoid him becoming a free agent and therefore traded him for some other players, rather than see him walk away at the end of the season. This happens quite frequently in MLB.

Once Heyward completed his 2015 season with the Cardinals, his initial 6-year contract period expired and he became a free agent, able to negotiate with any team. In this situation, the team doesn't pay any transfer fee to sign the player, but does normally forfeit an amateur draft pick.

Heyward ended up signing an eight-year contract with the Chicago Cubs that is worth a total of \$184m. With the way the contract is structured, Heyward

will earn \$15m in 2016 (nearly double his 2015 salary) and then will earn around \$21m every year for the next seven.

That may sound a wonderful position to be in already, but the other key thing about Heyward's contract is that he can opt-out of it (i.e. tear it up and become a free agent again) after three years.

You'd be forgiven for reacting to that by thinking he would be mad to do this; however Heyward made his MLB debut at 20 years old, a young age in baseball.

In three years (the end of the 2018 season) he will still be only 29 years old, so if he performs well before then he will probably be able to get a longer and more lucrative contract than the 5 years and \$106m that will be remaining on his existing deal. And, of course, if he doesn't play well during those first three years, he can just stay where he is on his original, very well-remunerated contract.

Over the past year or so, such opt-outs have become more common among the elite free agents. Business is booming in baseball and salaries keep rising, so negotiating the opportunity to become a free agent again a few years down the line makes sense.

There are fewer advantages for the team as they are taking on most of the risk – they are stuck paying the player if he performs poorly, but could see him walk away if he performs well – so it's only the elite talent that are likely to have the bargaining power to get a team to agree to this.

Trades

One of the biggest differences between MLB and British sports is the way in which players are traded, rather than bought

or loaned.

In many cases, the players involved get no say in whether they want to be traded, never mind where to. A player can be part of a division-leading club on the east coast one day and then find himself playing for a west coast team at the bottom of the standings on the next.

The crucial point is that the player will not lose out financially: his existing contract will simply be carried over and honoured by his new team. The Players union understandably would not accept the idea of a player having his salary slashed when being traded without his consent. So that is how things stand: the contract stays the same regardless of who is paying it.

As an off-shoot, players do not agitate to move to a new team simply to earn more money, as is the case in Britain where a transfer means a new contract for the player (and a slice of the transfer fee as well).

In fact it is often the other way around: a team may try to trade a player part-way through a multi-year deal because they can no longer afford (or want) to pay the salary remaining on the contract. If the contract is particularly burdensome (in length and dollars), a team can face difficulties in agreeing a trade for the player and they may have to agree to pay part of the salary remaining on the contract.

They may also have their hands tied in regards to who they can trade the player to. When a player is a free agent, they can use their bargaining position to insert **no-trade clauses** into their contracts (this can also happen when a player agrees a deal to cover their arbitration years). Occasionally these

will be complete no-trade clauses (i.e. the team cannot trade the player, without his consent, to *any* team), but more often the no-trade clause will relate to a list of teams chosen by the player (for competitive and geographic reasons).

You can see that there is a certain amount of give-and-take to the process. In a player's early Major League years, he will receive less money (relative to free agents of a similar talent) and has less rights in regards to being traded.

In return, after six years the player has earned the right to be a free agent and can 'sell' his services on the free market, giving him the opportunity to seek a lucrative contract and more control over his future. Don't forget though that the player is often 29 or 30 years old by this point.

Veterans

Regardless of whether they are negotiating a free agent contract, players earn extra rights if they play in the Majors for a number of years. In particular, a player who has been in the Majors for ten years, and five with his current team, cannot be traded without his consent. These players are referred to as '**five and ten**' players (sometimes '**ten and five**').

Additional Information

This is just an introduction to the subject of player contracts and there's plenty more details you can delve into if you wish. To find out more, visit the Cot's Baseball Contracts site and consult the 'Glossary' section.

What should also be noted is that player salaries and contracts become public knowledge, right down to what bonuses and perks they receive. Everyone knows what everyone else is earning; a very different scenario to how it works in football, for example.

Sources

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