

Labour Market for Professional Soccer Players in Japan :

Comparison with that in Australia

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Abstract

People think professional sport players are privileged, living in another world ; however, this belief is wrong in an economic sense. Players are a part of the workforce in each country. So the labour market for Japanese soccer players is characterised by Japanese labour customs, such as seniority wage, low mobility and non-industrial unionism, which is very different from that for Australian soccer players. The Japanese labour market for professional soccer players is under the leadership of the Japan Professional Soccer League, called the J. League. The J. League interferes in the club management with the principle of mutual coexistence, and this principle leads to low wage for players.

1. Introduction

People think that professional sport players are privileged, living in another world, because they can earn a lot of money, and they are so famous. However, in an economic sense, this belief is simply wrong. Most soccer players are not famous, nor rich. Players like David Beckham or Luis Figo are exceptions.

Sport players including outstanding ones are a part of the labour force, even if their life style is totally different from ordinary people. In this paper, mainly examining professional soccer players of the Japan Professional Soccer League known as the J. League, which started in 1993, and comparing with those of the National Soccer League in Australia, which started in 1977, I will investigate the labour market mechanism for professional soccer players, which reflects the characteristics of the Japanese labour market. Actually, soccer is the second major popular sport in Japan, and the first is baseball. On the other hand, in Australia, soccer has been less popular than a variety of rugby and cricket.

This paper consists of five sections. Section 2 presents a brief history of the J. League and its policies. Section 3 provides information on promotion and wage for soccer players. In Section 4, a soccer players' association in Japan is compared with that in Australia. Some concluding remarks are given in Section 5.

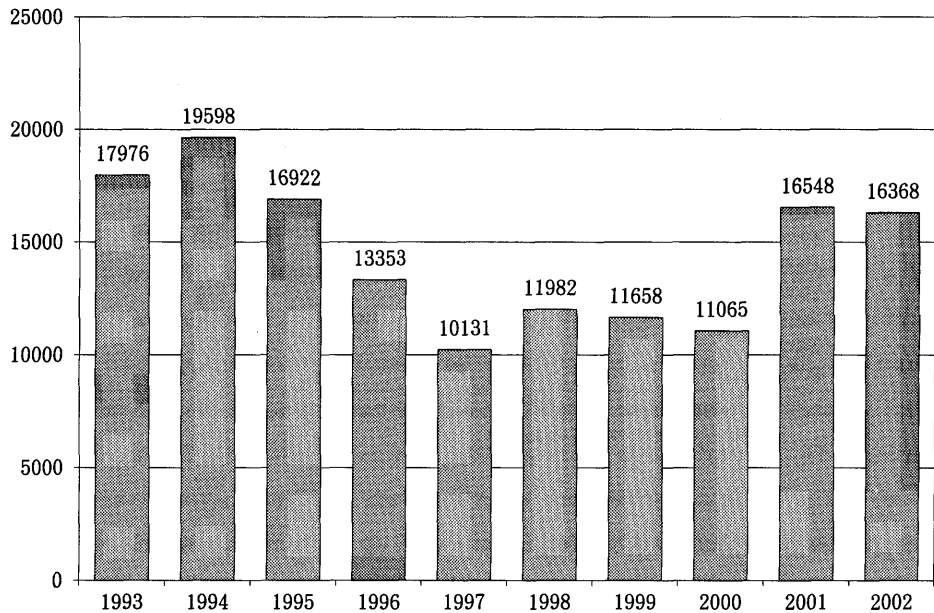
2. A Brief History of the J. League and the Strategy for its Success

2-1 A Brief History of the J. League

It was 1993 when the J. League started. Before then, the Japan Soccer league (JSL) had carried on for a couple of decades. It was a non-professional league, which means that most players were semi-professional. Players were employed as a part-time player and as a normal worker. A few full-time professional players appeared around 1990. However, most choose to be semi-professional players because of future career needs and a stable wage. They did not have enough time for improving their skill, and the Japanese national team was weaker than most Asian countries. Japan has failed to qualify for the World Cup until the year of 1998. In the 1980's spectators of the JSL had decreased year by year.

Under the above situation, in 1988, the JSL presented a proposal to the Japan Football Association (JFA) that a top league should become a professional one. The proposal was also related to the ambition to be the first host country of the World Cup in Asian countries. Then, the JFA decided to form a professional league and announced a membership requirement for the prospective new league in 1990. In the following year, 10 teams were determined as a professional soccer league named the J. League, and which was registered as a non-profit organisation. These 10 clubs became professional teams. Mr Kawabuchi was the first chairman of the J. League. Opening games started in May 1993 with massive spectators for every game.

It should be noted that the starting year of the J. League was after the collapse of the bubble economy. So many people were wondering if the J. League would obtain enough spectators at games. However, reality was much better than expectation. The average number of spectators per home game in the starting year of 1993 was some 18 thousands persons, which is 5 times the last game of the JSL. See Figure 1.



Note: This figure is made by the author, using the data from The J. League web site (<http://www.j-league.or.jp>).

Figure 1 The Number of Spectators per Home Game

The years of 1994 and 1995 were just “the soccer bubble” period. A soccer ticket was called a “platinum paper”. The number of spectators, however, began to decrease, although it was at the last day of May 1996 that the World Cup 2002 would be held under the joint auspices of Korea and Japan. The period 1997 to 2000 was tough time for the J. League and clubs. The worst thing happened in October 1998 when one of J1 clubs, named Yokohama Flugers became bankrupt. Flugers hired many famous foreign players including two Brazil national representatives, however, it could not get enough supporters, because Yokohama City had another, more popular soccer team named Marinos. Yokohama Flugers had to merge with its rival team, Yokohama Marinos.

After the bankrupt of Yokohama Flugers, the J. League chairman Mr Kawabuchi introduced several restrictions and rules to secure a club management. First of all, professional players are categorised as ProA, ProB and ProC. ProC is a starting point for professional soccer players. The detailed discussion on players’ categories will be given in Section 3-1. Second, the number of professional players with no

Table 1 Number of Teams and Games

	Teams		Number of Home Games	
	J 1	J 2	(J 1 league)	(Nabisco cup)
1993	10	0	18	2 ~ 3
1994	12	0	22	"tournament"
1995	14	0	26	"no games"
1996	16	0	15	7
1997	17	0	16	3 ~ 6
1998	18	0	17	2
1999	16	10	15	1 ~ 4
2000	16	11	15	1 ~ 4
2001	16	12	15	1 ~ 4
2002	16	12	15	1 ~ 4
2003	16	12	15	1 ~ 4

Note : This table is made by the author, using the data from the J. League web site (<http://www.j-league.or.jp/>).

maximum wage, called ProA player, is restricted up to 25 members including foreign players. Third, common wage contract and transfer and compensation fee rules are introduced and applied for all clubs. The aim of these three rules is to decrease the labour cost and to secure the club finance. Fourth, club finance data should be open to the public.

At the same time in 1999, the J. League changed a league with permanent teams to the two divisions' league with promotion and relegation. The two divisions system encouraged people to attend at games. Besides, the fact the World Cup 2002 was approaching was contributed to increase the spectators. See Figure 1.

After the start of the J. League, the number of teams and a game schedule has changed a lot. See Table 1. Since 1999 the league schedule has been more stable, and the J. League has had two divisions; 16 teams in the J. League Division 1 (J 1) and 12 teams in the J. League Division 2 (J 2). According to a current policy since 2000, top two teams of J 2 replace bottom two teams of J 1 automatically.

The J. League Division 1 consists of a league with two stages, and a cup game named the Yamazaki-Nabisuko Cup. The J 1 champion is a winner team between the first stage champion and the second stage champion. The two stages are composed of 15 games each. The cup game is a home and away tournament.

2-2 The Strategy of the J. League for its Success

Mr kawabuchi, the first chairman, was a key person who determined a plan for professional soccer and implemented it. His belief is the coexistence with all clubs

and regional communities in mutual prosperity. He has, in reality, behaved as a beneficial dictator and imposed many rules and restrictions on club management. He is now the chairman of the JFA (the Japan Football Association), however, he has maintained strong influence on the J. League.

The strategies of the J. League are: first, a strong redistribution policy between clubs, and second, a home town policy.

First, I will discuss the redistribution policy. As might be expected, a large difference exists between clubs in their ability to attract spectators, and then in club finance. Although the average number is 16,548 per home game in 2001, the number of spectators for the most popular team is 26,720 per home game and those for the least one is only 7,818. The latter is some 30 percent of the former. The operation size of clubs mainly depends on the number of spectators. As a result, the revenue for five big clubs is more than 3 billion yen (A \$ 38 million), on the other hand, that for the poorest club some 1 billion (A \$ 13 million). Small clubs could not survive without an allocation of funds from the J. League. The redistribution policy of the J. League is regard to chance a competitive balance, discussed by Fort and Quirk (1995).

Funds for redistribution are collected from the broadcast rights and sponsorship. The J. League has had a monopoly on broadcast and intellectual property rights. Some 60 to 70 percent of total revenue of the J. League is redistributed to clubs. The redistribution policy is very important for the small clubs. The 2002 revenue of the J. League was 11 billion yen, including 4.8 billion yen from the broadcast rights and 3.5 billion yen from sponsorship right. Allocation of funds to clubs was 7.2 billion yen, which is distributed very equally for playing premiums and game expenditure. The allocation fund is around 250 million yen and some 10 percent of club's revenue on average for J1 clubs. However, assuming for small clubs with 1 billion yen revenue, the percentage of allocation fund would be 25 percent of club revenue.

Next, I will explain about a home town policy. It should be noted that historically every J-club has had a principal sponsor company, with revenue depending heavily on sponsorship: some 50 percent of the revenue. See Figure 3. Besides, a principal sponsoring company in most clubs loaned executives to the club for a few year. Several clubs, however, had better understanding executives, who had worked longer than a couple of years.

Mr Kawabuchi insisted that clubs should be named by "city/town name +

nickname”, such as Kashima Antlers, avoiding the sponsor’s company name. This was a new attempt for professional sports in Japan including professional baseball teams, as any clubs have been named offer a sponsor company.

Most soccer clubs supported Mr Kawabuchi. However, one parson opposed him strongly. He is Mr Watanabe, who is the owner of the most popular professional baseball team, the Yomiuri Giants, being a well known ‘trouble maker’. The Yomiuri is the most powerful newspaper publisher in Japan. Mr Watanabe insisted that soccer clubs should be called by sponsors’ name, like baseball teams, and that the J. League should not interfere in club management. After a long battle, Mr Kawabuchi won, and Mr Watanabe lost his interest in soccer.

3. Promotion and Wage for Professional Soccer Players in Japan

3-1 Categories of Professional Soccer Players and Promotion System

There are three categories of professional soccer players in Japan, namely ProA, ProB and ProC. Players’ wage comprised of a basic wage and a fluctuating wage. A fluctuating wage has three parts: a paying premium, a game premium and a performance premium. A playing premium is paid to players who can play in a game. A game premium is paid to all game players including substitutions when a game wins or equals, which depends a team performance. A performance premium is paid to a player who is a representative or to be selected as a best player and so on.

It should be noted that intellectual property rights belong to the J. League and clubs, not to players in Japan, unlike in most European countries, although recently players can get some sort of money from their intellectual property rights. So the basic wage roughly determines annual earnings for professional soccer players.

The category ProC is a starting point for all amateur and semi-professional soccer players. Their wage is 4.8 million at maximum, and which is equivalent to the average wage for an employee in his twenties. There is no minimum wage in Japan. In most countries, there is a minimum wage, for instance, in Australia the minimum remuneration is A \$23,316.80 (= some 1.9 million yen) applying for all full time players in the 2003 collective agreement.

An ‘up or out’ promotion policy is applied for ProC players. If he has spent three years, he should make a contract as ProB or ProA. Otherwise, he has to give

up his career as a professional soccer player. He should play as an amateur or find another job. Currently, there are some 900 professional soccer players in the J1 and J2 leagues, and 100 to 150 players are leaving every year. Many of them are ProC players in their early twenties, because of three years' limit employment contract based on the 'up or out' policy.

There is another promotion rule for ProC Players: a time condition rule. If a player is highly skilled, he will be promoted a ProA or ProB player, once he plays 450 minutes in J1, or 900 minutes in J2, or 1,350 minutes in JFL. This time condition rule is important for the club management, because if a promising player is promoted too late, the club will lose a dividend.

It should be noted that ProC players are subject a transfer fee rule as well as ProA players. See Table 2. Assuming that a player's wage is 4.8 million yen and his age is 23 years old, and that he will transfer the same wage, the transfer fee in this case is 4.8×8 (age coefficient in Table 2) = 38.4 million yen. It means that it is not easy for a ProC player to move another club. This transfer rule is a local rule, not a FIFA rule. Dabschek (2003) and Dabschek (2000) examined the implication of a Bosman case and a new employment rule. According to his investigation, local Japanese transfer rule would put Japanese players in a difficult position in the overseas market. It, also, prevents young players from changing clubs within Japan.

Status of ProB players is not so different from ProC players'. Their basic wage is 4.8 million yen at maximum, as the same as ProC players'. Their wage remains

Table 2 Transfer Fee Rules

Transfer fee at maximum = Average Basic Wage x Age Coefficient

ProA : Average Basic Wage = $(X + Y + Z) / 3$

X : the last contract wage at the previous club

Y : a new contract wage offered by the previous club

Z : an offered wage by a new club

ProC : Average Basic Wage = $(Y + Z) / 2$

Age Coefficient

previous club new club	J 1			J 2			JFL		
	J 1	J 2	JFL	J 1	J 2	JFL	J 1	J 2	JFL
16-less than 22		10.0		2.5	9.0		2.5		9.0
22-less than 25		8.0		2.0	4.0		2.0		4.0
25-less than 28		6.0		1.5	3.0		1.5		3.0
28-less than 30		3.0		0.0	1.5		0.0		1.5
30-less than 32		1.0		0.0	0.5		0.0		0.5
32-		0.0		0.0	0.0		0.0		0.0

Data : The JFA web site (<http://www.jfa.or.jp/>)

low, instead a transfer fee rule is not applied for them, but a compensation fee rule is: 300 thousands yen multiplied the years employed. Compensation fee is not expensive comparing with transfer fee.

ProA players are those who capture the public's imagination. There is no limitation on their wages, subject to a maximum basic wage of 7 million yen only for their first contract, which is equal to the average wage for all employees. The number of ProA players is restricted to 25 or less. Transfer fee rules apply to ProA players. The transfer fee is partly by a player's age, and the younger a player, the more the transfer fee is. Currently, if a player is 32 years and more, no transfer fee applies.

3-2 Wage and Payroll and Performance

Table 3 provides a summary on players' basic wage payment. This table reveals three findings.

First, payroll and performance are strongly corelated. Hall, Szymansky and Zimbalist (2002) pointed out that there is no correlation for the American Major League (baseball), and a strong correlation for the English Premier League (soccer). The relationship between payroll and performance is obvious in the case of Japanese soccer clubs. In the big 3 clubs, each club pays 6 billion to 8 billion for all players, and these clubs also made a strongest group. On the other hand, in the smallest and the weakest 2 clubs, each club pays only half of that of the big clubs.

Second, a correlation efficient between age and wage is high, except Yokohama Marinos. According to Table 3, the correlation coefficient between age and wage for Jubilo, Torinita and Sanga is quite high: 0.9, 0.85 and 0.72 respectively. Current

Table 3 Players' Wage: Basic Wage only (2003, cluculated by the author)

	Big Clubs			Small Clubs		
	Antlers	Jubilo	Marinos	Torinita	Sanga	Jef
number of players (foreign players)	28 (2)	26 (2)	33 (2)	31 (3)	29 (1)	32 (3)
average wage for all players	29.4 million	26.9 million	18.8 million	12.2 million	12.2 million	14.7 million
total wage payment	820 million	700 million	620 million	370 million	340 million	490 million
average wage for Japanese players	29.6 million	26.9 million	17.9 million	8.8 million	10.5 million	10.6 million
(correlation between age and wage)	0.6255	0.9001	0.4691	0.852	0.7216	0.6198

Note: Baseball players' average is 35.1 million yen.

The highest team wage is 59.7 million yen and the lowest is 26.5 million yen.

Data: Basic wage for soccer players are presented ofn the Nikkan Sports Journal web site.

Annual income for baseball players are collected by the Japan Professional Baseball Players Association (a union) and shown on their web site.

wage rules seem to lead to a seniority wage with low wage for younger players. ProC and ProB Players' basic wage is 4.8 million yen at maximum.

Third, wage for professional soccer players is lower than that for professional baseball players. The average wage for baseball players is 35.1 million yen, on the other hand, even for Kashima Antlers — one of big soccer clubs, the average wage is less than 30 million yen. According to Table 3, the average wage for big clubs just can catch up with the poorest baseball team's average wage, 25 million yen per annual. The average wage for small soccer clubs are only around 10 million yen for Japanese players, that is, one third of baseball players' wage on average.

The difference between baseball players' wage and soccer players' might be related to the existence of union. Baseball players have had a union since in 1985, however, soccer players only have a mutual benefit society, which does not any negotiations. Collective agreement is carried out for Japanese baseball players, the same as for Australian soccer players.

4. Soccer Players' Association in Japan and in Australia

The J. League Pro Footballers Association (JPFA) was organised in 1996, following an initiative by Mr Kawabuchi (the J. League Chairman at that time). He thought that players should have an association. Currently, all Japanese players of J 1 and J 2 clubs join it, including some foreign players. Its member is some 850.

The JPFA is a mutual benefit society, not a union. In general, Japanese people dislike unions. The JPFA insists on their web site that it does not have a plan to be a union in the future. It wants to be a neutral corporate body, which is a new type of organisation and stands between non-profit and profit organisation (see the JPFA web site).

The JPFA operational cost is mostly covered by a grant from the J. League. Additional income is derived from membership fees (annual fee: 10 thousand yen for all members) and limited use of intellectual property rights. The JPFA is strongly dependent on the J. League and the JFA; staff supply as well as financial support. For instance, its secretary general is one of members in an international section of the JFA. He is a member of management, and at the same time he is the key person of players' association. Furthermore, he has been a representative of the JPFA in the FIFPro since 2000. The FIFPro is an international organisation for professional

soccer players' unions. I am wondering if he could be a representative of the JPFA in the FIFPro, and even if the non-union JPFA could join the FIFPro.

Main actions of the JPFA are coaching school children and promotion activities. Wage negotiation and discussions about the transfer system are not their business. Their attitude is very different from Australian football players' association, which has fought and claimed freedom of transfer, a minimum wage and so on.

5. Conclusion

First, Japanese soccer market reflects the traditional Japanese labour customs: low wage for younger players because of maximum wage system, non-industrial unionism and low mobility due to current transfer system. These three factors should follow a low wage level for all professional soccer players in Japan.

The above three characteristics are related to the J. League policy such as the principle of mutual coexistence. After disappear of the Yokohama Flugers in 1998, the J. League introduced the restrictions and rules to decrease the labour cost and to secure the club finance: three categories for professional players, the maximum wage for ProC and ProB players, the maximum number of ProA players, transfer and compensation rules, a release of club finance and non-unionism association. These restrictions and rules are very unique. For instance, Australian soccer market is similar to EU countries': a players' union, a collective agreement, a minimum wage system and also no three categories for players. In Australia, there is no maximum wage rule, and a player wage is determined by his ability through negotiation and soccer market condition.

It should be noted that in the National Soccer League in Australia, some teams disappeared because of club financial problems: however, the NSL did not introduce the restrictions for players, unlike the J. League.

Next, the relationship between payroll and performance is observed in Table 3. If performance is important for club management, it might be reasonable for clubs to pay players as high as possible. Also, Noll (2002) pointed out that leagues with promotion and relegation would lead to better pay for players, that is, a player's wage is approaching his productivity. If so, the J. League with 2 divisions with promotion and relegation since in 1999 might produce better payments for players.

Finally, I would like to point out several controversial issues. First, should the

distribution policy of the J. League continue? Allocation funds are very important for small clubs, and also it supports the competitive balance. However, if a club would like to be bigger, this policy restricts its ability to pursue higher income. This debate is related to the revenue from broadcast and intellectual property rights. Who will have these rights, the J. League or clubs or players? Second, should the current transfer fee system be changed? It has contributed to get better club finance: it, however, is an obstacle for young players to change clubs including overseas ones.

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