Insights, News & Events

BATTER UP! AN EMPLOYER'S WINNERS-AND-LOSERS GUIDE TO THE END OF BASEBALL'S LOCKOUT

Insights
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We were off by about 10 days. When we published An Employer's Guide to the Baseball Lockout: Answering Your Questions About the First MLB Work Stoppage in Almost 30 Years way back at the beginning of December, we predicted the two sides would forge a compromise by the end of February, spring training season would be shortened by a few weeks, and the regular season would start on time on March 31. With yesterday's welcome news that the lockout is officially over after 99 days, we now know that a reduced slate of Spring Training games will start around March 18, the first pitch of the season will be thrown on April 7, and we'll have a full 162-game schedule to look forward to in 2022. Before you start scouting the team rosters and preparing for your fantasy draft in a few weeks, it's time to take a look at the final agreements reached on the most significant issues in the final collective bargaining agreement (which is good through the 2026 season) and give our take on the winners and losers.

First Inning: Full 162-Game Schedule

To the loyal public and baseball traditionalists, perhaps the most welcome news is that there will be a full 162-game schedule starting on April 7. The season will be extended by three days to make up for the week-long delay in starting the season, and the other games will be made up as doubleheaders. Players are happy that they will be paid for a full season. Owners are happy that they will have ticket sales, concession sales, and TV contracts for a full season.

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Winner: Baseball fans. Purists will rejoice at the fact that all doubleheaders will be nine-inning affairs with no baserunners starting on the bases to start extra innings.

Second Inning: Pre-Arbitration Bonus Pool

Perhaps the linchpin in the entire negotiations was the argument over a pre-arbitration bonus pool. Under the new CBA, the owners will pay the best and youngest players from this new pool — which is set at $50 million. The allocation of the funds will be based on the WAR statistic and determined by a management-union committee, among other similar metrics. This amount of money will be drawn from a central revenue fund and dispersed each year to those cream-of-the-crop young players who are not yet eligible for arbitration (i.e., those with fewer than three years of service time in the major leagues).

Winner: Players. The union has long been upset at the way that clubs maneuver players between the minors and the majors and impact their arbitration eligibility date. This concession from owners is a big step towards counteracting this dynamic.

Third Inning: Minimum Salary Increases

The next five years will see minimum salary levels increase from $700,000 in 2022 to $780,000 in the final year of the CBA, with $20K bumps each year. This is a massive jump from $570,500 and represents a pay hike of about 23% for pre-arbitration players.

Winner: Players, again. This adjustment was long-awaited by the players' union and considered a key victory for their constituents. And since most players will never duke it out in arbitration or get a free agent windfall, this is a meaningful compensation bump.

Fourth Inning: Competitive Balance Tax (CBT) Thresholds

The CBT – also known as the luxury tax – is baseball's way of addressing the economic conditions that most other professional leagues handle through a salary cap. Instead, teams with payrolls over a certain amount are required to pay a tax to the league in order to keep some control over spending. The starting point of the luxury tax will be set at $230 million and finish at $244 million. (There will also be a new level, sometimes referred to as the "Steve Cohen tax"

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after the Mets new owner, penalizing teams whose payroll tops $290 million.)

Winner: Owners. Unless your last name is Cohen.

Fifth Inning: Draft Lottery

For the first time, MLB will have a draft lottery in an effort to disincentive tanking from those clubs who otherwise might want to race to the bottom. All non-playoff teams will be entered into a weighted lottery to determine the top six draft picks, a mechanism that might encourage teams to not throw in the towel too soon in the season. Small-market teams who receive a lottery pick in two consecutive drafts will not be permitted to select higher than tenth the following season, and large-market teams are similarly restricted after just one lottery hit.

Winner: Players. This is another major win for the union, creating a bit of uncertainty for those organizations that are angling to acquire a superstar collegiate or high school player in the June draft.

Sixth Inning: Universal DH

Say goodbye to the days of pitchers wandering the basepaths wearing long-sleeve jackets to stay warm on 75-degree evenings. Beginning immediately, there will be a universal designated hitter in both leagues.

Winner: Pitchers, who will no longer have to embarrass themselves at the plate (unless your last name is Ohtani or deGrom).

Seventh Inning: Rules Changes

Under the new collective bargaining agreement, MLB owners can implement future rule changes with just a 45-day notice rather than the prior one year's notice. While there be a formal committee to oversee rule changes, the committee is stacked with six league appointees and only four player appointees (and a lone umpire member). Given that the league has more votes than players and umpires combined, the owners will now have the power to push through rules changes (pitch clock? larger bases? ban on defensive shifts? robot umps?). And the 45-day notice window essentially means the league can impose new rules in just a single off-season period.

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Winner: Owners. Expect to see a whole host of changes to the game's rules for the 2023 season in an effort to retain and attract younger fans.

Seventh Inning Stretch: Uniform Ads

One thing will look markedly different this season (and we don't just mean the Cleveland Guardians) – expect to see commercial advertisements on player uniforms. Plans haven't been announced yet, but reports indicate that we'll see patches on player jerseys and decals on batting helmets.

Winner: Owners, who will reap tens of millions in additional revenue from this change.

Eighth Inning: Miscellaneous Matters

- Under the new deal, teams can only option players to the minor leagues a maximum of five times per season before they become eligible for the waiver wire.
- The top two vote-getters for Rookie-of-the-Year voting will receive a full year of service time.
- Any team that has a rookie finish high in the Rookie-of-the-Year voting will receive up to three bonus draft picks if that player was on their opening day roster, incentivizing the teams to call up young talent earlier.
- The annual June draft of amateur players has been sliced in half from 40 to 20 rounds.

Winner: Call it a tie, like the 2002 All-Star Game.

Ninth Inning: Expanded Playoffs

There will now be 12 teams in the postseason playoffs rather than having only 10 qualify (a number that had been in place since 2012, not including the 2020 season for obvious reasons).

We'll have three division winners and three wild cards in each league. The number 1 seed in each league will play the winner of the No. 4 vs. No. 5 series, and the number 2 seed will play the No. 3 vs. No. 6 winner – each matching up in an opening-round three-game series. There will no longer be any "Game 163" tiebreakers, with all playoff spots determined by pre-agreed tiebreaker formulas.

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Winner: Owners. The introduction of a new round of the postseason is worth over $80 million to the owners in television revenue rights. While the owners originally pushed for a 14-team playoff, the players were concerned that expanding the playoffs that far would make it easier for teams to make the postseason and thereby reduce the incentive for owners to spend money to assemble highly competitive teams. The players also floated the possibility of division winners starting with a one-game advantage in any first-round series (a "ghost win") against a Wild Card team. The 12-team compromise is still a win for owners.

Extra Innings: International Draft and Qualifying Offer

The two sides didn't hammer everything out. There are still two outstanding issues that will need to be ironed out in the coming months (but luckily won't delay the return of baseball) – the international draft and the so-called "qualifying" offer.

- When teams sign certain free agents who are considered high worth, they are forced to give up a draft pick to sign them. This is otherwise known as a qualifying offer. The players' union isn't thrilled with it because they feel it depresses the free agent market by adding a barrier to big-money signings, and wanted it eliminated in this CBA.

- The owners agreed, but wanted something in exchange: the long-sought-after and elusive international draft. Given the influx of big-money talent from places like Latin America and Japan, owners wanted a way to control the marketplace.

The eleventh-hour addition of the international draft as a sticking point threatened to derail the deal that appeared imminent on Wednesday evening. Both sides recognize this is a major issue, but they didn't want their disagreement to blow up the compromises they reached on all other subjects. Instead, they agreed to continue negotiations on these two remaining issues through July 25.

Winner: Baseball fans. The optimism that started blooming Tuesday was threatened when we all learned that the international draft was now a possible dead end, but we can now turn our attention to pitchers and catchers reporting by this weekend.

Conclusion

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