

## **Professional “Amateurs” in the NCAA: The Impact of Downstream Demand**

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### **Abstract**

We argue that student-athletes are amateur in title only; they are actually professional athletes in all accounts of their actions. This occurs because of the downstream demand of their athletic success: Coaches are paid professionals. As a paid professional, these coaches are held accountable for the performances of their team, i.e. they are hired and fired based on this performance. Within the constraints of the NCAA guidelines, coaches make the rules for their athletes, which the athletes are required to follow. As such, the athletes themselves are professionals acting under professional incentives and are amateurs in title only.

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## **I. Introduction**

Incentive effects can be driven downstream by higher-level incentive structures. When a boss faces new incentives, employees feel this incentive adjustment as if it were placed on them. These downstream demands have a direct impact on the behavior of these employees, even when these incentives are not directly placed on the employees themselves.

Although student-athletes in the National Collegiate Athletic Association (NCAA) are not considered employees, they face the same downstream demands as employees do in the workplace. These student athletes (employees) respond to the incentives given to them by their coach (boss). NCAA coaches, in profit-bearing sports, are well-paid professionals who follow professional incentives.<sup>2</sup> These coaches are hired and fired based on their performance, which is often quantified by wins. Given that these coaches set the rules for their athletes, even though the NCAA titles these athletes as amateurs, athletes must respond to their coach's rules. Thus, we argue that student-athletes are amateur in title only, that they are actually professional athletes in all accounts of their actions.

## **II. Mixed Structure: Amateurs and Professionals**

Student-athletes have been shown to bring in large sums of money for their schools, or more specifically their athletic departments. Fish (2009), who updates the work done by Brown (1993), estimates that the typical elite college player, a player that will be drafted into the NFL, provides an average value to his team of about \$1.3 million per season. These athletes can bring

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<sup>2</sup> This is true in big-time sports (football and basketball), which is the focus of this study. The average head football coach in the NCAA's "big five" conference is \$2.95 million, which is close to the professional coach's average salary in the National Football League of around \$4 million. In some cases, coaches actually receive more money in college football than in the professional football league. For example, in 2015, Jim Harbaugh left the San Francisco 49ers (a professional team) to go to the University of Michigan (an NCAA team) and received a pay raise for doing so.

in up to \$3 million over their career. The rents generated by these athletes are high, and so are the pressures on them to perform.

The NCAA is made up of two distinct entities: professional staff (coaches, athletic directors, and related personnel) and amateur student-athletes. There are multiple athletic departments with budgets over \$100 million, which can only go towards the professional group of employees and structural spending. The amateur group is required to do their work without monetary remuneration.

### *Professional Incentives*

In an athletic department, athletic success and financial success are linked. As athletic departments generate more revenues, pressure to increase these revenues exists. Jones (2013) tackles the issue of athletic expenditures and the impact it has on both staff and students. Jones states that an increase in expenditures insinuates an expectation of more wins, which puts pressure on the coaches to win; which then translates into pressure on their (amateur) players to win.

Higher levels of performance generate ticket revenue, increased television exposure, and potential championships; which can lead to increased athletic budgets and impact the academic side of the university: more applications for the school (Pope & Pope, 2009) and lower student performance (Lindo, Swensen & Waddell, 2012 and Hernández-Julián & Rotthoff, 2014). Although, Holmes (2011) argues that it is more than on-field success that enables a coach to keep his job such as allegiances, history, and expectations of certain coaches. Holmes states that programs with a legacy of success, and schools with the highest athletic expenditures, are more likely to have higher expectations of the coach. Thus compelling the student-athletes at these schools to feel even more pressure.

As athletic expenditures are rising, which is occurring more quickly than general university expenditures, this creates an increase in fringe benefits for athletes. Fringe benefits include more and better coaches, better training facilities, increased access to academic support, etc. Because student-athletes cannot be explicitly paid, these increased benefits are implicit forms of payments for the student-athletes, which are often called the “athletics arms race” (see Kahn, 2007 and Hoffer et al., 2014). Given the NCAA’s prohibition of direct payments, these indirect payments are inefficient and are referred to as a form of Tullock costs in Rotthoff and Mayo (2010).

#### *Restrictions on Student-Athletes as a Result of Amateurism*

Unlike most adult Americans, those individuals that sign with the NCAA give up some of their general rights: the right to sell their labor, the right to sell their property, likeness, or autographs (student-athletes are required to sign over these rights to maintain amateur status). Currently, the NCAA maintains student-athlete amateur status by capping compensation at the grant-in-aid or a full-ride scholarship.<sup>3</sup>

Hersch (2012) points out other impacts of their amateur status with implications on their choice set: student-athletes are not allowed to transfer between schools with the same freedom that coaches are (or other non-athlete students). This disparity of freedom systematically regards student-athlete aspirations as subordinate to that of a coach, forcing them to act in their coach’s professional interest, potentially at the expense of their own.<sup>4</sup> The strict transfer rules continue to

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<sup>3</sup> Recently there has been a push to include an additional stipend. However, this is capped at \$2,000 in additional funds for incidental expenses (Lane et. al, 2014). Pending cases also exist, see O’Bannon vs. NCAA.

<sup>4</sup> Hersch (2012) argues that coaching changes can affect a player’s professional career, especially if the change happens early in the student-athlete’s collegiate career. He finds that new coaches decrease current athletes playing time, resulting from different styles of play. Although only a small number of student-athletes make it into professional sports, a 1990 study found that 43% of black high school athletes and 16% of white high school athletes believe they will become professional athletes (Zimbalist, 1999, pg 11).

enforce that athletes do not have the freedom to move to another program if they believe their coach's demands are unduly burdensome or impacting their educational attainment.

### *Balancing two jobs for the student-athlete*

Given the pressures coaches face to win, it is easy to see why players find it difficult to balance the two full time jobs of a student-athlete (being a student and being an athlete). This is why athletic departments hire staff explicitly for the advising, over-seeing, and handling of the academic side of a student-athlete. They are also required to take a minimum number of credits per semester and maintain a certain GPA to remain eligible to play their sport. Although the recruitment process may open the door to athletes who may not have gone to college otherwise; there are incentives in place that pressure student-athletes into less rigorous majors (and/or they are advised to take less rigorous majors) so that they can both get out on time and not have their studies distract from their athletic endeavors.<sup>5</sup>

### **III. Downstream Demand**

Given that athletic departments are seeing increases in revenues and there is a mixed structure of both professionals and amateurs, this leads to a downstream demand from upper level management through to the workers (or performers on the field in this case). Professional pressures on athletic department staff, directors, and coaches alike, force these same pressures on the athletes they oversee. When a coach is forced to win, their players are also forced to win.

Downstream demands happen in many aspects of life. Rotthoff (2008) shows how downstream demand impacts the use of affirmative action in higher education. Since firms are required to follow affirmative action laws, schools use affirmative action policies to produce

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<sup>5</sup> It is estimated that “[t]he typical Division I college football player devotes 43.3 hours per week to his sport — 3.3 more hours than the typical American work week.” (Edelman, 2014)

graduates these firms want. The impact of downstream demand changes the schools' behaviors; just like the downstream demand of a coach's incentive changes athletes' behaviors.

At many big-time football schools, the head football coach is the highest paid employee at the entire university (Maxcy, 2013). With that being said, it follows that head coaching positions are incredibly competitive and volatile, making on-field success extremely important for any level of job security. These immense pressures on success are born by the athletes. Given the pressure to succeed on the field, it is argued that lower academic quality coursework would ensure that the athletes would have adequate time to devote to their sport without the distraction of school work while maintaining the amateur status of student-athletes.

#### **IV. Conclusion**

We argue that student-athletes in profit generating collegiate sports are amateur in title only, that they are actually professional athletes in all accounts for their actions. This occurs because of the downstream demand of their athletic success: Coaches are (well) paid professionals, so coaches are held accountable for the performances of their team. Coaches make the rules for their athletes and the athletes are forced to act like professionals through their requirement to follow the coach's rules. This creates an indirect professional responsibility by the supposed amateur student-athlete. Athletes are professionals acting under professional incentives, from their paid coaches, but are an amateur in title and (lack of) paycheck only.

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