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FINANCING SPORT IN THE EU: IS THAT A BUSINESS OR A SOCIAL ENTERPRISE?

Abstract:

The focus of this paper is to evaluate conceptions, perceptions, and interpretations of 'financing sport' throughout the European continent. The paper will aim to shed light on the ways that policy contexts dictate the application of sport financing as well as sport practices. While many sport facilities were developed from the 1970s onwards it was not until the 1980s and 1990s that a field began to emerge from the utilitarian presumption that the promotion of sport would have beneficial outcomes for social and civic order. This paper would like to focus some attention to the increasing involvement of central and local governments in sport financing despite an ongoing decrease in sport participation worldwide. Moreover, in pursuing this line of interrogation this paper asserts that opportunity structure for the organization and development of sporting activities has shifted from developmental to managerial throughout the 21st century.

Keywords:

Sport Economics, Business of Sport, Social Values

JEL Classification: A13, A19, A12

INTRODUCTION – FROM SPORT FOR ALL TO SPORT FOR GOOD

The concept of sport financing can be interpreted in many different ways. Allied to sport financing has often been taken to indicate a positive process of change or a mean of progression. This affirmative relationship has been associated with sport performance, sport participation, community relations, health, self confidence, and crime reduction. It is unquestionably the case all around the world. Historians have argued that the process of formalization of sports mimicked the formalization inherent in industrialization and urbanization. It does not seem to be a coincidence that most of this development took place in an urban, industrial setting, nor that the development of most sports occurred in England, the leading industrial nation of the nineteenth century. Sports, in their evolution, have offered two faces to the world. Much of modern sports developed out of the nineteenth century military imperatives of the emerging nation-states, and as such the state has retained, until today, a significant role in the organization of sports. But sports are also entertainment and their development as such has been driven largely by liberal market-oriented economies.

“The battle of Waterloo was won on the playing fields of Eton,” The Duke of Wellington was supposed to have said. The English public school movement embraced a new ideology of education based on sports, health, and discipline. However, this was a generation of players – not performers. This model of sports emerged in the free market-oriented Britain without any explicit direction by the state.

Friedrich Ludwig Jahn founded the gymnastic “Turnen” movement in Prussia in the early nineteenth century. This was not sports for entertainment, nor even for the pleasure of competition. Jahn was driven by the need to improve the physical quality of Prussian youth and prospective soldiers following a humiliating defeat by Napoleon at the battle of Jena.

The connection between war and sports in the nineteenth century ensured that the European states would play a leading role in the evolution of sports. Even when militarism was discredited, the state’s role did not disappear. Instead, its apparatus was turned towards the promotion of other benefits that sports might produce for the state and society. In addition to enhancing military preparedness, Houlihan (1994) identifies five further reasons for government involvement in sports:

1. Social regulation on moral grounds (regulation of blood sports)
2. Concerns for the general level of health and fitness
3. Sports as motor of social integration
4. Sports as promoter of international prestige
5. Sports as a promoter of economic regeneration

Despite 19th century beliefs about the contribution of sport to improved health and the construction of civic cultures, central government interest in sport dates largely from 1960s. Governments’ interest reflected a concern with the potentially negative effects of rapid economic, social, and cultural change. This was a reflection of a more general concern to promote public planning, provision and management for sport to cater for demands of the new ‘leisure age.’ This general organizational infrastructure for leisure policy was reorganized and extended in the early 70s to support the voluntary sector and encourage local authorities to provide for increasing demand in the interest of social

welfare and the enjoyment of leisure among the public at large. Within this context, identified inequalities in participation in sport led to the designation of certain groups as being 'recreationally disadvantaged.' This led to the formation of policies of recreational welfare: rather than increase supply in response to what was assumed to be the inevitable rise in demand, policy became concerned to democratize areas of public leisure. The language of policy quickly shifted from a concern with expressed demand to an attempt to address the 'issues of need.' Policies of positive discriminations were developed under the slogan of "Sport for All" with the identification of target groups and promotional strategies aimed at reducing constraints and encouraging participation. It has been argued, that the apparent political neutrality and popularity of sport and its presumed ability to provide an economy of remedies made it more attractive option than addressing fundamental structural and social changes. Thus, the motive has shifted to recreation as welfare with increasing resources to what economists refer to as externalities and merit goods – i.e. that participation in sport may be an individual social right of citizenship, but such participation also leads to collective benefits such as improved health and reduced crime. (Henry, 2001) Additionally to that, governments focus on sport as a tool to achieve international prestige requested the continuity in financial commitment to elite sport. Few attempts were made to examine systematically the effectiveness of recreation as welfare policies, with monitoring usually being restricted largely to measuring participation and nature of participation. The 1990s placed sport more centrally on the broader social policy agenda. European governments started actively relying on sport and its ability to contribute to neighborhood renewal by improving communities' performance on four key indicators such as health, crime, employment, and education. Around the beginning of the 21st century a shift has occurred from local government investing in sport and recreation as *a right of citizenship* to seeking to use *sport as a tool for economic and social regeneration*. Henry (2012) argues that local authorities' interest has shifted again from one of welfare to one of regeneration. Schimmel (2001) in her analysis even uses urban regime theory and the idea of growth coalition to argue that much sport-event-related development reflects the interests and strategies of urban elites rather than any systematic strategic consideration of a whole city benefits.

No doubt, the limited inclusivity of sport worldwide raises significant questions for the nature and extent of sport's supposed role in strategies of social and economic regeneration. But there is no doubt about the fact, that opportunity structure for the organization and development of sporting activities has shifted from developmental to managerial throughout the 21st century.

THE EUROPEAN MODEL OF SPORT

There can be little doubt that when European officials talk of a 'European model of sports,' what they mean is a model that is distinctively non-American. "*The European*

Model of Sport should safeguard the socio-cultural elements of sport and remain distinctive from the commercialized American sport model” (European Sport Charter, 2002)

Of course, there are some general trends in sport developments on the European continent, of which the following can be noted:

Firstly, it is agreed, that the “share” of public funds underscoring total sport finance is in the range of 16-39%, which forms the basis of the “European model of sport” in contrast to its American counterpart. This share is the highest in France with 39% and around 50% in East European countries.

Figure 1: Distribution of Identified Sources of Sport Finance in Europe in %

2011	DEN	FIN	FRA	GER	ITA	POR	SWE	IRL	UK	HUN
Central State	6.3	4.3	8.9	0.6	8.2	9.9	2.2	0.4	0.8	30.2
Local Govts	32.5	24.7	29.5	26.6	11.0	11.6	20.4	5.2	15.1	16.6
Public Funds	38.8	29.0	38.4	27.2	19.2	21.5	22.6	5.6	15.9	46.8
Enterpr enuere	5.6	4.8	4.5	3.8	7.9	42.0	17.1	2.8	5.0	5.7
House holds	55.6	66.2	57.1	69.0	72.9	36.5	60.2	91.6	79.1	47.5
Private funds	61.2	71.0	61.6	72.8	80.8	78.5	77.3	94.4	84.1	53.2
Total	100	100	100	100	100	100	100	100	100	100

Source: Eurobarometer Survey, 2012.

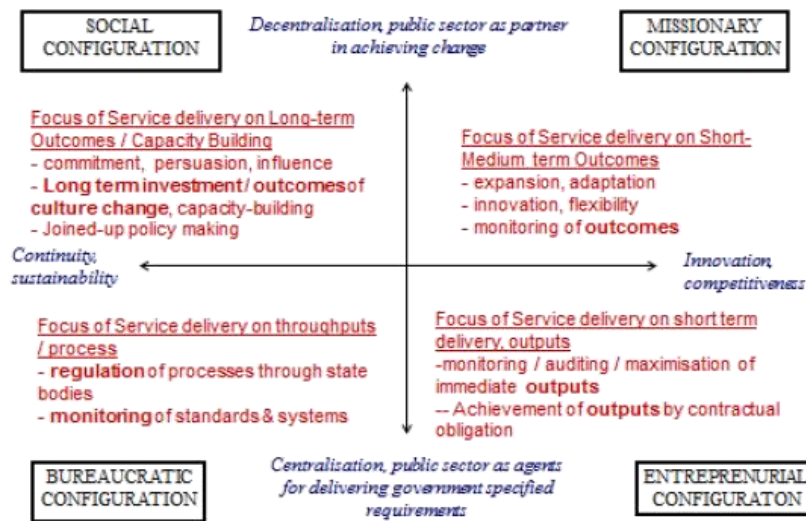
Secondly, the highest level of private finance is found in European countries where there is a great deal of professional sport, such as Germany, the United Kingdom, and Italy.

Thirdly, in the European context private sector financing largely means revenue flow from consumers’ pockets instead of TV channels, sponsors, enterprises or other businesses. In all European countries, personal and individual expenditures form the biggest financial contribution to sport, ahead of all other financing sources. Sport development in Europe depends primarily on the financial contribution of participants and/or spectators, secondarily on local authorities.

On the other hand, it is obvious that several national variants of this model can be distinguished. The main differences between the European countries’ sports systems, based on their historical and traditional differences, are rooted in the domestic organization of sport, in some specificities of the structure of financing, and in sport

practices that are financed. The organizational structures of sport systems have, of course, an influence on the economy and finance of sports in each country. This study categorizes European countries according to their sport system into the following groups:

Figure 2: The Primary Policy Focus of the Four Policy Types



Source: Henry, I. (2012) European Policy Systems and Sport for All as a Policy Objective p. 11.

1. "Missionary model"- Here the voluntary sports movement plays a major role, both as a service provider and as a regulator. Sport in this group of countries is seen as a "private and free decision of associates." For that reason public authorities are discreet and cautious towards leaving the sport leadership to volunteers. Even the leadership for coaching belongs to the sports federations. The training for volunteers is often confused with vocational training. In some ways there is resistance towards "professionalization," volunteers being more legitimate human resources. There is no real job market but more of a process of sporting socialization. This group is represented by countries like Germany, Denmark, and Sweden.
2. "Bureaucratic model" - This group is characterized by the leading position of public authorities in sports. National and local authorities may be in charge of a sporting policy and the voluntary sports movement is only an auxiliary contributor to the decisions. Most of the time there is a sport law establishing the mutual

responsibilities of the different actors. The coaching in these countries is strongly controlled by the public authorities, as for example, Ministries in charge of sports. In some cases there is even a monopoly dictated by law to public training for access to work in the sports sector. Job market needs are not really taken seriously into account. Rather, public suppliers play the key roles. There is also an important contribution given to sport by civil servants. France, Spain, Portugal, and Greece are the best examples in this group.

3. "Entrepreneurial model" - It is supposed to be led by the sports participants or consumers. The market dictates the regulation between suppliers of sports services. When public regulation exists, it is mainly dedicated toward fair competition and concurrence between suppliers. The coaching in this model is characterized by a strongly competitive situation and by the dominance of short work-oriented training programs, corresponding to immediate market needs. Private, profit-oriented programs for training of actors in the sport system take the key positions. Ireland and the U.K. form this group.
4. "Social model" - It might be seen as a variation of the previous model, but the regulation on employment and qualification is done by the social partners. One of the consequences is that such a model involved bigger numbers of actors coming with different perspectives, which makes things more complex. A high capacity of "governance" is required to lead such a system. In the context of training, one can find the same orientation towards the immediate market needs but the social partners ensure that standards of qualification and career perspectives are present as well. The training of actors in the sport system focuses as a priority on the needs of further education of the "already on job" employees. Only in the Netherlands is this particular structure in vogue.
5. "Transitional model" – This model is characteristic in East European countries that joined the EU in 2004. That means the State was the exclusive player in sport in all of these countries. It still plays an important role, and we shall see that after major reduction of its role and the near dismantling of the sports system, it retains a high level of intervention in every aspect of the industry. Even if the nations see the development or revolution that they are undergoing as a real "entrepreneurization" of their systems, the transition gives new autonomy to the sporting movement, despite a context of "relative pauperization" of voluntary sports organizations and the fast rise of the commercial sector which still remains marginal at present. The severe weakening of trade unions and the low degree of organization among voluntary, commercial or private entrepreneurs leaves few short term opportunities for the development of these countries towards a "social configuration".

Figure 3: The Main Specific Characteristics of the Transnational Model - Example Based on Hungary, 2011.



Source: Hungarian National Sport Strategy [Nemzeti Sportstrategia] (Budapest, Belügyminiszterium, 2012, p. 104)

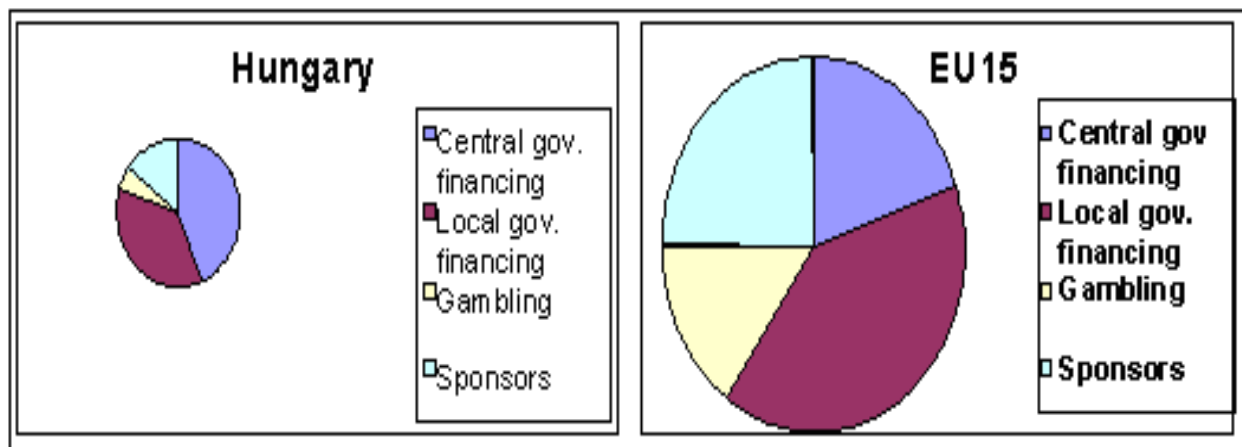
These organizational features of sport systems have their influence on the structure of financing and on the goals for which the finances are used. This can be characterized in the following:

1. In the “Missionary model” countries like Denmark and Sweden have developed a model of programs giving priority to sport for all. As a result, these countries achieved high participation rates with relatively lower expenditures. In these two countries, the efficiency of sport expenditures seems to be the highest. Finland and Germany, the other two members of this group, have a slightly different picture. They show high expenditure and high participation rates.
2. In the “Bureaucratic model” the central state devotes a larger share to sport finance than the countries of the first group. In France, Spain, and Portugal the high level of financing contributed to high levels of participation.
3. The “Entrepreneurial model” shows the lowest central government involvement in sport. These are the only countries in Europe where the central state's share in financing sport is less than 1%. But here one can note an interesting trend regarding the UK. In 1998, Prime Minister Major's government established the Lottery Fund to finance different aspects of leisure policy. Elite sport, as an

important issue of building national pride and identity, became a beneficiary of the program. Thus, one must underscore that the UK made an interesting shift, mostly similar to the one we see in Italy, where betting and gambling traditionally have made a considerable contribution to sport finance.

4. In the “Social model” interestingly enough, the Netherlands shows a similar case to Denmark and the Scandinavian countries. The sport expenditure is low and the efficiency of using resources is high.
5. In “Transitional model” Poland, Latvia, Lithuania, Estonia, the Czech Republic, Slovakia, Hungary, Slovenia shows a very high percentage of central and local government financing, with a low level of participation rate. Compare to France, where the share of public funds in financing sport is 39%, in these countries this number is around 46-50% while their participation rate is only about 8-10%. Interestingly, in these countries financing sport does not develop through the transformation of private-public partnerships but through the reconfiguration of central-local government relationships.

Figure 4: Difference in Sport Financing Structure between Transitional Model and Other European Models – example based on Hungary, 2011.



Source: *Hungarian National Sport Strategy [Nemzeti Sportstrategia] (Budapest, Belügyminiszterium, 2012, p. 85)*

The common trend in the growing importance of the commercial actors, both in organization/training and financing is seen in all countries. But interestingly, resistance against commercialization occurs again and again.

Countries of the Missionary model effectively resist commercialization because of two convergent reasons. In the countries belonging to this model, there exists a strong social demand to keep the social importance of these associations. Second, the voluntary sport movement is an adaptation to the new demands, including renewal of

associations and even compromises with commercial actors to sustain control over the situation.

The Bureaucratic systems are in more danger in the context of a decrease of public funding for sports. Poor capacity to respond to economic and social needs creates gaps in which the commercial actors develop themselves easily. This situation is very sensible in some countries, like Greece or Portugal, where the state is willing to control but has ineffective means; new laws express the maintenance of the dominant position of the state. But in some cases we see a transition towards the “social model” as an escape from a total loss of public control can be observed. This is a tendency in France and in Spain.

CONCLUSION

Traditionally, the European Sport Model has been based on a pyramid structure. Generally, this vertical structure of European sport gives the opportunity for sport federations to use the generated commercial revenue for the overall good of that particular sport. Vertical solidarity refers to support at the grassroots, where the elite clubs in effect subsidize the lower reaches of the game. Vertical solidarity depends on the exclusive jurisdiction of a single governing body – one national sport federation – that has the authority to impose this form of “taxation.” The existence of vertical solidarity is important from a cultural perspective as well. Namely, the existence of local teams is crucial in the European model of sport so that fans retain a sense of local identity.

On the European continent, the increased competitive pressure of the last fifteen years has led to the restructuring of central-local government relations rather than the private-public partnerships, although the presence of foreign and domestic capital has increased dramatically. The new capacity of the European states regarding sport development lays in the new power-sharing arrangements between the different levels of government and the growing importance of local and regional policy developments.

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