



## **Report from Workshop 2: The Economic Impact of Sport**

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### **The potential**

The workshop started off by confirming that the impact of sport on the economy has been a neglected area in the discussions on sport at EU level. The planned White Paper on the role of sport in Europe could therefore usefully fill this gap by addressing the economic dimension of sport, the potentials sport bears in economic terms in particular. Whereas the EU has been looking into sport as a social phenomenon, the increasing and important impact sport has in economic terms requires a more multi-disciplinary approach. Sport as an economic sector transformed itself in the last decades from, as Andreff & Staudohar (2002) <sup>1</sup> called it, a traditional Spectators-Subsidies-Sponsors-Local (SSSL)-model to a more global Media-Corporations-Merchandising-Markets or MCCM-model. The new sport model has implemented forms of vertical integration in the industry and has created synergisms as a result of the interaction between business and sport. Economic developments such as: broadcasting rights, merchandising, sponsoring, organisation of mega sporting events, potential economic multiplications of organising a sport event, the mobile leisure society, sport tourism, sport and the impact on health, the public-private cooperation in building of sporting infrastructures, the betting industry, raising market share of sporting goods, shoes and clothing, to mention but a few, have resulted in the development of a sport sector with large economic effects far beyond the scope of sport in the narrow sense. Sport has therefore a real potential in contributing to the realisation of the EU mid to long term priorities, such as the Lisbon reform agenda.

### **The state of play**

In the workshop we had four experts presenting different angles of the economic impact of sport. The first speaker, Ms Anna Kleissner from Sportsecon Austria, made a very comprehensive and interesting presentation, setting the overall framework for the discussion,

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<sup>1</sup> Andreff W. & Staudohar P.(2002) "*European and US sports business models*", in Barros C., Ibrahim M. & Szymanski S.(ed) *Transatlantic sport: The comparative economics of North American and European sports*, Cheltenham, Edward Elgar, p.23-49.

explaining the approach and results of an Austrian study. That study was focused on the manifold economic effects on the macro-economic level such as the contribution of sport to the Gross Domestic Product (GDP), job creation or health promotion. She also referred to the monetary, employment-related and qualitative effects of large scale sporting events as well as the emerging and fast growing sport tourism sector with its high economic potential. She came to the conclusion that “the macro economic impact of sport as a dynamic and fast growing sector is persistently underestimated”<sup>2</sup>. That was mainly due to statistical and methodological shortcomings. To identify these macro economic effects in a most objective way, the study suggested three different definitions of the term sport. While the statistical method based on the NACE<sup>3</sup>-code was limited to sport facilities and services in the narrowest sense, the narrow definition added all sectors directly affected by sport activities such as the sporting goods manufacturers and retailers, the entertainment/media and sports education/training. The third definition in the broadest sense also took into account all other sectors with a relation to sports activities such as tourism, health, insurance and advertisement. Mr Alberto Bichi, Secretary General of the Federation of the European Sporting Goods Industry (FESI), confirmed in his presentation the inter-linkages between his sector and other sectors such as advertising, broadcasting, sponsoring, catering and food, construction and tourism.

Ms Kleissner estimated that the added value of sport in Austria was located between 0.46% (statistical method) and 3.65% (broader definition) of the GDP. The fulltime employment equivalent was estimated between 0.83% (statistical method) and 5.4% (broader definition) which indicated that the sport sector is labour-intensive. These figures could be confirmed for other European countries. According to Ms Kleissner this meant that sport had an enormous employment potential and could also be useful for regional development policies. Mr Egbert Oldenboom (Meerwarde Research) confirmed in his presentation the importance of sport events as an engine of regional development in a political and promotional sense but also warned about overestimated positive economic results of major sporting events in existing cost-benefit analyses.

Ms Kleissner explained that the figure of 0.46% of sport’s added value, calculated through the usual statistical method, formed the basis for national sport policies, but obviously represented an underestimation of the real economic impact of sport. To tackle that situation she suggested the creation of a European “Sport Satellite Account System” to measure the total economic impact of sport. It would be based on a similar methodological framework developed by the World Tourism Organization (WTO) in 1995 to address the then comparable situation of underestimated economic benefits through the tourism sector. A European-wide Sport Satellite Account, based on the model already established for Austria,

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<sup>2</sup> Kleissner A.(2006) The EU&Sport-matching expectations: Economic impact of sports in Europe, presentation at the consultation conference with the European sport movement on the role of sport in Europe, 29-30 June 2006, ppt. slide 4.

<sup>3</sup> NACE is the 'Nomenclature statistique des Activités économiques dans la Communauté européenne' - Statistical classification of economic activities in the European Community used to designate various statistical classifications of economic activities developed since 1970 by the European Union; it is designed to categorise data relating to 'statistical units', in this case a unit of activity, for example an individual plant or group of plants constituting an economic entity such as an enterprise. It provides the basis for preparing a large range of statistics (output, inputs to the production process, capital formation and financial transactions) of such units.

would increase the visibility of sport's total economic effects at EU-level, enhance the comparability of sport with other sectors and help the creation of a sound European standard in sport economics. This could lead to sport being increasingly taken into consideration in national and European policy making.

The European Association of Sport Employers and the European Observatory of Sport and Employment (EASE-EOSE), represented by Mr Jean-Yves Lapeyrere and Mr Aurélien Favre, confirmed the results on employment in the sport sector outlined by Ms Kleissner. According to them the sport industry was a growing new service industry with a high potential for the future. The aging society, the raising purchasing power and the growing demand for organised leisure activities made it a dynamic sector. Interestingly, the speakers explained that more than 60% of the jobs in sport were related to leisure activities, while employment in areas of professional, social and competitive sport ranged only between 0.01 and 29%. According to the "Vocasport 2004" study<sup>4</sup> employment in the EU's sport sector increased by 57% during the period 1990-98. For the recent period no figures were available but further growth was expected. The EASE-EOSE estimated the number of sport-related occupations in the EU to 1.2 million.

### **Key challenges**

The key challenges identified were based on statistical and methodological shortcomings and could be summarised as follows:

- 1) One of the main problems in the sport sector was a lacking clear definition of the term "sport". It was most of the time defined as "all form of physical activity that contributes to physical fitness, mental well-being and social interaction, such as play, recreation, organised or competitive sport, as well as indigenous sports and games". Such a definition was focused on the active part of population, but did not take into account passive consumers of sport that were, however, of equal interest when specifying the overall economic impact of sport. Bearing in mind that financial flows connected to broadcasting rights, sponsoring, merchandising and the betting industry related to passive consumption of sport were of core value to sport economy, a definition of sport as physical activity only would be too narrow for economic purposes. The same problem occurred when considering the labour side of sport: The employment related approach of sport had to face the challenge of adequately taking
- 2) into account the important contribution of volunteers within the European sport system/model. Economists on the other hand were also interested in the economic impact of the volunteers. All this could mean that one definition of sport was not enough to take into account all angles of the sector and different definitions should be envisaged linked to the aim (physical education, social movement, employment, economics,...) of (national and/or European) policy makers.
- 3) Another big challenge was a lack of comparable, sound and harmonised data to measure the real impact of sport in the EU. A Sport Satellite Account (SSA) as a new

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<sup>4</sup> Independent study commissioned by the European Commission in 2003 on the "Situation in Europe as regards the teaching of sports-related professions from the point of view of job creation in the sector".

statistical instrument to assist government officials, business executives and stakeholders within the sports industry in taking an informed decision, would be also an appropriate tool to boost sport-related growth in the EU based on efficiency in EU policy formulation, decision-making and strategic planning. The benefits of a SSA would be numerous and enable a country/region or the EU to measure:

- The proportion of the GDP attributable to sport activity
  - The size of the sports industry in relation to other sectors
  - The number of jobs generated by sport activity
  - The value of public and private investment related to sport
  - The effect of international sporting events on the balance of payments
  - The value of government income generated by sport in a region/country or the EU
- 4) Another important question raised was that of sporting events' long-term effects on the sustainable use of resources and development of local and regional environments. In addition, it was considered necessary to study how benefits and costs were shared between sport organisations responsible for these events and municipalities who were often struggling with ex-post legacy and infrastructural challenges in the aftermath of championships or competitions. A need for clear guidelines - without undermining the subsidiarity principle - as well as more efficient cost-benefits analysis tools was articulated in order to draw conclusions on the effects of sporting events for all stakeholders.

### **Expectations on the Commission and elements for the planned White Paper**

In line with the before-mentioned challenges, the following main expectations were raised:

- A Sport Satellite Account, as recently implemented in Austria and as applied already for the tourism sector at EU-level, would be a useful method that could be further developed and implemented in other EU Member States. The necessary steps for an EU Sport Satellite Account should be initiated and supported by the European Commission, including Eurostat, building on the work carried out by specialised experts in the field. This initiative could result in financial investments for establishing appropriate tools designed to collect sport statistics.
- The European Commission should prepare the ground, e.g. provide a platform that brings the relevant actors together, for agreeing at EU level on a workable definition of sport.
- The European Commission should get active in helping to develop transparent guidelines for “measuring” the impact of sporting events so that sustainability of these events can be ensured in the long run.

The White Paper on Sport should usefully make concrete suggestions on how to take this work forward.