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Expert Group on the Economic Dimension of Sport

Recommendations to measure the economic benefits of sport in the EU based on the ongoing work to promote the set-up of SSAs in the Member States

Deliverable 1

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Sport has become an increasingly recognised issue in EU policies related to economics. In July 2007 the European Commission published the White Paper on Sport, announcing the following initiative:

"The Commission, in close cooperation with the Member States, will seek to develop a European statistical method for measuring the economic impact of sport as a basis for national statistical accounts for sport, which could lead in time to a European satellite account for sport."

This announcement was preceded by an initiative of the Austrian presidency to formulate a framework for the compilation of national sport satellite accounts (SSA) and to establish an EU Working Group on Sport & Economics. SSAs and especially Input-Output Tables for Sport (IOTs-S) are powerful tools to calculate the economic impact of sport. The Working Group held nine meetings altogether until March 2011 on both methodology and measurement issues.

Building on and replacing this Working Group, the Council established an Expert Group on "Sport Statistics" (XG STAT) in October 2011, under the EU Work Plan for Sport for 2011-2014. The EU Work Plan identified the economic aspects of sport, and in particular evidence-based policy-making, as a priority theme for EU level cooperation in sport. Under this priority, the objective was to "recommend ways to promote data collection to measure the economic benefits of the EU sport sector in line with the Vilnius Definition and evaluate the results"¹.

The XG STAT continued and intensified the development of SSAs. At the same time, the "Study on the Contribution of Sport to Economic Growth and Employment in the EU"² provided first wide-reaching insights into the topic, including sport-related economic values for the EU according to different definitions of scope. In particular, the study demonstrated that sport-related employment and gross value added amounted to 2.12% and 1.76% of EU total respectively according to the broad definition of sport.

However, the full economic dimension of sport is considered to be much wider and encompasses topics which an SSA/IOT-S cannot cover or where additional research is

¹ The Vilnius Definition of Sport provides three definitions of sport which can be applied to the NACE and CPA categorisations. Thus sport and the System of National Accounts become compatible. The Vilnius Definition meanwhile has turned into the *de facto* standard.

² SpEA, SIRC, CyStat, Meerwarde Sport en Economie, FESI, Ministry of Sport and Tourism of Poland (2012): Study on the Contribution of Sport to Economic Growth and Employment in the EU, Study commissioned by the European Commission, Directorate-General Education and Culture.

needed. The practical application of SSAs has shown that policy makers are often interested in different categorisations. Political institutions often seek sport- or even discipline-related results, like the impact on the economy of football or golf, or putting a figure on the impact of a major event, on the cost of physical inactivity or on the value of non-paid work in sport for the economy. The following recommendations are intended to help policy makers and experts at national levels in grasping that large area. The recommendations are structured according to their major topic, including a proposal for the main direct addressee (in brackets), although other stakeholders will usually be involved too. If appropriate, urgency or a time-frame is indicated within the text.

A) Sport Satellite Accounts

1. **Communicating Results (Researcher):** SSAs/IOTs-S can be used in a variety of ways for policy making. The “Policy Paper” which was a deliverable of the former XG Stat lists seven typical policy questions:
 - a. How to monitor the economic importance of sport?
 - b. What is the economic impact of policy measures which may affect sport?
 - c. Which sport industries have the biggest growth potential for national and regional economies?
 - d. What is the size and development of the labour market in sport-related industries?
 - e. What is the economic and social return on investments in sport facilities and events?
 - f. What is the economic importance of a specific sport?
 - g. How is sport financed?

This list should be used when communicating about SSAs to increase politicians’ interest. These questions are of importance e.g. when applying for major sport events (mandatory forecast of economic impact), renovation/construction of sport infrastructure, and building of national awareness of sport as a source of GDP and employment.

2. **Update EU-wide Study (European Union):** There is an urgent need to update the 2012 Study on “The Contribution of Sport to Economic Growth and Employment in the EU”². The major issues are:
 - a. Data are from 2005 and thus pre-crisis. Economic structures may have changed since.

- b. Data are based on outdated CPA 2002 categorisation. Therefore even if pre-crisis economic structures are considered feasible, results are not fully compatible with modern CPA 2008 or CPA 2.1 data.
 - c. The study for 2005 was constructed from fully-fledged IOTs-S and proxy IOTs-S for nations without IOTs-S. The model design was such that the moment another fully-fledged IOT-S becomes available, it can be plugged in. This was done deliberately in agreement with the European Commission's vision of a regularly updated EU-wide IOT-S.
 - d. Croatia has joined the European Union meanwhile and has to be added to the model.
3. **Establish SSA-Group (Researcher and European Union):** The number of Member States, which have already produced a national SSA or IOT-S, has grown to seven, and the eighth will soon be published. Although not all of them update their calculations on an annual basis, it is recommended to establish regular communication between Member States that have produced SSA or IOT-S and to publish up-to-date leaflets on a regular basis in cooperation with the Commission, as needed.
4. **Report in Terms of GDP (Researcher):** Although the Gross Value Added (GVA) shows the economic power of a nation very well, the Gross Domestic Product (GDP) seems to be more familiar to most of those who are not directly involved with economics. Since the difference between the two values is merely taxes less subsidies which is/are given directly in the IOT and Supply and Use Tables (SUT), it is recommended that results are published in shares of GDP.
5. **Identify a One-Stop-Shop for Sport-Related Data (National Authorities and Researcher):** Several tasks at national as well as at EU level (e.g. data gathering for the 2011 study, or an ongoing study on the availability of resources for national SSAs/IOTs-S) prove that it is hard to know what data/information exists in which countries. Even if databases exist, they may be inaccessible and thus useless if they are unknown. With the increased focus on the economic effects of sport, it becomes more evident that a single person or institution per Member State provided with access to such data as well as the permission to share it would greatly speed up this work. Therefore it is highly recommended to designate single contact points for sport-related data in the Member States. It may be reasonable to use 'neutral' actors, like National Statistics Offices, or to include Eurostat.
6. **Enforce Parallel and Standardised Work (Researcher and European Union):** There are examples at national level for probably all of the above recommendations, but they are neither carried out systematically over more than just a few countries, nor are they comparable. It is recommended to work on

identifying parallels and coordinating them to deliver standardised results. The finalised work carried by Eurostat on employment in sport, trade in sports goods, and participation may serve as a basis for at least some of the recommendations.

B) Sport Events

7. **Gather Data on Sport Events (National Authorities and Researcher)**: Another common concern of policy makers is related to economic aspects of sport events. Again, even though event monitoring is very useful for other purposes too, they perfectly combine with SSAs and IOTs-S. There are two major steps to such a task: first, it is recommended to assemble a list of all relevant events.

In order to do so, a definition of “relevant” is required. There is academic work on this topic³ which can serve at least as a starting point for discussions. It should be noted that regular events, like the typical weekend football matches in all levels of the national leagues, usually report substantial aggregated numbers. Therefore data should be assembled on both types of event, regular and one-off.

To make most use of SSAs/IOTs-S and in addition to the recommendations formulated under deliverable 2 of this Expert Group, it is therefore recommended to gather data on:

- a. number of participants (athletes plus staff),
- b. number, origin, expenses of visitors,
- c. costs of staging the event,
- d. media coverage.

Although this list is short, it certainly is challenging or even impossible for many events. Limiting the list to e.g. number of participants and visitors plus their average expenses still allows the calculation of economic benefits of active and passive participation while ignoring the impact of staging the event. It should be noted that large-scale and mega-events often publish statistics.⁴

C) Grassroots Sport & Sport Clubs

8. **More Attention on Grassroots Sport (Researcher, National Authorities and European Union)**: Grassroots sport, including sport clubs, constitutes an important form of participation that reaches large proportions of the population.

³ See inter alia Martin Müller (2015): What makes an event a mega-event? Definitions and sizes, *Leisure Studies*, DOI: 10.1080/02614367.2014.993333.

⁴ See inter alia <http://www.fifa.com/womensworldcup/news/y=2015/m=7/news=key-figures-from-the-fifa-women-s-world-cup-canada-2015tm-2661648.html> and <http://www.fifa.com/worldcup/news/y=2014/m=9/news=2014-fifa-world-cup-braziltm-in-numbers-2443025.html>

Insofar as they are of particular interest for numerous questions, like impulses on specific sectors or health-related aspects. It is recommended to place more attention on the grassroots level of sport, develop indicators, and measure its impact on the economy.

9. **Research Voluntary Work (Researcher and European Union):** The value of non-paid work in grassroots level sport has been studied only for some regions or countries and its economic benefits are likely to be greatly underestimated. Volunteering in sport is likely to significantly contribute to European economies. It is therefore recommended to develop a standardised method to measure the impact of organised non-paid work in sport to the economy. Since such a method is a consequent addition to the existing methodology of SSAs/IOTs-S, it would fit very well into the action plan of a future XG ECO.
10. **Impact of Payments on Grassroots Sport from National Lotteries (European Union):** Many national lotteries in the European Union traditionally provide substantial funds for sport through special, earmarked licence payments. Since there already exists a study on the impact of these payments on sport in general on the European economy⁵, it is recommended to initiate a similar study on the impact of the grassroots-specific funds on the European economy. The new study should be expanded to include a chapter on the effect of regulatory changes or different taxation models.

D) Health-Enhancing Physical Activity (HEPA)

11. **More Attention on Single Sport Disciplines (European Union):** Although health-related questions are of particular economic importance, they have not yet been tackled in depth under the two EU Work Plans for Sport or only indirectly in the context of the ongoing work to implement the 2013 Council Recommendation on HEPA. Physical activity and exercise can lead to increased physical fitness and productivity^{6 7}, but also health problems due to accidents, injury or attrition⁸. So far only the costs and benefits of sport on the Member States' health systems have been introduced into the SSAs and IOTs-S, but only in a very aggregated and

⁵ See Julia Borrmann, Markus Fichtinger, Günther Grohall, Christian Helmenstein, Anna Kleissner, Felicia Kerschbaum, Philipp Krabb and Kalpana Scholtes-Dash (2015): The Impact of Lotteries as a Funding Source for European Sport, SportsEconAustria, Vienna, Austria. Downloadable at: https://www.european-lotteries.org/search/apachesolr_search?filters=tid%3A16%20tid%3A2

⁶ See inter alia Michael Lechner and Nazmi Sari (2015): Labor market effects of sports and exercise: Evidence from Canadian panel data, *Labour Economics*, DOI: 10.1016/j.labeco.2015.04.001

⁷ See inter alia Charlotte Cabane, Adrian Hille, and Michael Lechner (2015): Mozart or Pelé? The effects of teenagers' participation in music and sports. SOEPpapers 749.

⁸ See inter alia Mario Bizzini, Astrid Junge, and Jiri Dvorak (2013): Implementation of the FIFA 11+ football warm up program: How to approach and convince the Football associations to invest in prevention. Medical Assessment and Research Centre, and Schulthess Clinic, Zurich, Switzerland

indirect way. A future perspective could be an SSA/IOT-S based study about how a single (trend) sport affects the health system as well as productivity (at least by reducing sickness absences, or by setting free unused potentials of workers who were not fully included in society before they did sport). Calculating elasticities requires lengthy panel data and is a very ambitious task, even for a single country and a single sport (though possible, as the above cited scientific papers prove). If in the future these values become known, SSAs/IOTs-S would be perfect tools for such an analysis. It is recommended to consider the possibility of a future project on the impact of particular sport disciplines and physical exercise on the health system, carried out by a successor group of the current XG ECO.

12. **Study on Costs of Physical Inactivity (European Union):** In order to promote (healthy) sport and physical activity, for policy makers it would be of particular interest to know about the economic cost of physical inactivity in their country / region. Physical inactivity costs over 500,000 deaths per year, while a recent report from the Centre for Economics and Business Research (June 2015) estimates that physical inactivity imposes economic costs of 80.4 billion Euro per year to the EU-28 – the equivalent to 6.2% of all European health spending. It has been shown that physical activity in childhood is a significant determinant of activity levels and health outcomes in later life. In light of this, supporting children and young people to establish active routines, habits and lifestyle is a crucial public health concern, and one which may help to curb the mounting economic costs of inactivity. The launch of a respective EU-wide study is recommended; complementarity to on-going work in other international and European fora should be ensured.

E) Other

13. **Study on Counterfeiting Sport-Related Goods (European Union):** Counterfeiting sport-related goods has become a major concern. A study by the Office for Harmonization in the Internal Market (OHIM) reports a loss of 500 million Euro and 2.800 jobs. Since the impact of these losses can be calculated using the standard SSA/IOT-S methodology, it is recommended to consider conducting a study on the negative impact of counterfeiting of sport-related goods in the European Union.
14. **Traditional Sports and Sponsoring (Researcher):** There are a number of other tools to measure the economic importance of sport and two areas could be of particular interest to be studied further:

- a. Many examples of relatively unique national sports (traditional sports) exist which contribute to national identity (e.g. Highland Games, Hurling, Ice Stock Sport, Valencian Pilota, Bocce, etc.);
- b. The parameter of sport sponsoring which should not be included directly in SSAs/IOTs-S to avoid double counting (already counted as spending of sport clubs).

Researching these resources may provide valuable insights (e.g. by knowing how the volume of money is distributed not only among different sports, but over the different levels / leagues of these sports).