

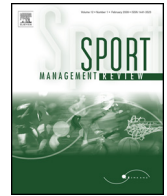


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Do they make a difference? Professional team sports clubs' effects on migration and local growth: Evidence from Denmark

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ABSTRACT

It is a common argument in Denmark that municipal involvement in professional team sports can be justified on the grounds of local impact. The use of public funds to directly or indirectly subsidise local professional team sports clubs (PTSCs) is often seen as warranted due to the PTSCs' positive effects on local economic growth or (inbound) municipal migration. However, can PTSCs be associated with tangible effects at all? This question has never been answered properly in a European context. Based on data covering the 2008–2013 period, and using spatial panel regression models, this article examines this issue in relation to three dominant professional sports in Denmark: football (soccer), handball and ice hockey. The study finds effects for only one of the sports examined, with Danish handball clubs exercising a marginal effect on average income. Ice hockey's effect is negative and football remains insignificant in all models deployed. Concerning migration, negative effects are found in relation to female handball clubs. These findings are consistent with previous research and have implications for local sport policies and managers. Municipal politicians, public authorities or sport managers should no longer rationalise the use of public funds for local PTSCs on the assumption of (tangible) economic effects or population growth, as it appears to be an inefficient use of public money. If policy makers want to increase municipal income or inbound migration, they should engage themselves in developing more appropriate strategies.

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1. Introduction

Danish municipalities provide facilities and, sometimes, substantial financial support for professional team sports clubs (PTSCs) (Bang, Alm, & Storm, 2014; Danish Competition Authority, 2003). Many base their (public) investments on the assumption that successful PTSCs can generate income for a municipality through job creation, branding or inbound investments. Some even argue that sports clubs can have a positive impact on population growth by encouraging their supporters to move to the municipalities in which they are based (Danish Competition Authority, 2015; Olesen, 2012).

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The notion of elite sport's positive impact on the municipal population base and prosperity seems to be derived from arguments typically raised in connection with major international sporting events such as the Football World Cup or the Olympic Games. In this context, host nations often claim that the tangible effects of these events are significant so they can leverage political support for the large amounts of public resources they spend on hosting them, including constructing large stadiums and other infrastructure deemed necessary to fulfil the bidding requirements (Andreff, 2017).

According to Storm and Asserhøj (2015), the International Olympic Committee (IOC) has played a key role in perpetuating the notion that major international sporting events have a substantial impact on host cities and their respective nations. At a time when the use of public funds is being placed under increasing scrutiny, at least in the Western world, various forms of tangible 'returns' on public investments are often mentioned to increase politicians' willingness to spend public money on events. According to Bille, Grønholm, and Møgelgaard (2016), this goes for cultural events as well.

In addition, it can be argued that the increasing focus on sporting and cultural events as economic growth drivers, which emerged in Denmark before the global financial crisis in 2008 (Storm, 2009), helped to establish the notion that professional sports can have positive effects on a nation's or a region's economy (Bille & Lorenzen, 2008; Storm & Brandt, 2008). However, is this really so? Can we find empirical evidence to support this notion?

While the question of major sporting events' economic impact is generally well addressed in the international literature – see, for example, Tien, Lo, and Lin (2011) on the Olympics, Zimbalist (2015) on the Olympics and the World Cup, and Baade and Matheson (2016) on the Olympics – there are fewer local studies on the effects of smaller team sports on municipalities, cities or nations. Furthermore, the existing research is mainly focused on the North American leagues, whereas the European context is less thoroughly examined. This is a problem in terms of assessing tangible effects, because there are major differences between the US and Europe in terms of league structures (closed versus open leagues Szymanski, 2015), financial regulation (large redistribution versus de-regulated capitalism Szymanski & Zimbalist, 2006), club ownership (privately owned/franchise models versus limited liability/stock holding companies Andreff, 2015), the geographical distribution of clubs (due to the closed versus open league structure) and inverse softness versus (ex post) softness of budget constraints (Storm & Nielsen, 2015). These differences make it impossible to arrive at general assumptions across all levels of sport and across both continents (Wicker, Whitehead, Johnson, & Mason, 2016).

Therefore, this article seeks to expand on European research on tangible effects of PTSCs by examining the situation in Denmark. We aim to test whether municipalities with a professional (or semi-professional) football (soccer), handball or ice hockey team in the first and second national Danish tiers experience positive impacts in relation to their population base or average income. We include two tiers in football and handball as almost all teams in these tiers are professional or semi-professional. In ice hockey there is only one league on which we can focus. The study is relevant for policy makers and sports managers because it underscores that decisions made on PTSC subsidies are often based on the assumption of (positive) tangible effects without sufficient evidence to back them up.

The article is structured as follows: first, we briefly review existing literature on the impact of sports events and PTSCs on their municipalities (Section 2). Second, we present the data to be analysed and the methodology to be applied in the study (Section 3). Third, we present and discuss our results (Section 4), and finally, we consider the implications and limitations of the study (Section 5). Section 6 provides an overview of the literature referenced throughout the article.

2. Brief review of existing research¹

According to Zimbalist (2015), the majority of existing research shows that positive economic impacts deriving from major international sports events are rare. Kavetsos (2012) argues that it is a normal assumption that public spending on events will have multiplier effects, including positive impacts on employment and growth, in correspondence with Keynesian economic theory. However, the reality is that major international sporting events seldom produce the ex ante estimated revenue from tourists that covers the ex post costs associated with the event (Peeters, Matheson, & Szymanski, 2014). Massive cost overruns are usually the norm (Flyvbjerg, Budzier, & Stewart, 2016; Flyvbjerg & Stewart, 2012; Matheson, 2006), and the long-term effects on employment or average income in the host city or country are minimal (Baade & Matheson, 2002; Manzenreiter & Horne, 2005; Tien et al., 2011). In terms of opportunity costs, the effects of sporting events are largely disappointing (Taks, Kesenne, Chalip, Green, & Martyn, 2011).

There are also marginal effects from the international attention generated by hosting a major international sporting event, in that foreign investments in the host nation during the event are often minor (Jakobsen, Solberg, Halvorsen, & Jakobsen, 2012). Zimbalist (2015) illustrates this with his review of research on the economic impact of the Football World Cup and the Olympic Games:

"In sixteen cases, the games were found to have no statistically significant effect on employment or income, in seven cases a modest positive effect on income or short-run employment was found, and in three cases a negative effect on income was found. (p. 38)"

¹ For a comprehensive discussion of methodical issues around measuring the economic impact of sporting events, please refer to Storm (2012), on which parts of this section of the article are based.

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