



## Sport management issues in an era of austerity

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## INTRODUCTION

# Sport management issues in an era of austerity

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## Introduction

The economic crisis that has engulfed Europe since 2008 and the impact of austerity measures on sport management, has received scant scholarly attention to date. Fiscal restraint and significant changes to public funding have meant that many European sport organisations are under increasing pressure to deliver high quality services within boundaries of limited resources and time constraints concerning the delivery of success (Kerwin, 2016). Some areas of the sport industry, particularly the non-profit sector, have faced increased scrutiny and drive for value for money during the economic downturn (Gleave, Wong, Porteus, & Harding, 2010; Parnell, Pringle, Widdop, & Zwolinsky, 2015). The relationship between austerity policy and sport management is the focus of this section of this joint Special Issue.

Following Blyth's (2013, p. 2) description, austerity is 'a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices, and public spending to restore competitiveness which is [supposedly] best achieved by cutting the state's budget, debts, and deficits'. This Special Issue provides insights on the impacts of austerity policy through an examination of the experiences of two different countries and sport organisations. The first paper, 'Implications of austerity measures on National Sport Federations: The case of Greece' by Chrysostomos Giannoulakis, Dimitra Papadimitriou, Konstantinos Alexandris and Shea Brgoch discusses the consequences of forced austerity measures, and the implications of having to cut jobs in order to help heavily indebted economies (Parnell, Millward, & Spracklen, 2015). In the second article, Catherine Walker and John Hayton overview the situation of a third sector disability sport organisation in the United Kingdom (UK), describing how this organisation has navigated austerity by adjusting management practice. The issues raised in these two contributions present a spectrum of challenges and questions for those who research in and on the impact of austerity in sport management.

## A global crisis

The global financial crisis and consequent economic downturn is widely agreed to be a result of actions in the United States of America (USA). The Financial Crisis Inquiry Commission (Rock Centre for Corporate Governance, 2011), reputedly the most exhaustive analysis of the economic downturn, concluded that the crisis was caused

by an over accumulation of investments in mortgage-backed securities based on valuations of high-risk mortgages that were either poorly or fraudulently administered. This ultimately led to borrower defaults, which led to bank defaults and the housing and stock markets to crash. In 2008, almost 9 million USA home owners' properties were in negative equity. As home owners continued to default on their loans, the value of mortgage-backed securities plummeted. Many of these mortgage-backed securities were sold in Europe, which resulted in the crisis rapidly migrating from the USA to European banks.

In Europe, a number of countries were experiencing 'property bubbles' which were fuelled by an artificially low interest rate supported by Eurozone membership. As a result, Italy, Spain and Ireland were some of the most negatively affected countries as demand for housing sharply fell and banks collapsed. In 2009, gross domestic product (GDP) fell in real terms across all EU countries (apart from Poland), by a mean decrease of 4.3% (European Commission, 2012). Moreover, between 2007 and 2010 there had been a growth in unemployment in a number of EU countries including Greece (European Commission, 2012). A decreasing GDP and rising unemployment helped prompt governments to take punitive action.

Falling tax revenues and increased government spending, whether on bank bailouts or in response to rising unemployment, created increasing government deficits. Some countries adopted austerity policies, and made large cuts to public expenditure. Despite the term 'voluntary' being used by Blythe to describe austerity policies, in some cases their implementation was imposed rather than voluntary. Notably, large-scale cuts and public sector reforms, were imposed as a pre-condition by the so-called troika (the International Monetary Fund (IMF), European Commission, and European Central Bank) for financial rescue packages, in countries that needed bailouts such as Greece, Ireland and Portugal. Other countries such as the UK adopted austerity policies voluntarily. The austerity policies pursued by various EU countries have been extremely controversial.

Since 2008, the economic downturn has had significant and widespread impacts globally, across Europe and other regions, and within specific countries. Terms such as economic recession, austerity measures, deficit and structural reforms have dominated media narratives. As European policy makers debate possible solutions to the gradual and deepening financial issues facing the continent (Sen, 2015), some national governments have been forced to adopt austerity measures as a way out for their heavily indebted economies (such as Greece). Other countries, such as the UK, have adopted austerity as a policy of choice.

## Austerity in Greece

After a steady and increasing growth rate for a decade, Greece found itself at the epicentre of the crisis. It could be argued that Greece has been hit hardest by austerity, indeed the newly elected government of Syriza, after a long and fruitless round of negotiations, had to succumb to the creditors' demands for further austerity measures (Karyotis & Gerodimos, 2015). The troika enforced the implementation of spending cuts of 1.5% of GDP, equivalent to €3.3 billion, in 2012. Additional savings of 5.5% of GDP needed to be made in 2013–2014 (European Commission, 2012). The austerity plan included major reforms in the public sector workforce, cuts to the minimum wage (up to 20%), a reduction of 150,000 jobs between 2011 and 2015. As a large share of government spending in



Greece is on their social sector most of the austerity measures were implemented in this area. Cuts were achieved through reductions to pensions and social benefits and elimination of social support programmes, which has no-doubt contributed to inequality in Greece. Sport services in Greece did not go untouched by the austerity measures.

The plight of Greek National Sport Federations under enforced austerity is featured in Giannoulakis et al.'s article, 'Implications of austerity measures on National Sport Federations: The case of Greece'. In providing empirical insight into municipal sport organisations in Greece, General Secretariat of Sport data is used to examine allocated public funding of National Sport Federations between 2007 and 2014. Interviews with stakeholders explore the challenges and reactive strategies of federations during austerity. This research details the ramifications of the economic downturn on National Sport Federations, identifying a number of operational cost savings. The authors highlight drastic reductions in public funding between 2009 and 2014 and the accompanying decline in the overall medal count of national team at international competitions. The strategies adopted by federations to address the economic recession included administrative cuts, limited numbers of tournaments, reduced delegation sizes and the utilisation of alternative sources of funding. Giannoulakis et al.'s work sheds light on the reactive strategies of organisational reforms adopted by federations during financial hardship and how this funding may impact elite sport development. Greece offers us a Eurozone example of the impact of austerity measures on sport. The second article in this section of the joint Special Issue focuses on the UK, where in contrast to Greece, the ruling Conservative government brought in austerity measures via government political choice (Blyth, 2013).

## Austerity in the UK

In May 2010, a Conservative Party-led coalition government assumed political leadership of the UK. In response to (real and perceived) debt incurred by the previous Labour administration, the new government initiated considerable cuts to public spending, including a raft of austerity measures in its 'Comprehensive Spending Review', which outlined £81 billion cuts to government departments. Public spending was reduced on a national scale, leaving few government departments untouched. By the end of 2013, almost three and a half years after the introduction of austerity driven policy measures, it was estimated that £64 billion had been wiped from public expenditure (The Centre of Welfare Reform, 2013). The Chancellor scheduled a further 20% expenditure cut between 2014 and 2018 (Croucher, 2013). Services were cut, reduced or reorganised, impacting all kinds of services from libraries, to clubs for disabled children, to leisure centres (Blyth, 2013; Parnell, Millward, et al., 2015). As bitterly, harshly and vividly described by Mary O'Hara in her book, *Austerity Bites* (2014), these cuts were primarily focused on social benefits and local government budgets (The Centre for Welfare Reform, 2013).

The Institute for Fiscal Studies (IFS) and Joseph Rowntree Foundation's (JRF) 2011 report on the impact of austerity, primarily outside the south-east of England and all but the poorest parts of London made five key points:

- (1) the number of children in relative poverty is forecast to rise from 2.6 million in 2009/2010 to 3.3 million by 2020/2021 (before housing costs), and that of working-age adults from 5.7 million to 7.5 million by 2020/2021,

- (2) relative child poverty will rise from 20% currently to 24% by 2020/2021, the highest rate since 1999/2000 and considerably higher than the 10% target in the Child Poverty Act,
- (3) the proportion of children in absolute poverty is forecast to rise to 23% by 2020/2021, compared with the 5% target,
- (4) absolute poverty will rise considerably in the next few years as earnings growth is forecast to be weak but inflation high and
- (5) Universal Credit should reduce poverty substantially, but the effect of other government changes to personal taxes and state benefits will more than offset this (Brewer, Browne, & Joyce, 2011).

Spending cuts were larger, absolutely and proportionally, in urban and poorer parts of England than in more affluent rural and suburban districts. Further, funding cuts were larger in London and the northern regions of England than in southern regions. It is clear that austerity policy primarily impacted certain parts of the country (Dorling, 2012).

Local governments experienced significant job losses (two-thirds of a million jobs were lost by the end of 2012) and a wage freeze for the public sector (This is the Money, 2012). These cuts have been underpinned by political narratives about either the principle of equity and fairness, or more negatively ‘strivers versus skivers’. The potential unfair impact of austerity is noted by United Nations (UN) concerns about the development and delivery of austerity policies and its disproportionate impact on vulnerable groups such as the poor, women and children in the UK (Carter, 2016).

Local governments were charged with delivering expenditure reductions (Audit Commission, 2011; Department of Culture Media and Sport, 2010). The Department of Communities and Local Government’s funding was cut by 51% between 2010 and 2015, resulting in grants to local government falling by 27% (Parnell, Widdop, & King, 2015). As a consequence, discretionary services, such as sport, leisure and culture faced funding uncertainty (Collins & Haudenhuyse, 2015; Local Government Association, 2013; Parnell, Millward, et al., 2015; Parnell, Cope, Bailey, & Widdop, 2016). During 2015, David Cameron, the Prime Minister of the UK at the time, stated that there is a need for ‘a leaner, more efficient state’ in which ‘we need to do more with less. Not just now, but permanently’ (quoted in Krugman, 2015, p.1), ensuring austerity would continue. Indeed, in the UK the economy was set to face a continued period of ‘super austerity’ (Lowndes & Gardner, 2016; Parnell et al., 2016).

In the Special Issue’s second austerity article, Walker and Hayton discuss how a third sector disability sport organisation is navigating austerity through a resource dependency theory lens. Through semi-structured interviews with senior officials of a disability sport organisation, the research explores how the wider fiscal environment has affected the organisation and how impacts have been managed. The article highlights how resources are managed in navigating these challenges in an attempt to grow delivery capability through partnership and network development. The article discusses how sport organisations can manage financial challenges during austerity, without compromising values or a commitment to their mission.

### **Austerity: the good, the bad and the ugly**

Austerity has affected economic growth much more adversely than previously believed, leading to calls for relaxation of these policies (The International Monetary Fund

World Economic Outlook Report, 2016). Countries such as Germany opted for fiscal stimulus and have recovered more quickly – a finding interpreted by many commentators as evidence for an alternative to austerity. Furthermore, some economists argue that austerity is essentially anti-growth, since public expenditure decline contributes to private income reduction and increased unemployment rates. These two factors give rise to particular outcomes of austerity, causing losses on prosperity and leading a substantial segment of the population into poverty (Marmot & Bell, 2009). There is a very public challenge of austerity driven policy due to the (negative) impact of austerity and critics suggesting that neoliberal economic agendas promote inequality and jeopardize durable expansion (Ostry, Loungani, & Furceri, 2016). As Wolf notes:

Austerity has failed. It has failed in the UK and it has failed in the Eurozone. Its failure was predictable and, by some at least, predicted. It turned a nascent recovery into stagnation. That imposes huge and unnecessary costs, not just in the short run, but in the long term as well: the costs of investment unmade, of businesses not started, of skills atrophied and of hopes destroyed. (2013)

It could be argued that any sensible government should seek to act to stimulate the economy. With this, it appears clear that austerity is not working. Yet, Wren-Lewis (2011) suggests that if there are also strong ideological pressures towards immediate austerity, then this change of direction may not occur. For the Eurozone countries, including the UK, there may be such ideological pressures (certainly for the UK) to deliver a longer-term goal to shrink the state and free up the market (Taylor-Gooby, 2012). In what Wren-Lewis (2015) describes as 'mediamacro', the term used to describe macroeconomics as it is portrayed in the majority of the media. In the case of the UK, the Chancellor (George Osborne) continued to 'bluff it out', instead of facing up to the argument against and lack of economic progress under austerity (Wren-Lewis, 2015). Europe, after more than five years of being in a recession, has not been able to deal with the consequences. This has resulted in a serious debt crisis.

## **Looking ahead and issues for sport management**

The public, private and third sector sporting contexts offer a range of research opportunities. Government funding, whilst important for most sectors, plays a key source for finance in many third sector organisations (Young, Wilsker, & Grinsfelder, 2010). This highlights the importance of political leadership upon influencing stability and equally instability of third sector organisations (Hodge & Piccolo, 2005). The withdrawal of central government funding, alongside increased pressure on the third sector organisations to deliver (i.e. the 'Big Society' initiative within the UK) adds further pressure and threatens the viability of organisations dependent on government funding (Evans, 2011).

An example for future research exploring the economic recession and third sector sport organisations is that of community sport trusts (or charities). Bingham and Walters (2013) highlighted the need for community sports trusts (or charities) to develop strategies to attract commercial sponsorship income to negate the impact of austerity. However, other research has already challenged ineffective interventions within these contexts (Parnell, Stratton, Drust, & Richardson, 2013), alongside under-resourced organisations [and projects], and unethical programme commissioning (Lansley & Parnell, 2016;

Curran et al., 2016). As government funding continues to dwindle, as will the increased scrutiny on the effectiveness of investments into community sport trusts (Parnell, Pringle, et al., 2015). As such, this example alone raises a host of research questions from policy, commissioning, resource dependency, strategies to overcome austerity, partnerships, corporate social responsibility, programme effectiveness and programme evaluation.

We suggest that this period of ‘super-austerity’ (2015–2020) (Parnell et al., 2016) could provide an opportunity or the platform for sport management to heavily influence the third sector sport industry. Academic institutes, particularly those in higher education are facing their own respective challenges regarding reduced research funding and heightened need for impact (Larkin, Richardson, & Tabreman, 2012). As such, universities may take opportunities to develop meaningful applied research activities and partnerships with third sector sport organisations (Parnell, Pringle, et al., 2015). Given the greater reliance on third sector organisations (Gleave et al., 2010), developing university and third sector partnerships may help organisations respond to the economic downturn and in turn develop research outputs and tangible impact within the industry (Larkin et al., 2012; Parnell, Pringle, et al., 2015).

The longer term consequences of the economic recession and subsequent austerity policies are still emerging. The two papers in this section of the joint Special Issue offer a short-term perspective into the impact of austerity on sport management. We, the editors hope this collection ‘stimulates’ further research in this area. We hope that this Special Issue triggers ideas and interest for a number of potential research contexts to explore: (i) public, private and third sector sporting contexts, (ii) amateur and participation sport, (iii) elite sport systems and contexts.

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