

# Module 4. Solidarity Mechanisms and Policy Implementation

In this final module of course one—focusing on funding streams and solidarity mechanisms—we will focus on the latter, solidarity mechanisms and how policy is being implemented to support them.

In this module, we will focus first on financial solidarity mechanisms in commercial sport by discussing the most popular ones: first, revenue sharing, a method particularly popular in North American leagues; then, we will move on to salary caps, which are also encountered in North American leagues. Parachute payments, a solidarity mechanism popular in open leagues, such as the English Premier League, will be then examined.

Following this, financial solidarity mechanisms in grassroots and amateur sport will be discussed, whilst looking particularly into volunteering as a solidarity mechanism and government policy and lotteries. Finally, we will briefly capture reverse solidarity matters mechanisms in this module.

## Unit 4.1 Financial Solidarity Mechanisms in Commercial Sport

Financial solidarity mechanisms in sport refer to the ways in which funds are distributed among different stakeholders to ensure fair and equitable competition, especially in leagues where there is significant disparity in revenue among clubs (Litvishko *et al.*, 2019). These mechanisms are intended to promote financial stability and equal opportunities for all clubs, which, in turn, can lead to greater competition and ultimately better sporting outcomes.

There are several financial solidarity mechanisms used in sport, including revenue sharing, salary caps, luxury taxes, and parachute payments. Each mechanism has its own unique advantages and disadvantages, and may be more or less suitable depending on the particular context.



Revenue sharing involves the redistribution of revenue generated by a league or competition among all participating clubs (Késenne, 2006). This mechanism aims to level the playing field by ensuring that smaller or less financially successful clubs receive a proportionate share of the revenue generated by the competition. Revenue sharing can also incentivise clubs to invest in their operations and compete at a higher level: the more successful they are, the greater their share of the revenue will be.

Salary caps are another mechanism used in sport to promote financial solidarity. A salary cap places a limit on the amount clubs can spend on player salaries, which can help to ensure that all clubs have access to similar talent and prevent the richest clubs from dominating the competition. However, salary caps can also be difficult to implement and enforce, and may lead to unintended consequences, such as a decrease in overall talent level or the creation of a competitive imbalance in favour of teams that are better at managing their finances.

Luxury taxes are a type of financial solidarity mechanism used in some sports leagues, particularly in North America. A luxury tax is a penalty levied on clubs that exceed a certain spending threshold on player salaries or other expenses. The revenue generated by the luxury tax is then redistributed among other clubs. Luxury taxes can be an effective way to promote financial stability and limit the competitive advantages of the richest clubs, but may also be difficult to implement and enforce.

Finally, parachute payments are a mechanism used in some sports leagues to provide financial support to clubs that are relegated from a higher division. Parachute payments are intended to help relegated clubs maintain financial stability and competitiveness in their new division, as they receive a larger share of the league's revenue than other clubs. However, parachute payments have been criticised for potentially creating a competitive imbalance in favour of relegated clubs and undermining the financial stability of smaller clubs in the lower division.

Overall, financial solidarity mechanisms are an important part of promoting fair and equitable competition in sport. Each mechanism has its own unique advantages and disadvantages, and the appropriate mix of mechanisms may depend on the specific context and needs of the league or competition in question. Ultimately, the goal of financial solidarity mechanisms in sport



is to promote fair competition and provide equal opportunities for all clubs, regardless of their financial resources.

## Unit 4.2 Revenue Sharing

Revenue sharing is a mechanism used in many sports leagues around the world to promote financial solidarity and provide equal opportunities for all participating clubs. The goal of revenue sharing is to distribute the revenue generated by the league or competition among all clubs, regardless of their size or financial success, to ensure a level playing field and foster competition (Késenne, 2006).

Revenue sharing can take several forms, depending on the specific league or competition. In some cases, a fixed percentage of the league's revenue is distributed evenly among all participating clubs. In other cases, the revenue is distributed based on factors such as performance, size, or market. The exact distribution formula can vary widely and may be subject to change over time.

One of the primary advantages of revenue sharing is that it can help to promote financial stability among all participating clubs (Késenne, 2006). By ensuring that all clubs receive a proportionate share of the league's revenue, revenue sharing can help to level the playing field and prevent the richest clubs from dominating the competition. This can create a more exciting and competitive environment for fans, as more clubs are able to compete at a high level and challenge for championships.

Revenue sharing can also provide an incentive for clubs to invest in their operations and compete at a higher level (Késenne, 2006). Because the more successful a club is on the field, the greater its share of the league's revenue will be, revenue sharing can encourage clubs to invest in their rosters, facilities, and other areas of their operation to improve their performance. This can lead to better outcomes for fans, as more clubs are able to compete at a high level and put on a quality product on the field.

Moreover, revenue sharing could assist in promoting financial stability for individual clubs. By ensuring that all clubs receive a proportionate share of the league's revenue, revenue sharing can help to offset the effects of fluctuations in the economy or other external factors that can affect a club's revenue. This can help to prevent smaller or less financially



successful clubs from falling into financial distress and potentially folding (Késenne, 2006).

As such, revenue sharing has, of course, attracted a lot of attention through its application in some Northern American sports leagues. Case in point is the NFL (Vrooman, 2020). It is argued that the NFL might be considered by some one—if not the most—economically powerful sports league in the world because it has been the most egalitarian. In 2019, NFL clubs shared amongst them 8.8 billion US dollars, which represent 60% of the total of \$14.5 billion in revenues among its 32 franchises.

The strength of the NFL has been the idea of league thing mentality that developed gradually during the interleague competition of the NFL with the AFL and the rival league war that existed between the years 1960 and 1966. The merged league that emerged through it was based on the collectivist notion that any sports league was only as strong as its weakest franchise (Vrooman, 2020).

What we have seen since is that evenly shared national media money has increased impressively from \$47 million annually when the AFL NFL merged in 1970 to \$6.68 billion per season under the 2014-2021 broadcasting rights contract.

The opposition to this revenue sharing that appears to be a common truth among these clubs is the idea that an individualist counter revolution in venue revenue produced by concessions, parking, sponsorships, and luxury seating might change the *status quo* of the league. What is being feared is that the once considered most egalitarian league, the NFL, can now be seen to be gradually changing their mentality (Vrooman, 2020).

Another league in which revenue sharing can be explored is the NBA. According to the revenue sharing system, first implemented in 2013/14, each NBA team had to put into a pool roughly 50% of its total annual revenue, minus, of course, certain expenses, such as the operating costs of its arena (Lorenzo, 2012). Teams would then receive an allocation from that pool that is equal to the average team payroll for that season.

That is to say that, if a team's contribution to the pool is less than the league's average team payroll, that team would be considered a revenue recipient. If the team's contribution to the pool is more than the average team payroll, the team is deemed a contributor to the system.



Teams were assumed to have achieved certain revenue thresholds based on market size when calculating the full revenue results, while teams that are payers into the revenue sharing system were also protected to where the contributions to the plan would be no more than 30% of their total operating profits (Lorenzo, 2012).

The top recipients and contributors for that new systems are then illustrated in table 1 below.

**Table 1. The Top Recipients and Top Contributors in the NBA's Revenue Sharing System**

**What It Means For Teams**

NBA owners last year were given a snapshot of what the league's new revenue-sharing system could mean for individual clubs by the 2013-14 season. Following are projections for certain clubs and what they could be receiving from, or paying into, the system.\*

TOP RECIPIENTS <sup>1</sup>	PROJECTED AMOUNT (2013-14)	TOP CONTRIBUTORS <sup>2</sup>	PROJECTED AMOUNT (2013-14)
Memphis Grizzlies	\$22 million	L.A. Lakers	\$49 million
Indiana Pacers	\$20.5 million	New York Knicks	\$24 million
Charlotte Bobcats	\$18 million	Chicago Bulls	\$15 million
Sacramento Kings	\$18 million	Boston Celtics	\$13 million

<sup>1</sup> The Detroit Pistons were last in this group: a recipient, but receiving the lowest projected amount of any club, at about \$3.6 million.  
<sup>2</sup> The Oklahoma City Thunder was last in this group: a contributor, but with the lowest projected amount of any club, at about \$400,000.  
\* According to sources familiar with the league's revenue-sharing projections.



Source: Lorenzo, 2012.

However, there are also some potential drawbacks to revenue sharing. One concern is that it may create a disincentive for clubs to invest in their operations or compete at a high level (Hunt, 2011). If a club knows that it will receive a proportionate share of the league's revenue, regardless of its performance, it may be less motivated to invest in its roster or facilities. This could potentially lead to a decline in the overall quality of play and a less competitive environment for fans.

Another concern is that revenue sharing may be difficult to implement and enforce effectively (Hunt, 2011). The exact distribution formula can be complex and subject to interpretation, and there may be disagreements among clubs about what constitutes a fair distribution of revenue. Additionally, revenue sharing may not address all of the underlying issues that lead to financial disparities among clubs, such as differences in market size or revenue streams outside the league.



Despite these concerns, revenue sharing remains an important mechanism for promoting financial solidarity and ensuring a level playing field in many sports leagues around the world. The specific implementation of revenue sharing can vary widely depending on the context, but its overarching goal of promoting fair competition and equal opportunities for all participating clubs remains an essential part of modern sports.

## Unit 4.3 Salary Caps

A salary cap is a mechanism used in many sports leagues around the world to promote financial solidarity and competitive balance among teams. A salary cap is a limit on the total amount of money that a team can pay its players, typically set as a percentage of the league's total revenue or a fixed amount per team (Késenne, 2000). The goal of a salary cap is to ensure that all teams have an equal opportunity to compete for championships, regardless of their market size or financial resources.

One of the primary advantages of a salary cap is that it promotes financial stability and equal opportunities among teams. By limiting the amount of money that a team can spend on player salaries, a salary cap can help to prevent the wealthiest teams from dominating the league and allow smaller or less financially successful teams to compete at a high level (Késenne, 2000). This can create a more exciting and competitive environment for fans, as more teams are able to compete for championships and challenge the league's traditional powerhouses.

Another advantage of a salary cap is that it can help to promote long-term financial sustainability for teams. Because a salary cap limits the amount of money that a team can spend on player salaries, it can encourage teams to invest in areas other than player salaries, such as infrastructure, marketing, and scouting. This can lead to more long-term stability for teams, as they are less reliant on expensive star players to drive their success (Késenne, 2000).

A salary cap can also help to promote parity in player salaries, which can be beneficial for both players and teams. Without a salary cap, the wealthiest teams may be able to offer much higher salaries to players than smaller teams, creating a significant imbalance in the market. A salary cap helps to level the playing field by limiting the amount of money that any one team can



spend on player salaries, encouraging a more equal distribution of talent across the league (Késenne, 2000).

However, there are also some potential drawbacks to a salary cap. One concern is that it may discourage teams from investing in star players or from retaining their best players over the long term. If a team is unable to offer competitive salaries to its top players, those players may be more likely to seek opportunities with teams that can offer higher salaries. This could potentially lead to a decline in the overall quality of play and a less competitive environment for fans (Késenne, 2000).

Another concern is that a salary cap may be difficult to enforce effectively. There may be disagreements among teams about what constitutes a fair distribution of resources, and some teams may attempt to circumvent the salary cap through loopholes or other means. Additionally, a salary cap may not address all of the underlying issues that lead to financial disparities among teams, such as differences in market size or revenue streams outside the league (Késenne, 2000).

Despite these concerns, a salary cap remains an important mechanism for promoting financial solidarity and competitive balance in many sports leagues around the world. As with revenue distribution, the specific implementation of a salary cap can vary widely depending on the context, but its overarching goal of promoting fair competition and equal opportunities for all teams remains an essential part of modern sports. By limiting the amount of money that any one team can spend on player salaries, a salary cap can help to ensure that all teams have an equal opportunity to compete for championships and that fans are treated to a more exciting and competitive environment.

## **Unit 4.4 Salary Cap in North American Leagues**

Salary caps can be better understood if we examine how they are implemented in practice. As we argued above, salary caps are a controversial issue in professional sports. For example, when salary caps were introduced in the National Hockey League, a lockout was initiated that resulted in the cancellation of the 2004/05 NHL season (Elitzur, 2021).

Whilst the NFL was the first professional league to introduce one in 1994, followed shortly by the national basketball and



hockey leagues in later years, it still remains rather a contested issue which has yet to be fully considered in European leagues.

The NFL argues that the salary cap was introduced to make the league more competitive and to avoid runaway payroll spending by wealthier teams, in contrast with Major League Baseball that consists of wealthy and highly poor clubs. This financial disparity was thus intended to be avoided by the NHL, suggesting that the salary cap would be an appropriate solidarity mechanism (Elitzur, 2021).

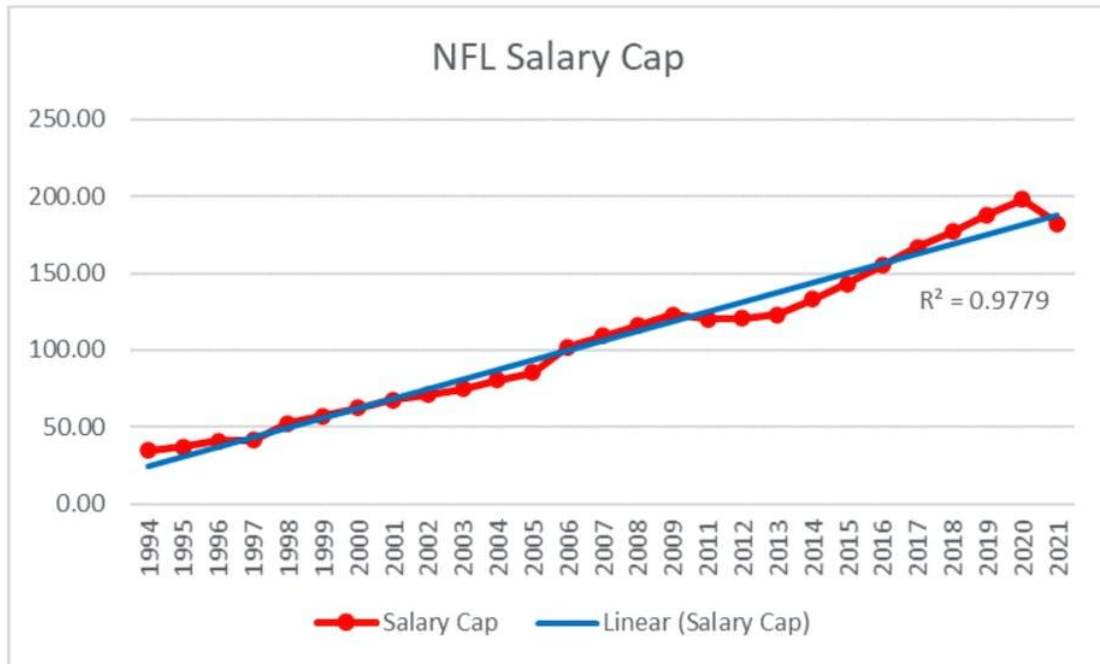
As we argued above, the NFL also employs revenue sharing, and both of these mechanisms make the NFL one of the most 'socialistic' professional leagues around the world, in which the teams share about 60% of the league's revenues, making even smaller market teams able to compete in it (Elitzur, 2021).

The NFL cap can be characterised as a 'hard' one because teams must always stay under it. But, as with any regulation, ways around it can be found, but they do not represent but the exception to the rule. Interestingly, the NFL has also introduced a 'hard' salary floor, a requirement that all teams spend at least a certain percentage of the league cap. Both the cap and the floor are tied to the league's revenues and are adjusted annually.

Until recently, the salary cap was calculated at 50% of the NFL revenues (Elitzur, 2021). The figure below shows the NFL actual salary cap over time. The graph shows that the salary cap is increasing, as it can be clearly seen below.

**Figure 1. The Progression of the NFL Salary Cap**





Source: Elitzur, 2021, <http://bit.ly/3mupD0c>.

Now, this agreement has not always gone well. As we can see in the graph, there was no salary cap in 2010, leading to a long lockdown in 2011 that resulted in a settlement between the NFL Players Association and the NFL (Elitzur, 2021). The collective bargaining agreement that came up as a result of this, reduced a salary cap from 50% of the revenue to 47%.

It is worth noting that because of the COVID-19 pandemic, the League's revenue dropped in 2020. And, as a result, the 2021 salary cap dropped from \$198 million to \$182.5 million.

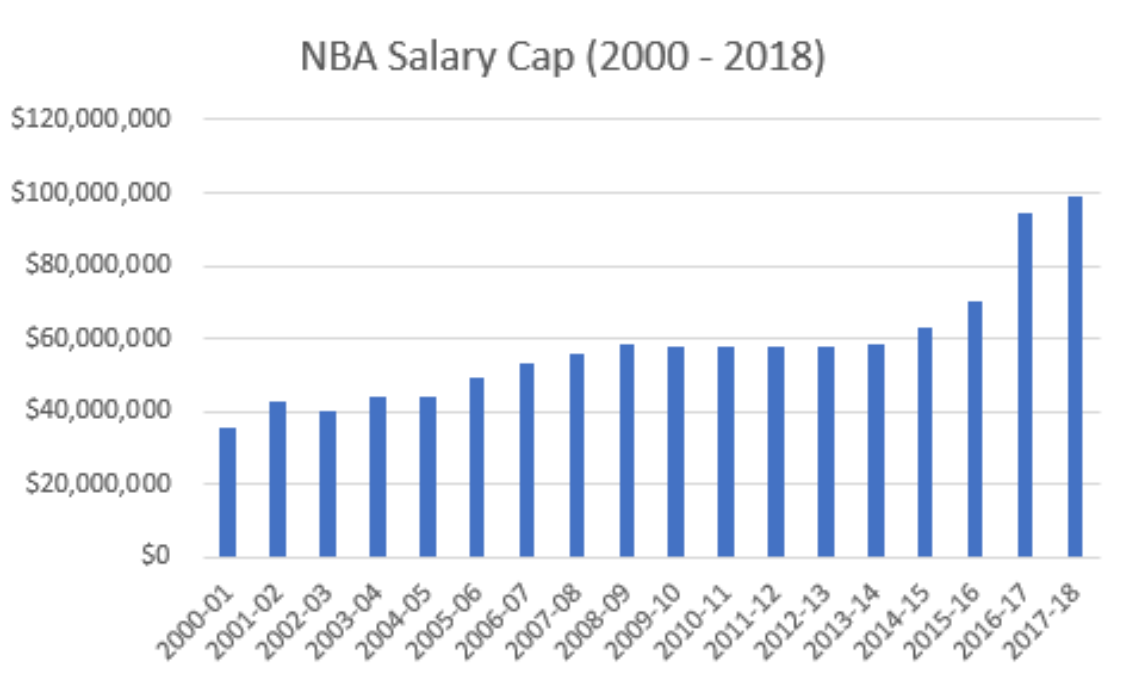
Now what is worth noting at this point is that, as we said before, not all leagues have the same rules around salary caps. In the case of the NBA, a 'soft' salary cap is being implemented. This allows teams to go over only in signing their own currently under contract players, certain veterans, players being paid the league minimum, and a one time a year mid-level exception. As with the NFL, crossing the cap illegally is a serious matter that can result in punishment, such as fines, suspensions, and resending of draft picks.

Now, what we see when we compare the two leagues is that, whilst the NFL salary cap has been increasing, it has not been doing so in such a drastic way. That is because if we compare it with the NBA salary cap that we can see in the figure below, a clear jump between different amounts of money can be seen (White,



2018). Indeed, the biggest jump we are seeing in the graph is in 2015, when the salary cap went from \$70 million to \$94.1 million. As a result, over the years shown in the graph, the NBA salary cap has indeed increased by around 179%.

**Figure 2. The NBA Salary Cap Over Time**



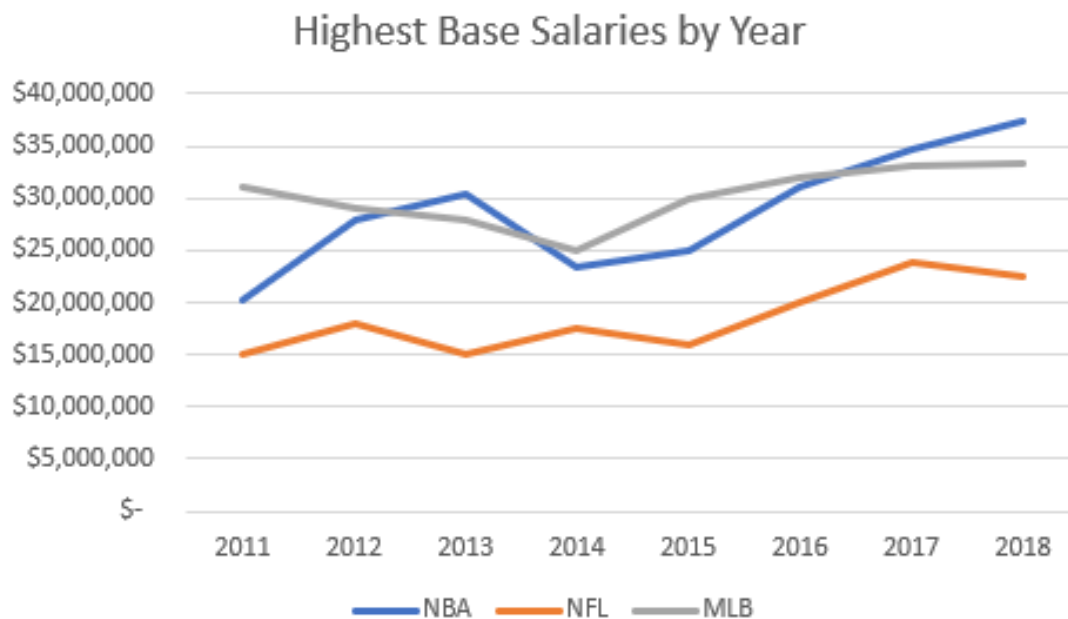
Source: White, 2018, <http://bit.ly/3o9tMXV>.

If we were to compare this development over time with the one seen above from the NFL, we can see that the latter's salary cap is not rising as quickly as the NBA's.

The figure below allows us to see the highest base salaries each year in the NBA, the NFL and the MLB (White, 2018). This, in turn, allows us to better appreciate the healthier approach to salaries and how they change over time in the NFL, when compared to the other leagues that follow different systems in terms of their solidarity mechanisms.



Figure 3. Highest Base Salaries by Year in the NBA, the NFL and the MLB



Source: White, 2018, <http://bit.ly/3o9tMXV>.

While this graph is just an indication, a number of other factors should be considered when examining these numbers. It is worth, nonetheless, saying that, whilst arguments for and against salary caps exist, as we discussed them in the section before, the implementation of solidarity mechanisms to assist in the financial health and indeed financial sustainability of a league and the teams that comprise it, seems to be successful in the case of the NFL, potentially indicating that a similar example could be adopted in other leagues currently suffering in their financial position.

## Unit 4.5 Parachute Payments

Parachute payments are a financial solidarity mechanism that is designed to support clubs that have been relegated from a league to the one below it. As such, it is encountered in open league systems, such as the one seen in England and implemented by the English Premier League. These payments are a form of financial support intended to help the relegated clubs adjust to the financial realities of playing in the lower division (Wilson *et al.*, 2018).

The Premier League is one of the most lucrative football leagues in the world, with significant revenues generated from



broadcasting rights, sponsorships, and other commercial activities. The league distributes a portion of this revenue to its member clubs, which helps to ensure that they are financially stable and able to invest in their squads (Wilson *et al.*, 2018).

However, when a club is relegated from the Premier League, they face a significant reduction in revenue, which can make it difficult for them to maintain their financial stability. This is where the parachute payments come in; they provide financial support to the relegated clubs over a period of three years, which helps them to maintain their financial stability and invest in their squads.

The parachute payments are designed to ensure that the relegated clubs have a financial cushion during their transition period, which can be a challenging time for them. The payments are calculated as a percentage of the Premier League's broadcasting revenue and are paid out over three years. The amount of the payments decreases each year, with 55% of the broadcasting revenue paid out in the first year, 45% in the second year, and 20% in the third year (Wilson *et al.*, 2018).

**Table 2. Premier League Parachute Payments to Clubs in the 2017/18 Season**








**Premier League**

2017/18

## Parachute Payments to Clubs

Club Name	Equal Share	International TV	Total Payment
 <b>Aston Villa</b>	15,665,651	18,346,999	<b>34,012,650</b>
 <b>Cardiff City</b>	8,703,140	7,892,777	<b>16,595,917</b>
 <b>Fulham</b>	8,703,140	7,892,777	<b>16,595,917</b>
 <b>Hull City</b>	19,146,907	22,424,109	<b>41,571,016</b>
 <b>Middlesbrough</b>	19,146,907	22,424,109	<b>41,571,016</b>
 <b>Norwich City</b>	15,665,651	18,346,999	<b>34,012,650</b>
 <b>Queens Park Rangers</b>	8,703,140	7,892,777	<b>16,595,917</b>
 <b>Sunderland</b>	19,146,907	22,424,109	<b>41,571,016</b>
<b>All figures in £</b>	<b>114,881,443</b>	<b>127,644,656</b>	<b>242,526,099</b>

Source: Cooper, 2018, <http://bit.ly/3zRgTUY>.

The rationale behind these payments is that they help to promote financial stability and solidarity within the football industry. By providing financial support to the relegated clubs, the Premier League is helping to ensure that they are able to maintain their operations and remain competitive in the lower division (Wilson *et al.*, 2018).

There are several ways in which the parachute payments can be seen as a form of financial solidarity mechanism. First, the payments help to ensure that the relegated clubs are not completely cut off from the revenue generated by the Premier League. This is important because the financial disparity between the Premier League and the lower divisions of English football is significant, and, without the parachute payments, the relegated clubs would struggle to compete (Wilson *et al.*, 2018).

Second, the payments are designed to help the relegated clubs maintain their financial stability, which is important for the overall health of the football industry. If a club is forced to



go out of business because of financial difficulties, it can have a ripple effect throughout the industry, affecting other clubs, players, and fans. By providing financial support to the relegated clubs, the Premier League is helping to promote the financial stability of the industry as a whole (Wilson *et al.*, 2018).

Third, the parachute payments are a way of ensuring that the relegated clubs are able to invest in their squads and remain competitive in the lower division. This is important because it helps to promote the competitiveness of the lower divisions of English football, which can be seen as a form of financial solidarity mechanism in its own right.

Despite the benefits of the parachute payments, there are some criticisms of the system. One of the main criticisms is that the payments create an uneven playing field in the lower division, as the relegated clubs have a significant financial advantage over the other clubs. This can make it difficult for the other clubs to compete and can lead to a lack of diversity in the teams that are promoted to the Premier League (Wilson *et al.*, 2018).

Another criticism of the parachute payments is that they can create a "yo-yo" effect, where clubs are promoted and relegated in quick succession. This can be seen as detrimental to the long-term competitiveness of the industry, as it can lead to a lack of stability and can make it difficult for clubs to build sustainable squads.

Overall, however, the Premier League parachute payments can be seen as a form of financial solidarity mechanism that promotes the overall health and competitiveness of the football industry. By providing financial support to the relegated clubs, the Premier League is helping to ensure that they are able to maintain their operations, invest in their squads, and remain financially healthy.

## **Unit 4.6 Financial Solidarity Mechanisms in Grassroots and Amateur Sport**

As we discussed above, solidarity mechanisms in sport have been a topic of discussion in recent years. That is because financial sustainability is believed to be at risk and, as such, efforts



to increase solidarity and allow at times the redistribution of funds are believed to be important. While this is often a top of discussion and, indeed, implementation in some commercial sports, financial solidarity mechanisms also exist in grassroots and amateur sports, to better assist in promoting their financial health and sustainability.

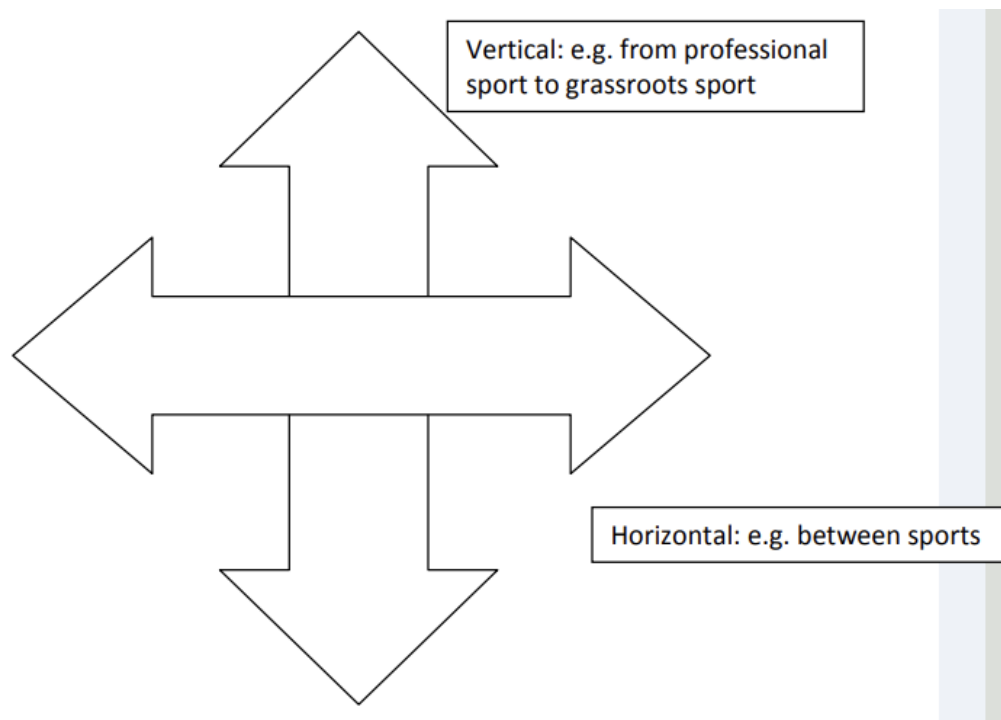
Financial solidarity in this case can take different forms (XG FIN, 2012). When the distribution of funds is between different sports, it is referred to as horizontal distribution. That is the case in which funds are distributed from one sport to another sport.

Vertical distribution then occurs when it exists between different levels of the same sport. So, if solidarity exists from the professional or elite level to the grassroots level, then it is referred to as vertical solidarity or distribution (XG FIN, 2012).

Interestingly, we also have seen reverse solidarity mechanisms where grassroots sport helps fund elite sport, which will be discussed later on in this module.

The figure below illustrates how vertical and horizontal solidarity operates.

**Figure 4. Different Types of Solidarity Mechanisms**



Source: XG FIN, 2012, p. 4.

An example of vertical solidarity mechanisms can be considered in the redistribution of funds in European football as UEFA, the governing body of football in Europe. In this case, the system is set up in a way that assists grassroots sports, with UEFA suggesting that the beneficiaries are often the smaller European countries and grassroots sport (XG FIN, 2012).

They argue that 60% of the media rights from the tournaments they organise are redistributed to the national federations. It is argued that this money is specifically targeted for grassroots football, since UEFA suggests that an equitable split is implemented, benefiting smaller European countries proportionally more than bigger countries within the same region.

Another example worth discussing is the redistribution of funds within sponsorship agreements that we see in the Netherlands (XG FIN, 2012). Football in the Netherlands has adopted a successful vertical solidarity mechanism. This system of financial solidarity exists in football in the country, in which professional football and the sponsors of the Netherlands national team provide 1 million euros per year to grassroots sport financing. This is called the Youth Football master plan. According to this plan, 1 million euros is dedicated annually to the financing of football infrastructure, used particularly by grassroots clubs.

In addition, more than 100 projects are supported by professional clubs and the professional football divisions of the Royal Netherlands Football Association. Other projects include the installing of mini-football pitches around the country, and especially in urban areas, so that children and people of different social backgrounds can play football together. The Royal Netherlands Football Association has invested over 1 million euros themselves in this project (XG FIN, 2012).

Horizontal mechanisms also exist and can be seen in a number of countries around the world (XG FIN, 2012). In the case of Portugal, for example, large professional clubs in Portugal tend to be multidisciplined and compassing up to 10 or even 20 different sports. Whilst there is no cross funding from sponsorship or media rights, other disciplines and grassroots clubs tend to benefit greatly from the brand association, which in turn makes it easier to get sponsorship and contracts.



For example, Sport Lisboa e Benfica have seven professional sport sides, including handball, athletics, basketball, football, futsal and ice hockey, and another 12 amateur or semi-professional sports, including archery, billiards, canoeing, golf, judo, swimming, fishing, rugby, surf, tennis, and triathlon. These smaller sports tend to benefit from the overall association with the brand, making it easier for them to be financially healthy.

## **Unit 4.7 Volunteering as a Solidarity Mechanism**

An interesting solidarity mechanism to explore is volunteering. Volunteers are crucial to grassroots sports; however, as the impact is often directly related to grassroots level sport and their service, the opportunities for solidarity mechanisms might be perceived as small (XG FIN, 2012). Whilst assistance can be offered for barriers to be removed so that volunteering can potentially increase, this tends to be a wider and challenging effort.

It should be noted that volunteering in sport covers a wide range of activities, including helping directly with playing and coaching, as well as administrative roles, such as committee members, treasurers, legal advisors, campaigners, and fundraisers.

A solidarity mechanism in volunteering which could be considered in this context is the use of major sport events as a hook to engage with volunteers and then provide further opportunities at a grassroots level (XG FIN, 2012). This, in turn, would allow for a type of solidarity mechanism to exist, in which those interested and thus 'captured' by sport or big events, transfer this enthusiasm to a grassroots or amateur level.

The European Union report argues that volunteers add over 25 billion euros worth of value to grassroots sport across Europe, and thus both member states and sport organisations should recognise your value by ensuring that training is available when needed, and that they receive the support they need (XG FIN, 2012).

An interesting example to illustrate this is how major event volunteering was managed in the Manchester Commonwealth Games (XG FIN, 2012). Manchester Event Volunteers was run under a specific and carefully designed project to build upon the



success of the Commonwealth Games Volunteering programme, by harnessing the commitment and enthusiasm demonstrated by the volunteers who were involved in the games. Those who had actively participated in the games were then invited to be included in a new database, through which they could be contacted for future events.

Additionally, a system of delivery was created based on the pre-volunteer programme, which entailed getting in contact with outreach providers in the area where the Commonwealth was staged, in the Northwest of England. The aim of this was to target disadvantaged individuals who could benefit from the development of the skills and confidence gained through volunteering, as well as the training that was provided and associated with it (XG FIN, 2012).

Since this was considered to be a potential route to employment, it resulted in a high attraction of funding from the European Social Fund, the Single Regeneration Budget and the Neighbourhood Renewal Fund, as well as the Learning and Skills Council. This, in turn, was a very successful programme, with multiple social and indeed financial effects, turning volunteering into a successful solidarity mechanism for amateur and grassroots sports (XG FIN, 2012).

## **Unit 4.8 Government Policy and Lotteries**

The use of government lotteries as a financial solidarity mechanism for grassroots and amateur sport is an interesting aspect of sport policy that we will be discussing here.

In the case of the European Union, lotteries are used by Member States to help fund sport in lower levels of competition (XG FIN, 2012). It is estimated that 2.1 billion euro is invested through the Government through lotteries and levies on lotteries, while 110 million euro is invested directly in sport through statutory levies. From the annual revenues that the private and public betting sector receives, it is recorded that 3.4 billion euros are given to elite and grassroots sports.

With respect to the revenues generated from the lotteries and how much of this money is actually given to grassroots sports, differences can be seen in the different countries around the world. How this money is being distributed is also done through different mechanisms in different countries.



While these differences exist, it is worth discussing some best practice examples. The redistribution of money through national sport federations in Finland presents itself as a good example (XG FIN, 2012). What we see in this case is that 75% of the central government funding of sport goes to grassroots sports. In the country, there is no centralised revenue allocation system operated by the sport movement itself. Instead, the Finish Sport Federation administrates and redistributes, occasionally, revenues allocated by the Ministry for special purposes, such as employing youth in the sport sector. The terms and conditions, of course, depend on a case by case basis; however, the amount of money distributed to grassroots and amateur sports through the National Lottery is considered to be one of the best examples.

In the case of France, where online gambling is open to private operators, we also see an interesting example of public policy implementing financial solidarity mechanisms in sport (XG FIN, 2012). Online private operators must have an agreement delivered by the independent regulatory authority in charge of online gaming in France. As part of the agreement, a 1.8% levy exists, which goes into the central fund of the National Centre for Sport Development and needs to be distributed to grassroots sport, whilst 1% goes to the sports organisers on which the bets are being placed. This mechanism allows for the amateur and grassroots sports to also benefit financially, not only from the national, but also from the private gambling and betting providers.

## **Unit 4.9 Reverse Solidarity Mechanisms**

As we discussed in a previous module, the biggest income for most grassroots clubs nowadays are still membership fees. These are used to maintain facilities, provide coaching, buy equipment, and cover the main costs that are incurred when practising a sport.

However, any sport club needs to generate revenue to be also able to pay affiliation fees to the representative national governing body. This indeed suggests that a reverse solidarity mechanism exists, in which a grassroots level club ends up funding the national governing body, and, as a result, elite sport too (XG FIN, 2012).



One could therefore suggest that amateur and grassroots clubs should be net beneficiaries from the affiliation fees they pay. In other words, the services provided by the governing bodies, such as insurance, legal advice, and infrastructure support, should be valued higher than the fees paid. In other words, amateur and grassroots clubs should therefore receive more value than the cost of the affiliation (XG FIN, 2012). Otherwise, we are being presented with a case of a reverse solidarity mechanism, in which an amateur club ends up funding elite or commercial sport without receiving enough for their contributions.

This issue has been widely discussed in sport policy, to ensure that reverse solidarity mechanisms are avoided, to better protect the financial health and sustainability of amateur and grassroots sports.

### **Summary**

In this module, we focused on solidarity mechanisms and policy implementation. First, we looked into solidarity mechanisms in commercial sports by discussing revenue sharing, salary caps, and parachute payments. We then moved on to solidarity mechanisms in grassroots and amateur sport, in which we examined volunteering and lottery funding and government policy, before capturing reverse solidarity mechanisms in sport.

### **Course Summary**

In this course, *Focusing on Funding Streams and Solidarity Mechanisms*, we focused on the main equation of revenues minus expenses equals profit or loss.

As such, in module one, we looked into the funding streams in sport by paying particular attention to how commercial sport is being funded. In module two, we looked into the modern system of central funding and government support of sport, to show both how non-commercial sport is being funded, and the role of government in funding sport and sport infrastructure overall.

Then, in module three, we focused on the second and third part of the equation. Financial mismanagement and debt in sport was therefore our focus, in which we discussed that the revenue generated by sport cannot often match its expenses, leading into the creation and accumulation of debt.

Finally, in the fourth module, we looked into solidarity mechanisms and policy implementation that are intended to assist



commercial and non-commercial sport to better manage or improve their financial position and financial health over time.

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