

LONG-TERM SOCIO-ECONOMIC IMPACT OF COVID-19 ON SPORT SECTOR

Sabine Rusmane, University of Latvia

Marina Kudinska, University of Latvia

Abstract. The nature of the Covid-19 pandemic's induced economic crisis is unprecedented: beyond the repeated health and economic shocks, the long-term effects on human capital, productivity and behaviour may also be long-lasting. One of the sectors hit particularly severe by the impacts of Covid-19 is sport. The very existence and work of sport organisations, clubs, professional sport leagues, fitness centres, athletes, coaches, sport staff, sport volunteers and sport-related business, including sport event organisers and sport media, have been battling with staying afloat by cutting all unnecessary expenses and consolidating costs while also trying to maintain the community feel of bringing people together. The crucial role of sport sector could not underestimated, as it is both economic and labour intensive sector, namely, it generates money measured in billions of euros and USD dollars and employs people of all ages in a variety of sport-related jobs, while creating a deep emotional and social connection that positively affects physical and mental health. The aim of this research paper is to analyse and assess the possible long-term socio-economic impact of Covid-19 created crisis on sport sector by using monographic, content analysis and synthesis, logical constructive analysis and generalisation methods. The main results include the sport sector's list of issues faces and is likely to continue to live with during and after the pandemic.

Keywords: *socio-economic impact, sport sector, sport economics, covid-19.*

JEL code: Z2, Z28

Introduction

The nature of the Covid-19 induced economic crisis is unprecedented: beyond the repeated health and economic shocks, the long-term effects on human capital, productivity and behaviour may be long-lasting. Pandemic has governments operating in a context of radical uncertainty, and faced with difficult trade-offs given the health, economic and social challenges it raises. The outbreak of the pandemic has impacted not only main economic sectors taking the hit, namely, the public health, but the entirety of all possible economic sectors. One of the sectors hit particularly severe by the impacts of Covid-19 is sport. Sport stakeholders have been affected at all levels - from the biggest and most powerful international professional sporting leagues or major sporting events such as annual championships to the local grassroots sporting events managed by volunteer work or a small business, e.g. fitness gyms. The crucial role of sport sector could not underestimated, as it is both economic and labour intensive sector, namely, it generates profit measured in billions and employs people in a variety of sport-related jobs, while creating a deep emotional and social connection that positively affects physical and mental health.

The aim of this research paper is to assess the possible long-term socio-economic impact of Covid-19 created crisis on sport sector and the faced issues during and after crisis. To achieve the set aim of the research the author uses monographic, content analysis and synthesis, logical constructive analysis and generalisation methods. The main tasks are the following: 1) to analyse the basic theoretical aspects of sport economics; 2) to perform general analysis of sport sector's importance within the global and the European Union's economy; 3) to generally assess the possible long-term impacts and other pandemic induced issues on sport sector; 4) to draw general conclusions; 5) to elaborate a small set of proposals based on the analysis conducted.

The main research question posed by the author is the following: *What are the main long-term issues the sport sector faces during and post the Covid-19 crisis?* It could also be followed by another one that, and truth be told, it is easily answered, even without naming a concrete figure. Namely, what is going to be the price of the long-term Covid-19 caused impacts, with the answer being "immeasurable", with all facts and history considered.

The novelty of author's research paper is founded on the assumption that sport could be used as an effective tool to boost the economy because of its labour intensive sector specifics and as a highly profitable economic sector, and the findings of this particular research could be used to further argue and prove the important role of sport sector within the national and international economic development and growth, as well as the necessity of annually and timely collected data on sport sector socio-economic data could enable a more definite assessments of the sector's impact on the overall economy. The latter leads to the problematic issues of this research conducted. Those are based on the on lack of annual sport sector economic impact evaluations that results of concrete data being reported sporadically, while delimitation of this particular research paper is that is not based upon a developed econometric model, but is limited in fact that the Covid-19 pandemic crisis is still an ongoing precedent with no concrete end in sight, thus topic is left for further theoretical discussion and empirical research in the future.

Literature Review

The author used various sources of different levels of significance to conduct the quick overview of the topic presented. This research paper is developed by using theoretical, scientific and specialized articles from academic journals, various online published legal documents and reports of international importance, e.g. EU legislation, global OECD and World Bank reports, as well as articles from World Economic Forum, sport business consulting think-tanks, news articles from across the world on the Covid-19 and sport related topics.

The most prominent literature used by the author during this research were the Conclusions of the Council (of European Union) and of the Representatives of the Governments of the Member States, meeting within the Council, on sport as a driver of innovation and economic growth (2014), on the economic dimension of sport and its socioeconomic benefits (2018) and on the impact of the COVID19 pandemic and the recovery of the sport sector (2020), that cover and emphasise the socio-economic importance and benefits of sport sector, consider the sector as driver for economic growth while also evaluating the impact the sector is facing during the current crisis assisted to establish the research and legal ground of sport sector's economic importance not only within the EU, but the world overall. Just as vital for the production of this paper were the major European Commission's published report on *Study on the economic impact of sport through sport satellite accounts*, that provided the author with the necessary statistics on the sport-related GDP and employment numbers across all EU Member States to further use it in the paper to prove the crucial socio-economic part of the sector within the economy.

As the situation of Covid-19 pandemic's impact on sport sector is still ongoing and changing rapidly, the assessed data figures (collected by December 2020) are subject to change, yet the overall general socio-economic scene of sport sector represented in the different kinds of literature within the next year, per author's view, is not going to change dramatically.

Research results and discussion

The year 2020 is going to be one to remember when everybody was told to sit at home, to observe social distancing and when the economic activities of all kind took a particularly bad *left hook* and nobody can say when the light at the end of the tunnel will become a permanent one. Pandemic has governments operating in a context of radical uncertainty, and faced with difficult trade-offs given the health, economic and social challenges it raises. A rebound of the epidemic in autumn 2020 is increasing the uncertainty. The nature of the crisis is unprecedented: beyond the short-term repeated health and economic shocks, the long-term effects on human capital, productivity and behaviour may be long-lasting. The COVID crisis has massively accelerated some pre-existing trends, in particular, digitalisation. It has shaken the world, setting in motion waves of change with a wide range of possible trajectories (OECD, 2020). The newly-developed vaccines have brought wishful thinking but the overall sense of relief and wishful thinking is still months away. Until then the Covid-19 pandemic is scorching its way across the world like a fire tornado and it has been leaving disastrous effects on world's health, educational, financial and commercial institutions. The outbreak of the pandemic has impacted not only main sectors taking the hit, namely, the public health, but the entirety of all possible economic activities and every single person involved in them.

One of the sectors that has been hit particularly severe by the socio-economic impacts of a disease is the sport industry at all levels from the biggest and most powerful international professional sporting leagues or major sporting events such as the Olympics and regional championships to the local grassroots sporting events managed by volunteer work or a small business, e.g. fitness gyms. The very existence and work of sport organisations, clubs, professional sport leagues, fitness centres, athletes, coaches, sport staff, sport volunteers and sport-related business, including sport event organisers and sport media, has been battling with staying afloat by cutting all unnecessary expenses and consolidating costs while also trying to maintain the community feel of bringing people together. However, the world must face the inevitable truth that it is going to take some time before the people will be allowed to pack up the stadiums and cash in the same level of profit from ticket sales as pre-Covid-19 crisis. This global crisis has led to strict restrictions imposed in the both supply and the demand trend, namely, the athletes unwilling and/or unable to travel while the fans are unwilling or unable to attend big sporting events or travel to attend them. This is a sharp contrast to the global financial crisis of 2008-2009 when the sport sector was left largely unaffected. This time it is different, largely due to the current and already expected substantial losses in revenues, while also trying to keep the dramatic disruption to the supply of sport under some kind of control.

With Summer Olympics in Tokyo and European Football Championship being postponed to 2021, it is safe to say that these events will not bring in as much revenue as the event organisation committees have calculated before for the event to break even, be profitable or have at least some economic impact. The same could be said for other big-to-middle-to-smaller scale sporting events – all of them require the fan presence for the sport sector to be lucrative. The sport's greatest strength is to gather interest and pull in crowds, because when a person buys a ticket and goes to a sporting event – be it local, national or international, it goes far beyond than what was spent on simply buying the ticket. For every 1 USD

generated directly through sports, it can reach up to 2.5 USD (the multiplier index depends on the level of development of the market) produced in indirect and economy-induced effects (Somoggi, 2020). This impact, that can reach 2.5 times the direct revenue, is made possible due to sports dynamic nature and emotional social connection it brings to everyone involved in it. Thus, when the sport stops, the whole production chain that includes transportation, entertainment, food and drinks, accommodation, various product purchase and government taxes halts, too. With many major sporting events and competitions already postponed to 2021 and many cancelled during the 2020, all stakeholders involved – country governments, national and international sport governing bodies, event organisers, teams and athletes - are facing a disruption of major scale (Deloitte, 2020).

Professional sporting events without spectators or cut to the bare minimum capacity of people present, if luck and conditions permit, are set to be the new normal for the next year at least, if not longer. It is difficult to even comprehend how social distancing can be maintained at a full arena gathered to take in a match of two rival clubs. The socio-economic effects of this curtailment of activity could be widespread, and even now some time of existence in parallel with the disease and sporting events taking place behind closed doors, one can only make predictions of the losses the sector will face once more data and statistics become available. Owners, broadcasters and sponsors are now navigating the impacts and implication of event cancellations and modifications by calculating the losses. With the second wave hitting economy once again, the sport ecosystem now needs to find new ways to deal with threats to financial and business continuity arising from the disrupted cash flows, governing, legal and insurance challenges, and possible impacts of quarter-to-half longer term attendances and [fan] engagement (Deloitte, 2020).

Covid-19 threatens the economic viability of the existing pyramids of sports institutions and firms, but sport isn't only about watching professionals perform, the biggest part of it is the participation in grassroots sport, that relies on volunteers who help the grassroots events to take place and the people who actually participate in those events thus supporting the event itself, while also making a positive impact on other businesses involved. The grassroots sports rely on altruistic motives – there are no or limited financial incentives for taking part. (Reade, Singleton, 2020). Yet there is clear evidence of long-term benefits from participation in sport, not just in health outcomes but also in the labour market and subjective wellbeing (Lechner, 2009) that in terms makes people allocate their time and energy in another economic activities that boost the local, national and international economic development and growth. Elite sport has its role to play in this too, with evidence that the presence of role models encourages increased amateur participation (Mutter, Pawlowski, 2014).

With all that in mind and the facts on hand, it is safe to say, it is too early to write the history of sport, economics and Covid-19, as the story is far from over.

The next subsections of this paper will present economics of sport as a peculiar but crucial part of overarching economy, followed by sport as an important global and European Union (hereinafter - EU) market economy player and its positive socio-economic impact, the main long-term issues, impact and predicted losses sport sector faces during and post the pandemic, as well as the possible support measures to be taken to adjust to the new reality.

The economics of sport

The economics of sport are a peculiar and fascinating at the same time because of the unusual connections between the fans, the sport teams and clubs, all of the governing bodies that partake in the management of the structure, and the ways that they interact with local communities. Sport is a cross-sectoral phenomenon and goes far beyond the revenues of the sport industry. Thus, sport economics cannot be dismissed, and per Bryson and Frick (2015), there are at least four blunt reasons to name: 1) Sport is a big business (it generates revenue for various economy sectors, adds to state's Treasury through taxes and furthers overall sector GDP growth); 2) Sport employs a lot of people (it is an employment intensive economic sector); 3) Sport matters to the participants and its supporters (it is a social activity with an emotional investment), and 4) [Sport] sheds a light on fundamental economic questions.

Sport is recognised as an economic driver for growth in terms of effects on value added, gross domestic product and purchasing power. Author adds, that the aforementioned reasons for the vital role of sports in two crucial domains, namely, economy and personal lives of millions of people around the world, as well as author's personal observations over the years as a sport fan and exploring multiple kinds of physical activities to improve both physical and mental health, it is easy to evaluate and comprehend the level of sport's impact, as it is inestimable. Any major sporting event – of national or international scale – opens the multiple possibilities to grow and develop for both individuals and businesses. It happens because of sport sector's tight interconnection with other sectors, such as tourism, sales, TV and broadcasting etc., through intercultural

unification of people across various regions and countries, as an extensive productive and effective diplomatic and economic tool of cross-country collaboration of highest level with millions worth of incoming investment and profit, brings together businesses that creates new partnerships.

When one looks particularly into the modern sport, it is hard to miss the influence of economic theories, as it is evident from the way players are drafted or how much they are paid, through to individual coaching decisions, and even strategic shifts across entire leagues (Harcourt, 2017), let alone the revenue it brings. Sports are becoming a more influential in economics, but economic theories have a place in sport as well. Game theory, for example, is used in both economics and sports. The theory is traditionally used for economists to figure out how events will unfold based on their goals, motivations and what is perceived to be best interest.

As already mentioned before biggest part of the economics of sport and its economic impact is generated at the grassroots sport, as that one in particular has a lot of potential and support the creative side of economies. In the words of World Economic Forum 2018 (Nasr Allah, 2018):

“In general, the category of Sport that can benefit society most is actually not receiving the appropriate levels of support from various stakeholders; however, this could change should the Creative Economy find both economic and social value in investing more in grass roots Sport, where innovative partnership models between the public and private sectors could be effective.”

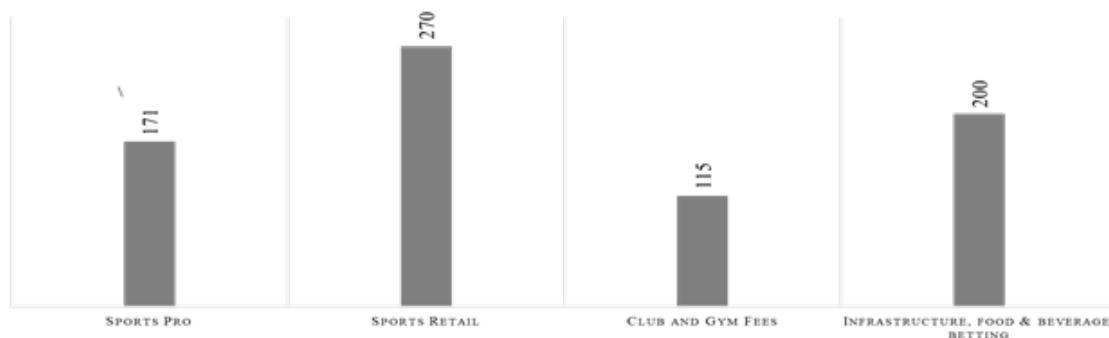
In addition to the reasons mentioned the sport as an economic sector reaps also local economic benefits, and broader economic benefits resulting from sports participation include the following (Gratton, 1998): 1) improvements in health and fitness; 2) contribution of sport to the quality of life; 3) reductions in anti-social behaviour; and 4) inward investment attracted to the local and regional economy as a result of investment in sports infrastructure. This train of thought has also been on the forefront of European Union sport dimension development’s discussion, namely, sport represents, in particular, a stake in public health, regional development and tourism, but also in integration and education and as a social link (Council of European Union, 2018).

An economic evaluation of sport through improvements in health and fitness takes into account spending associated with sport injuries or manufacturing of sport supplements, yet a much bigger element is generated indirectly when the practice of sport reduces the prevalence rate of certain diseases among population, leading to savings of state budget allocations to healthcare. Sport also improves the overall well-being of any person participating in it, as it raises the level of happiness and life satisfaction. As per Kokolakakis, Edmondson et.al (2020) the excess of life satisfaction and fulfilment can be considered a real asset for a country when levels of sport participation increase. As for the reductions in anti-social behaviour, e.g. young people are less likely to commit crime and more likely to do better at school, while also improving the social inclusion of young people that provides more socio-economic opportunities later on in life. Through these local economic benefits sport sector provides various ways to contribute to the economy, namely, the healthier and happier people become by doing sports, the better it is for the national and international economy. As it is ever so crucial during this pandemic induced crisis.

Despite the sport economics developing as fast as any sporting and/or physical activity in real life, there are still additional aspects of the economic dimension of sport that need to be considered, such as the quantification of health economic effects of physical activity, the recognition of the additional benefit of voluntary work, the contribution of innovation to enhancing growth potential and the analysis of the impact of sport-related projects on regional development (Council of European Union, 2018).

Importance of sport in the global economy

Sport, the largest non-governmental movement in world and Europe, is an important driver of innovation and economic growth. Spurred by intense competition, sport has an in-built and inherent incentive pushing participants towards constant improvement in performance and excellence (Council of European Union, 2014). According to Somoggi (2020) from a Brazilian based sport economics consulting think-tank *SportsValue*, the global sport market moves around 756 billion USD annually in direct value, however, when other sectors connected to sport sector are taken into account, the volume might exceed 840 billion USD annually. The United States sport market is valued around 420 billion USD, while European market brings in another 250 billion USD. The fastest growing market in global sport is China that makes about 150 billion USD and is projected to reach the revenue of at least 350 billion USD in five years (Somoggi, 2020) prior the Covid-19 crisis.



Source: Author's reconstruction of think tank Sports Value figure (Somoggi, 2020).

Fig. 1. Global revenues of sport industry in 2019 in billion USD

The Figure 1 conveys that the sport sector's largest revenue source is sports retail that accounts more than 1/3 of the industry's global market outreach. Professional sport, even if not the main source of the portrayed revenue, is undoubtedly the one with the greatest impact on the whole sport production chain with its match day revenues, sponsorships, broadcasting, players' transfers, as well as its high media consumption and employment character. Club and gym fees, as well as the revenue from infrastructure, food and beverage, sport betting activities are crucial to the global sector revenue (the indirect and induced revenue from the tourism and entertainment sector not included).

Referring to the overview of the global revenue structure described above, it should also be noted that the financial side of the sport sector consists of many budget positions, thus creating the turnover structure of direct and indirect income, as well as direct expenses. These positions include a variety of budget sub-positions that may vary from country to country, from one sporting event to another, but on the global scale stay more or less constant. Namely, the direct income of any sporting event (in this example of sporting event turnover structure author uses the case of EuroBasket 2015 D Group event taking place in Riga, Latvia from 5 to 10 September, 2015) is formed by the ticket fees, sponsorships, municipal and state grants (depends on the country the event takes place in), and income from the cooperation partners, while the indirect income comes from the event visitors. The indirect income is particularly important if the event is an international one, as the foreign and local visitors are enjoying the event by spending their fair share on transport, accommodation and catering (namely, *HoReCa (Hotels, Restaurants and Cafes)*) sector costs), as well as event merchandise and vast list of souvenirs. As for the direct expenditure, it is usually connected to the expenses determined by the international sporting organisation, be it FIBA (full name in English: *International Basketball Federation*) or IOC (full name in English: *International Olympic Committee*), that include licencing, sport officiating expenses, broadcasting expenses, IT expenses, doping testing expenses. Other direct expenditure positions for most part include expenses of event staff, sport facilities' maintenance, marketing, volunteering, fan zone maintenance et.al. (Kehris, Reihmanis, Stalbergs, 2015).

Importance of sport in the EU economy

Sport is an important economic sector in the EU (with a bigger or smaller share in every national economy) which is comparable to agriculture, forestry and fisheries combined. The sport industry's economic and social strengths as a tool to tackle the economic crisis caused by the COVID-19 pandemic should not be underestimated. Sport uses more intermediate goods than an average sector, and as an economy sector it is deeply connected with other sectors that if one suffers, then everyone suffers.

The latest study presented by the European Commission presents the sport sector as an important sector of economy with an upward linear trend upon comparison with previously collected data. In 2018 (per research published in 2018, with data base year of 2012) the sport-related GDP of the EU was calculated to be 279.7 billion euros, that equals 2.12% of total GDP in the EU, namely, every 47th euro was generated by the sport sector. Apart from that sport sector is also employment intensive, meaning that it generates more employment than its share in GDP. Sport-related employment in the EU was 5.67 million persons that equals 2.72% of total EU employment, with every 37th employee works in the sport sector (European Commission, 2018). Author adds that despite the seemingly slow growth of the sport-related GDP, sport sector is considered to be one of the fastest developing economy segments in the world, and the current crisis is already impacting the sector, thus impact evaluations in the future are going to be vital to determine the next steps of strategic support.

The largest sport-related sectors (per research published in 2018, with data base year of 2012) are education (51.2 bln Euros, nearly 1,111,000 employees), sport services (42.1 bln euros, 749,000 employees), public administration (32.2 bln euros, 503,000 employees), accommodation and restaurant services (23.2 bln euros, nearly 586,000 employees), and retail (19.9 bln euros, nearly 587,000 employees). Just these five sectors alone add up to 1.29% of the EU's GDP and 1.70% of its employment that proves the crucial role of sport in the EU economy. Therefore, governments should have a special interest in protecting jobs in sport as an industry with a strong economic impact in terms of employment and its share of GDP. The associated social benefits of sport will contribute to the rebuilding of European societies during and after the crisis (European Olympic Committees, 2020).

The SHARE initiative has been developed and since 2018 has been a steadfast advocate of the relevance of sport for regional development through its impact on a number of key policy areas such as innovation and research, social cohesion and inclusion, territorial regeneration and attractiveness or environmental protection, in particular as an effective means of attaining the objectives of EU Cohesion Policy and the European Structural and Investment Funds (hereinafter - ESIF). Despite supporting evidence, sport investment has never been mentioned as a thematic objective or sector in EU Cohesion Policy regulations. This has been regularly flagged by public authorities and sport movement representatives as one of the main issues preventing use of ESIF to directly support sport and physical activity (European Commission 2018a).

Pandemic's long-term impact on sport sector

The COVID-19 pandemic has delivered a global economic shock of enormous magnitude, leading to steep recessions in many countries. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020—the deepest global recession in eight decades, despite unprecedented policy support. The spill-over from one country to another is affecting each and every economic activity disrupting financial and commodity markets, global trade, supply chains, travel, and tourism (World Bank, 2020).

Governments, albeit with various success, are doing everything in their power to save their respective nations while also trying not to destroy their economies from taking even more deep-cutting hits by the hand of Covid-19, states across the globe have imposed restrictions on social distancing to battle the pandemic's second wave. It is safe to say, that the sport sector is going to be one of those sectors that will need a long process to readjust its business model to the new normal, being disproportionately affected and extensively relying on human contact and interaction. Sport will experience a recession several times worse than the average sector of any economy (Kokolakakis, Edmondson et.al. 2020), that could not yet be measured in concrete figures.

The long-term basic operating model of sports leagues will remain unchanged. The sport competitions and leagues will still organise the same way – via a competitive season of pre-defined length with a concrete set of races, games, matchups etc. However, the coronavirus pandemic has underlined how dependent this model is on TV broadcasting and live audiences (ticket sales, sponsor and advertising connection, merchandise on-site purchase opportunities to spectators and overall emotional connection and influence for the athletes). In the simplest terms, there are three main income streams for sports: broadcasting (sales of media rights), commercial (sponsorship and advertising partnerships) and match day revenue (ticketing and hospitality) (Hall, 2020).

Professional, amateur and even grassroots sports leagues and championships are analogous to entertainment companies, where each team and athlete (dependent on the sport) is like a different channel. The teams have their own identities, employees and fan bases, but the overall 'programming schedule' (the rules of the game and the fixture list) are set by their governing bodies, e.g. league management, federation etc. This comparison may not please the purists, but the reality in both sports and entertainment is that the more people watch it, the more valuable it becomes. Thus, also a game or a race behind closed doors, the postponement or even cancellations of competitions, cuts deep and directly impacts the sport sector and every business connected with it. E.g. the sport venue market generates more than 50 bln USD a year, slightly more than the broadcasting rights with more than 49 bln USD (Somoggi, 2020). The games behind closed doors will severely impact the ticket office sale profits, as those are an important source of income in the sector, because are directed to the maintenance of the infrastructure and the staff employed there, many of them joining ranks of unemployed. Thus, with the restrictions imposed in every country that also means the nullification of the profits expected from the scheduled ticket sale (Redondo, 2020).

Tourism will also be greatly affected by the paralysis of sport. The tourism sector is linked to sports events that attract thousands of people in different parts of the world, e.g. the Olympics. The greatest sport competition worldwide generates great expectations and in the case of the postponed Tokyo Olympics by one year, around half a million visitors expected, and right now it is hard to predict with at least some capacity of fans allowed in the stadiums and other Olympic venues. The same is true of other important commitments, such as in elite football tournaments

such as Champions league and the European Nations Cup. These are events on which part of the tourism associated with areas visited highly depend. The authorities are already having high level summits to assess and agree on roadmaps to mitigate as much as possible the blow received, as the estimated (devastating) losses could amount in multiple billions. According to sources such as the Tokyo Olympic Games organizing Committee and International Olympic Committee the figures involved are impressive. The postponement of the Olympics itself costs around 6 bln USD (Al Jazeera, 2020), that is not even close to the final investment made, as it amounts around 25.5 bln. euros (about 5 bln assumed by the city of Tokyo, another 5 bln by the Japanese Olympic Committee and about 1.265 bln by the Japanese government). 4.5 bln USD from television rights, 3 bln from private sponsorship by companies such as Toyota, Bridgestone and Panasonic, and 900 million from entry fees, marketing and other aspects such as expected revenue from foreign tourists. However, there still is a slight chance that event might be cancelled, as nobody is certain how the situation may look like in the summer of 2021 (Redondo, 2020).

As far as football is concerned, the big event that was scheduled for 2020, the European Championship 2020, was moved to 2021 and there is a speculation about this tournament, with a budget of 2.2 bln EUR and gives 371 million EUR in prizes to the 24 qualified teams, 200 million EUR for compensation to the clubs that give their players to play the tournament and 775 million EUR to the federations of each nation. The audience presence capacity is set to be evaluated, however, it could be predicted that sure losses are set to be recorded that will be calculated only post the event itself. While the major European leagues are also expecting substantial losses, since the total income set and put at stake (the English *Premier League*, the Spanish *La Liga*, the German *Bundesliga*, the Italian *Seria A* and the French *Ligue 1*) accounts for some 4 billion euros, where 60% comes from television broadcasting rights, 25% from brand sponsorship income and 15% from other items (with predicted losses at the start of the pandemic period due to the cessation of activity could have reached 1.2 billion EUR in the Premier League, 900 million EUR in the Spanish La Liga, 740 million EUR in the Bundesliga, more than 600 million EUR in the Italian Serie A and almost 400 million EUR in the French domestic competition). Despite the national championships taking place and exhibiting a make-belief normalcy in the world of football, it is far from it, as players themselves have reported the eerie feeling in an empty stadium, arena and/or racing track, lacking the emotional connection with the crowd.

Other sports put into play amounts just as impressive, e.g. the motor racing and motorcycling, with Formula 1, with an average of 105 million euros of impact in each city that hosts a *Grand Prix*, or the *MotoGP* championship, with an average of 57 million euros per city and *Grand Prix*. In addition, there are competitions in the United States in basketball, with an NBA (the most important basketball competition in the world) that could lose up to 916 million euros at the box office, or baseball, with an MLB that could lose up to 2 bln EUR due to the interruption of ticket sales alone, not accounting the other financial aspects of organizing a single game (Redondo, 2020; Al Jazeera, 2020).

The greatest impact will surely be related to the issue of broadcasting rights for competitions and sports revenues, a thorny and difficult issue that is already generating a deep debate. Networks all over the world have invested a lot to obtain ownership of the rights for broadcasting sporting events. In many cases the seasons and calendars for various sports, such as football or basketball to give just a few examples, had been halted and then completed in the summer of 2020, under pressure of the broadcasting contracts weighing down on the leagues to meet the contractual obligations. The fact remains, even despite the games, matches and races taking place, the organising and governing bodies of the major sporting events are observing an enormous effect on the overall budget and cash flow. However, the big leagues and their respective sporting events could claim the lost money in court and cushion the blow from the losses at least to some extent. It is the national competitions and smaller leagues, which have their own contracts and rights that could suffer the most. With no concrete ending of the pandemic in a close sight, the fear for what may happen in the future is building along with the new scale of values for sports broadcasting rights and televised sport consumption opportunities.

There are three transformational trends that are going to leave lasting impact the sports broadcasting industry (Hall, 2020):

- 1) Acceleration of *adoption of direct-to-consumer (D2C) services to distribute sports content*, as it is more appealing now due to the no-fixed schedule and large libraries of content to keep people occupied, that in turn will reduce broadcasters' advertising income and their power to purchase sports rights;
- 2) *Exploration of more diverse income streams* could include live monetization models, such as gamified viewership (e.g. live payments for digital items, new camera angles, fan commentary and statistical analysis) and betting;
- 3) *Building an opportunity for virtual technologies to grow during the absence of "real" sport* by using e-sports to maintain interest and a sense of competition during shutdowns. E-sports have grown massively in recent years and present a new way to engage fans and bring in revenue, and immersive technologies could enable fans to experience games live, without having to be physically present – an idea that once may have been counterintuitive but now seems logical.

With all that considered, the long-term impact from this pandemic are not going to be easy to swallow, yet, it is possible to adjust and move forward with the new experiences gained during the unprecedented times. Nothing will be the same as during the pre-pandemic times, but everything could be done to make the experience of live sport consumption more consumer-friendly, wherever that consumer might reside.

Other pandemic induced issues on sport sector

European sport largely relies on the clusters of small clubs and associations which play a key role in enabling people participate in affordable sport activities and to enjoy sport and physical activity on a daily basis. These little organisations are the very essence of European sport. However, being non-profit by nature and thus without any reserves, they work in precarious conditions often, driven by the support of passionate volunteers and employees. In sport, especially at grassroots level, this economic crisis will result in the bankruptcy of associations and clubs, as is already happening, that promote physical activity and offer affordable sport activities to citizens across Europe. Consequently, the sport sector is also set to face an unemployment emergency. These associations are at the greatest risk of shutting down due to the crisis, which could have a number of long-lasting impacts on the economy and society. This can and will endanger the future of all grassroots sport in Europe.

The main issues observed by the sport sector stakeholders are the following (European Olympic Committees, 2020):

- 1) *Finance-related issues*: *With the lost revenue*, the organisations are unable to provide their services to citizens, especially at the time of the year which marks the beginning of the season for most sports i.e. the time when they organise training and competitions, raise money through tournaments, organise events, seminars, training camps, races, etc. They have also lost a significant part of the regular income that comes from different types of fee, e.g. membership, licensing, participation or subscriptions, while *cash flow difficulties present themselves* as organisations have fixed costs that they have to pay regardless of the loss of revenues;
- 2) *Athlete-related issues*: Athletes have not only *lost a season and thus certain financial benefits*, but also their coaches and their ability to train and compete, with implications for their income. For some, this represents the loss of an opportunity to gain in status and secure funding from private and public sources as well. Athletes also *do not receive financial support* (e.g. scholarships, traineeships) because of the fall in sport organisations' revenue;
- 3) *Employment-related issues*: *Unemployment*: *layoffs* of employees, athletes, coaches and other workers, especially those whose salaries depend on the above-mentioned income sources; none of the jobs in the sport sector are safe, while *freelancers - self-employed persons* often operating in the gig economy, who are no longer able to provide services (e.g. trainers) have fallen under the radar when it comes to different types of public support for the preservation of jobs in enterprises; last but not least, *organisations have lost a significant part of their unpaid workforce*, i.e. volunteers who are restricted to their homes or have limited mobility;
- 4) *Entrepreneurial approach related issues*: Industries that are directly and indirectly related to sport are seeing that a lot of the current business models are failing and feel the need to change their business strategies over both the short and long term as this affects a large number of jobs and entrepreneurs.

In order to address the issues listed above European sport stakeholders have called upon the EU and Member States' governments to establish a quick and adequate support and clear action plan to mitigate the adverse impacts of the Covid-19 crisis on the sport sector. Sport sector stakeholders added that it is crucial to support and stimulate a sustainable sport sector through various funding opportunities in the context of European initiatives, such as *Support to mitigate Unemployment Risks in an Emergency (SURE)*, *Coronavirus Response Investment Initiative (CRII)*, and *Coronavirus Response Investment Initiative Plus (CRII+)*, as well as other initiatives at national (*note*: despite national support / state aid being crucial for the sector's recovery, this support will have to respect the EU State aid rules, especially when it is granted to undertakings engaged in an economic activity) and European level. Support measures proposed to be undertaken on the supranational and national levels are various, but some of the most important are the following (European Olympic Committees, 2020) and correlate with the Council of European Union Call to action in "Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council on the impact of the Covid-19 pandemic and the recovery of the sport sector" (Council of European Union, 2020):

- Finance related activities for securing staff employment and organisation liquidity: 1) Ensuring the sport sector is eligible to funds for *the protection of jobs, employees and self-employed* against the risk of dismissal and loss of income; 2) *Lightening the rules relating to state aid*, as is already the case in other sectors, with a view to allowing tax breaks for entities and organisations that promote sport activities; 3) *Redirecting certain EU and national funding streams* and notably the ESIF towards actions promoting the wellbeing of citizens including through sport and physical activity; 4) *Providing loans to ensure the liquidity* of sport clubs and other associations through existing EU

financial instruments (e.g. European Investment Bank) or newly created instruments as a response to this crisis; and 5) Setting up *public and private solidarity funds for grassroots sport clubs and associations* and their employees, including outsourced coaches and freelancers – self-employed persons;

- **Innovation related promotion activities:** 1) Stimulating *innovation programmes* (industrial modernisation) for sport enterprises to address the current societal challenges; and 2) Creating *new funding opportunities as innovative ways* to promote sport and physical activity in times when people are restricted to their homes;
- **Healthy lifestyle promotion activities:** Stimulating *a healthy active lifestyle in the working population*, both those working at home and at the office by introducing innovative solutions to stimulate physical activity.

Conclusions

The author of this paper has reached the set of this research paper by performing analysis and assessment of the importance of the sport sector in global and EU economy, as well as possible long-term socio-economic impact and the issues the sport sector faces right now with possible support measures proposed. Based on the performed tasks the following conclusions could be drawn:

1. Sport as an economic sector reaps local economic benefits, while broader economic benefits resulting from sports participation include the following 1) improvements in health and fitness; 2) contribution of sport to the quality of life; 3) reductions in anti-social behaviour; and 4) inward investment attracted to the local and regional economy as a result of investment in sports infrastructure.
2. Global sport market moves around 756 billion USD annually in direct value, with other sectors connected to sport sector are taken into account, the volume might exceed 840 billion USD annually. The United States sport market is valued around 420 billion USD, while European market brings in another 250 billion USD, with the fastest growing market in global sport is China that makes about 150 billion USD and was projected to reach the revenue of at least 350 billion USD in the next five years prior Covid-19 crisis, while sport-related GDP in 2018 in the EU was 279.7 billion euros, that equals 2.12% of total GDP in the EU, with a slow upward growing trend.
3. Sport is an employment intensive, it generates more employment than its share in GDP. Sport-related employment in the EU in 2018 was 5.67 million persons that equals 2.72 % of total EU employment. Out of the whole sports sector, grassroots sports are the most employment intensive.
4. Long-term sport's socio-economic losses brought by the Covid-19 pandemic are and will be enormous, predicted to be measured in billions USD / EUR. The pandemic created crisis has already resulted in lost jobs, lost revenues and profits, ill health and lost socialization opportunities among citizens, including the lasting effects on mental health.
5. The biggest revenue and profit losses will be in the sport organisation budgeting positions, e.g. ticket sales, sporting venue and infrastructure maintenance and staff salary expenses, as well as losses felt by the lack of cross-sectoral economic activities, especially, tourism.
6. The greatest impact will be related to the issue of broadcasting rights for competitions and sports revenues, as the ecosystem of live sport consumption has rapidly changed in the rapidly developing digital era of consumption. New digital trends are set to take broadcasting's place, e.g. direct-to-consumer services to distribute sports content, exploration of new diverse income streams and the growth of digitalisation opportunities through e-sports.
7. The main issues faced by the sport sector are finance, athlete, employment and entrepreneurial approach related issues with support measure activities proposed to solve them, such as finance related activities for securing staff employment and organisation liquidity, innovation related and healthy lifestyle promotion activities.

Based on the general conclusions listed above it was possible for the author to propose a set of recommendations for action that could help boost the economy, as well as improve the economic research overall. These recommendations are general and could be developed further as the pandemic is still ongoing, at the moment, however, they should be taken into account while observing and computing the impact caused to the sport sector during the pandemic and afterwards. The main and the most important recommendation is the following:

- To use sport sector and every economic activity adjacent and associated with it as an effective economic tool to help any region, country and the world in general to reduce unemployment during a recession;
- To start getting the people back to watch and enjoy live sporting events slowly, first by abiding state pandemic period regulations, further down to adjust the crowd volume with the loosening of the restrictions, as the racing tracks, basketball and ice-hockey arenas and football stadiums surely will not be operating at full capacity, as it is going to be both unsafe and health hazard to thousands of people. The returning

crowds and the abiding of the state or sport organization level placed restrictions and acting in accord with them is the surest way forward to return to get back at least some part of the profit.

The author developed this research paper by using sport-related socio-economic data that has been calculated upon request, thus making it hard to research the trend, as there is a lack (or only a small number of statistical databases on sport) of annual socio-economic data on any sport-related collected on a regular basis. Thus, the author believes, that due to sport sector being an economically and labour intensive sector, it is necessary to consider the following:

- To establish an annual sport-related socio-economic data collection and analysis, as it would improve the economic research could be carried out, the public sport governance could strategically plan and/or adjust further policy development and growth, as well as enable for the sport economics related research to be conducted more often, if not on a daily basis. If not annual, then the data collection could take place every two years, considering the periodicity of Winter and Summer Olympics and other major sporting events.

Bibliography

Al Jazeera News Agencies, 2020. IOC: Tokyo Olympics to be scrapped if not held next year. *Al Jazeera Sports*. [Online] Available at: <https://www.aljazeera.com/sports/2020/5/21/ioc-tokyo-olympics-to-be-scrapped-if-not-held-next-year> [Accessed on: 22.11.2020]

Bryson, A., Frick, B., Simmons, R., 2015. Sports Economics: It May be Fun but What's the Point?. *National Institute Economic Review*, Vol. 232, pp. R1-R3. [Online] Available at: [10.1177/002795011523200101](https://doi.org/10.1177/002795011523200101) [Accessed on 21.11.2020]

Council of the European Union, 2014. Conclusions of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, on sport as a driver of innovation and economic growth (2014/C 436/02). *Eur-Lex*. [Online] Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014XG1205\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014XG1205(01)&from=EN) [Accessed on 22.11.2020]

Council of European Union, 2018. Conclusions of the Council and the Representatives of the Governments of the Member States, meeting within the Council, on the economic dimension of sport and its socioeconomic benefits (2018/C 449/01). *Eur-Lex*. [Online] Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018XG1213\(01\)&rid=3](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018XG1213(01)&rid=3) [Accessed on 21.11.2020]

Council of the European Union, 2020. Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council on the impact of the COVID19 pandemic and the recovery of the sport sector (8926/20). [Online] Available at: <https://www.consilium.europa.eu/media/44622/st08926-en20.pdf> [Accessed on 20.11.2020]

Deloitte, 2020. Understanding the impact of Covid-19 on the sports industry. [Online] Available at: <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/sports-business-group/deloitte-uk-understanding-the-impact-of-covid-19-on-the-sports-industry.pdf> [Accessed on 19.11.2020]

European Commission, 2018. Research report on Study on the economic impact of sport through sport satellite accounts. *EU Publications*. [Online] Available at: <https://op.europa.eu/en/publication-detail/-/publication/865ef44c-5ca1-11e8-ab41-01aa75ed71a1> [Accessed on 20.11.2020]

European Commission, 2018a. SHARE initiative. *EU Sport*. [Online] Available at: https://ec.europa.eu/sport/share-initiative_en [Accessed on 19.11.2020]

European Olympic Committees, 2020. Position paper on the impact of the COVID-19 crisis on the sport sector. [Online] Available at: https://euoffice.eurolympic.org/files/position_paper_COVID-19%20final_revision.pdf [Accessed on 19.11.2020]

Gratton, C., 1998. The economic importance of modern sport. *Culture, Sport, Society, Volume 1, 1998 - Issue 1, Pages 101-117*. [Online] Available at: <https://doi.org/10.1080/14610989808721803> [Accessed on: 21.11.2020]

Hall, S., 2020. This is how COVID-19 is affecting the world of sports. *World Economic Forum*. [Online] Available at: <https://www.weforum.org/agenda/2020/04/sports-covid19-coronavirus-excersise-specators-media-coverage/> [Accessed on 21.11.2020]

Harcourt, T., 2017. How and why economics is taking over sports. *The Conversation*. [Online] Available at: <https://theconversation.com/how-and-why-economics-is-taking-over-sports-88574> [Accessed on 21.11.2020]

Kehris, E., Reihmanis, R., Štālbergs, T., 2015. Pētījums par EuroBasket2015 rādītājiem ekonomiskajiem ieguvumiem un ietekmi uz valsts budžeta ieņēmumiem. *Latvijas Basketbola savienība*. [Online]. Available at: https://basket.lv/documents/38518-2015-12-17-eb2015_ekonomiskie_ieguvumi-1450359168.pdf [Accessed on 30.12.2020]

Kokolakakis, T., Edmondson, L., Ping Kung, S., Storey, R., 2020. Resourcing the Sustainability and Recovery of the Sport Sector during the Coronavirus Pandemic. *Commonwealth Moves. A special focus on Sport, Physical Activity and Covid-19 Vol. 2020/02*. [Online] Available at: https://thecommonwealth.org/sites/default/files/inline/D17162_Sport_Covid_Series_PaperTwo_V3.pdf [Accessed on 19.11.2020]

Lechner, M., 2009. Long-run labour market and health effects of individual sports activities. *Journal of Health Economics Volume 28, Issue 4, July 2009, Pages 839-854*. [Online] Available at: <https://doi.org/10.1016/j.jhealeco.2009.05.003> [Accessed on 22.11.2020]

Mutter, F., Pawlowski, T., 2014. Role models in sports – Can success in professional sports increase the demand for amateur sport participation?. *Sport Management Review, Volume 17, Issue 3, August 2014, pages 324-336*. [Online] Available at: <https://doi.org/10.1016/j.smr.2013.07.003> [Accessed on 21.11.2020]

Nasr Allah, S., 2018. Exploring the link between sport and economics. *SportandDev*. [Online] Available at: <https://www.sportanddev.org/en/article/news/exploring-link-between-sport-and-economics> [Accessed on: 22.11.2020]

OECD, 2020. *The territorial impact of COVID-19: Managing the crisis across levels of government*. [Online] Available at: https://read.oecd-ilibrary.org/view/?ref=128_128287-5agkkojaaa&title=The-territorial-impact-of-covid-19-managing-the-crisis-across-levels-of-government [Accessed on 22.11.2020]

Reade, J., Singleton, C., 2020. Sport: what could be the long-term effects of coronavirus?. *Economics observatory*. [Online] Available at: <https://www.coronavirusandtheeconomy.com/question/sport-what-could-be-long-term-effects-coronavirus> [Accessed on 20.11.2020]

Redondo, R., 2020. Sports industry fears severe economic losses from coronavirus pandemic. *Atalayar – Between two shores*. [Online] Available at: <https://atalayar.com/en/content/sports-industry-fears-severe-economic-losses-coronavirus-pandemic> [Accessed on 19.11.2020]

Somoggi, A., 2020. Coronavirus's economic impact on the Sports Industry. *SportsValue*. [Online] Available at: <https://www.sportsvalue.com.br/en/coronaviruss-economic-impact-on-the-sports-industry/> [Accessed on 19.11.2020]

World Bank, 2020. Pandemic, Recession: The Global Economy in Crisis. *Global Economic Prospects*. [Online] Available at: <https://www.worldbank.org/en/publication/global-economic-prospects> [Accessed on 22.11.2020]