

Redistribution and Solidarity in the European Model of Sport

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Redistribution and solidarity in the European Model of Sport

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Abstract

Revenue distribution is a central component of European professional team sports. In team sports, it is the role of governing bodies and league organisers to distribute revenue among its members. Much of this money relates to broadcasting rights and solidarity payments. In this context, the word distribution means the money that clubs receive within the league that secures the broadcasting deal, with solidarity payments being the money distributed to teams often in the league below the top tier. There are many different types of redistribution mechanism present in the European model of sport, many of which have a significant impact on sporting integrity and competition. This chapter explores redistribution methodologies as they relate to European sport – including the United Kingdom - considering the claim that redistribution is a cornerstone of the European model of sport. We consider the role of federations/governing bodies and redistribution, covering multiple sports across the sporting ecosystem, benchmarking them, where appropriate, with American counterparts - a model often used to juxtapose competitive structures. In doing so, we also outline the financial gap between leagues and competition, which is further disrupting the landscape regarding business sustainability and sporting competitive balance.

Introduction

Before we begin to explore redistribution and solidarity models present in the European Model of Sport, it is first requisite that we outline a range of broader economic principles and their relevant application to the sporting field. In doing so, we will also outline why redistribution and solidarity is an argument focused on professional team sports rather than individual pursuits and competitions. Professional team sport economics do not always function like regular economic markets. It is a unique ecosystem and often an irrational one. These pursuits are unique and to explore and explain this uniqueness further, we need to grasp some key market functions such as league structure, uncertainty of outcome and competitive balance, the economic models of professional team sports, and profit and utility maximization. All these functions influence revenue generation for teams within league structures, and it is how that revenue is distributed that is of most interest to this chapter.

Professional team sports and economics are inextricably linked, intertwining perfectly to promote interest to different stakeholder groups within the professional team sport environment. This is not just confined to the boardrooms of individual clubs, league organisers or sport governing bodies. It stretches far wider, to the players, the fans, and the communities that the clubs and leagues interact with in a broader societal context, becoming part of the fabric of our lives. A necessity of existence for many. Put simply, professional team sports are of interest to us, and they lend themselves to economic analysis (Plumley and Wilson, 2022).

We put this down to two main factors. First, the nature of professional team sport as opposed to sport more generally. Second, the worldwide growth (or globalisation) and commercialisation of sport. You can consider any major structural change in professional team sport and analyse it through an economic framework. The growth of the English Premier League and the future potential for growth in the Women's Super League (football). The shift to professionalism in rugby union. The emergence of shorter format versions in cricket. Every single example will illustrate the impact of economic principles at their core. A discussion on these principles is naturally lengthy, and beyond the scope of this chapter. However, for those interested, Downward and Dawson's, *The economics of professional team sport* published in 2000, or the

more recent *The economics and finance of professional team sport*, 2022, by the authors of this chapter, are a good place to start.

Professional team sports comprise of leagues and clubs who will compete on the sporting 'field' by arrangement. This arrangement will be made by those who govern the sport. For example, in English football this might be the Football Association (FA) but there are also the individual competition organisers to consider such as the English Premier League (EPL). In American sports, the governing body is just one organisation (e.g., the National Basketball Association (NBA) or the National Football League (NFL)). Generally, we can measure the success of each team by their standing in the league at the end of a season. Nowadays, points also mean prizes, and each position in the league table can be worth an extra couple of million pounds on the income statement. It is here that we perhaps begin to get to the crux of the issue. Principally, what matters to many of these stakeholders is the opportunity to generate revenue – which leads to an ability to buy players, build stadia, and potentially make profits. The production, distribution, and consumption of sport is what causes such money to change hands and presents sporting teams with a dilemma regarding their twin objectives (Plumley and Wilson, 2022).

These two objectives cover sporting and financial performance. Teams must maintain a high level of on-field performance and simultaneously attempt to maximise off-field commercial business operations in the pursuit of revenue gains (Plumley and Wilson, 2022). The challenge in professional team sport, is that the cost side of the equation (e.g., player wages) is considerably high, which makes balancing these two objectives challenging. In many cases, teams are reliant on the redistribution of league wealth to sustain the pursuit of short-term sporting success. Thus, the concept of 'earned' and 'unearned' revenue is a relevant discussion within redistribution, a concept that we unpack later in this chapter.

What is obvious is that we cannot separate the on-field/off field juxtaposition. In practice, this means professional sport teams and leagues require a level of cooptation (defined as simultaneous cooperation and competition (Brandenburger and Nalebuff, 1996)). Opponents are competitors on the field of play, and they need each other to produce the competition and, by association, the product (a match). This reality forces teams to become joint economic partners

(Plumley and Wilson, 2022) – without two competing teams you have no product (no match). Consequently, professional team sports are intrinsically different from other more mainstream businesses. In these scenarios a firm is likely to prosper if it can eliminate competition and establish a position as a monopoly supplier (Dobson and Goddard, 2011). In sport, however, it does not pay for one team to establish such a position due to the joint nature of 'production' in sports – you can only have a match if you have two teams. Moreover, economic analysis also proves that leagues with single team dominance do not prosper in an economic environment (see for example, Vrooman (2009) in an American sport context and Gasparetto, Mishchenko & Zaitsev (2023) in European football). Redistribution and solidarity payments, therefore, have a vital role to play in the ecosystem to protect the environment and, theoretically at least, attempting to maintain sporting integrity.

Models of Professional Team Sport and Profit versus Utility/ 'Win' Maximisation

As this book debates, the European Model of Sport can be argued as being a policy construct. Some actors agree with it, others disagree. Some will even say it does not exist. The debate is as much about how to define the model as it is about how such a model guide sport regulation in Europe. The model is often portrayed as a socio-cultural way of understanding sport, opposed to the more commercially driven American Model of Sport. It is not the point of this chapter to get drawn into a social-cultural debate. That is a different matter. What can be determined is that the European Model of Sport is an always evolving policy construct that actors tend to use for their own benefit in policy negotiations. This notion of collective action versus vested self-interest links back to professional sport teams as joint economic partners and is something we refer to later in this chapter when we begin to put pound signs at the end of arguments.

To understand how money flows within the model, we first need to define the features of the model. A natural comparison would be to consider the European Model of Sport and the American model separately. However, this conversation also transcends sport, to a degree. Some features of the European Model of Sport are embedded within the European Commission itself – which is effectively the European Union's (EU) politically independent executive arm. It defines some key organisational structures of the European model such as the pyramidal and hierarchical structure of governance with one federation per sport that sits at the top of the pyramid and open

competitions that promote the principle of sporting merit through promotion and relegation. These features are often defined in stark contrast to the American model of sport. American sports have different governance principles regarding some of these features. For example, instead of having open league structures, the predominant approach is a closed leagues system. One that lacks the critical European feature of promotion or relegation. This protects, the financial value of the franchises (teams) participating in the competition. Moreover, it also cements the concept of profit maximisation for franchise owners i.e., they run teams to extract financial return on their investments. In American team sports, revenue (from broadcasting, ticket sales and other merchandise) is often also shared equally amongst the franchises. Alongside the draft system, which promotes the best performing college athletes to the worst performing team each season, these principles protect the sporting integrity of the competitions and promote competitive balance, more than is seen in other sports in Europe.

By contrast, the European model rarely shares revenue equally, and operates a transfer market where players can move freely, sometimes for agreed fees, sometimes via the end of contracts, between teams. This 'transfer' system replaces the American 'draft system'. The final key feature of American sports is a salary cap, aimed to promote cost control. While some European sports (e.g., rugby union and rugby league) have introduced salary caps they have also retained other principles of open leagues and unequal revenue sharing. This can result in problems with salary cap adherence and wage control. Football is perhaps the best example for spiralling costs, having never deployed a salary and wage control system, these costs have initiated significant financial sustainability issues since the sport began.

The differentiated approach to the operation of the economic model mean that the unique features create a disconnect in strategy with American sports and owner motives geared towards a return on investment (profit maximisation) whereas the European model, with open leagues, revenue gaps between teams and no cost control, has fuelled a strategy of a 'winner takes all' approach based on maximising short-term sporting performance (utility maximisation). It is these factors, and the way in which they are regulated by the hierarchical structures of governance in the European model, that has led to significant financial gaps between teams and leagues, some of which is directly attributable to the distribution and solidarity payment mechanisms.

Revenue Generation and Mix

Any distribution or solidarity mechanism is dependent on money coming into the system. Revenue generation in the European Model of Sport is unique because both leagues and member teams generate their own revenue, but the league then distributes some of that revenue to its member teams. As such, we need to appreciate the revenue mix of professional sport teams and the notion of ‘earned’ and ‘unearned’ income at team level. Put simply, the revenue mix is the breakdown of different revenue components that added together make up the total revenue for the company. The word ‘mix’ is commonly used because analysts want to know how many different components make up the total revenues. More crucially, however, they will also be interested in the ‘mix’ or split of these revenues as a proportion of the total. This will allow businesses to determine where their major income streams are, where the potential for growth in revenue potentially lies and how to navigate risk through the revenue mix. Professional sport teams have a relatively simple revenue mix. Their revenue only comes from three main sources: matchday revenue, commercial revenue, and broadcasting revenue. These revenue streams have evolved considerably over the course of history as the world of sport has become more commercialised, particularly at the elite end. Two are earned by the team itself (matchday and commercial) and one is unearned (broadcasting) as that money comes into the league first before it is redistributed proportionally to teams.

By way of an example, let us consider professional football. In 2022, Tottenham Hotspur FC generated total revenues of €523million. This comprised €125million (24%) matchday income, €215million (41%) commercial income and €182million (35%) broadcast income. Leicester City FC, who competed in the same Premier League as Tottenham Hotspur FC in 2022-23, posted total revenue of €252million for the same season comprised €25million (10%) matchday income, €50million (20%) commercial income and €177million (70%) broadcast income. The overall revenue gap between these two clubs – who compete in the same league – is significant (€271million). However, the revenue mix is also a cause for concern, particularly as broadcast income is ‘unearned’ by the club and determined by the league organisers – in this case the English Premier League – although each member team has voting rights. Tottenham Hotspur, boosted by a new stadium completed in 2019, show a relatively balanced revenue mix. Of

course, it is unlikely that any club will achieve a 33% split across the three areas, but Tottenham's is not too far away from equilibrium. Leicester City, by contrast, are reliant on unearned income for 70% of their overall revenue. This is okay while you are competing in the league that provides you with that figure, but at the end of the 2022-23 season, Leicester City were relegated to the Championship (tier 2 of English football). Owing to the broadcasting distribution and solidarity payment mechanism present in English football (covered in more detail in the next section), the club saw c.£60million wiped off their broadcasting revenue overnight, placing strain not only on the total revenue line, with high costs still to pay, but also the ability to generate revenue from their other two mix components in the league below. Imagine owning and running a 'normal' business where you are not in direct control of a revenue stream that accounts for 71% of your overall revenue. We would imagine you would be concerned!

As an alternative to a football club, we can also point to the English cricket system. In England, cricket is unique in its structure in that it does not have a private league organiser that sells broadcasting rights. Instead, the governing body of the sport in England (the England and Wales Cricket Board – ECB) deal with the broadcasting rights of the English national test team and then use some of that money to provide central grant funding to the domestic teams (counties). The result of this is shown in the revenue mix of Yorkshire County Cricket Club, one of the clubs in the system.

Yorkshire CCC break their income down slightly differently to the football clubs outlined above; however, we can still break this down into three main streams of matchday (ticket revenues and subscriptions), commercial (commercial income and other income) and broadcasting (effectively the ECB grant). Yorkshire CCC had total revenue of £14.1million in 2022, comprised of £6.1million in ticket revenue, £3.7million in commercial revenue and £4.3m from the ECB grant. The financial risk of unearned income here in respect of the ECB grant is the same risk with Leicester City FC and broadcasting. Additionally, in English county cricket we can see the importance of a strong English test side and hosting international test matches for the counties. Yorkshire CCC generated £4.2million in ticket sales from England Test Matches and One-Day Internationals but only £1.5million from their own domestic tickets sales to watch the actual

county side. The number of zeros on the end of the number may differ across sports in the European model, but the balancing act of revenue mix remains complex. The precarious nature of unearned income through broadcasting also needs further analysis linked to distribution and solidarity payments in the ecosystem.

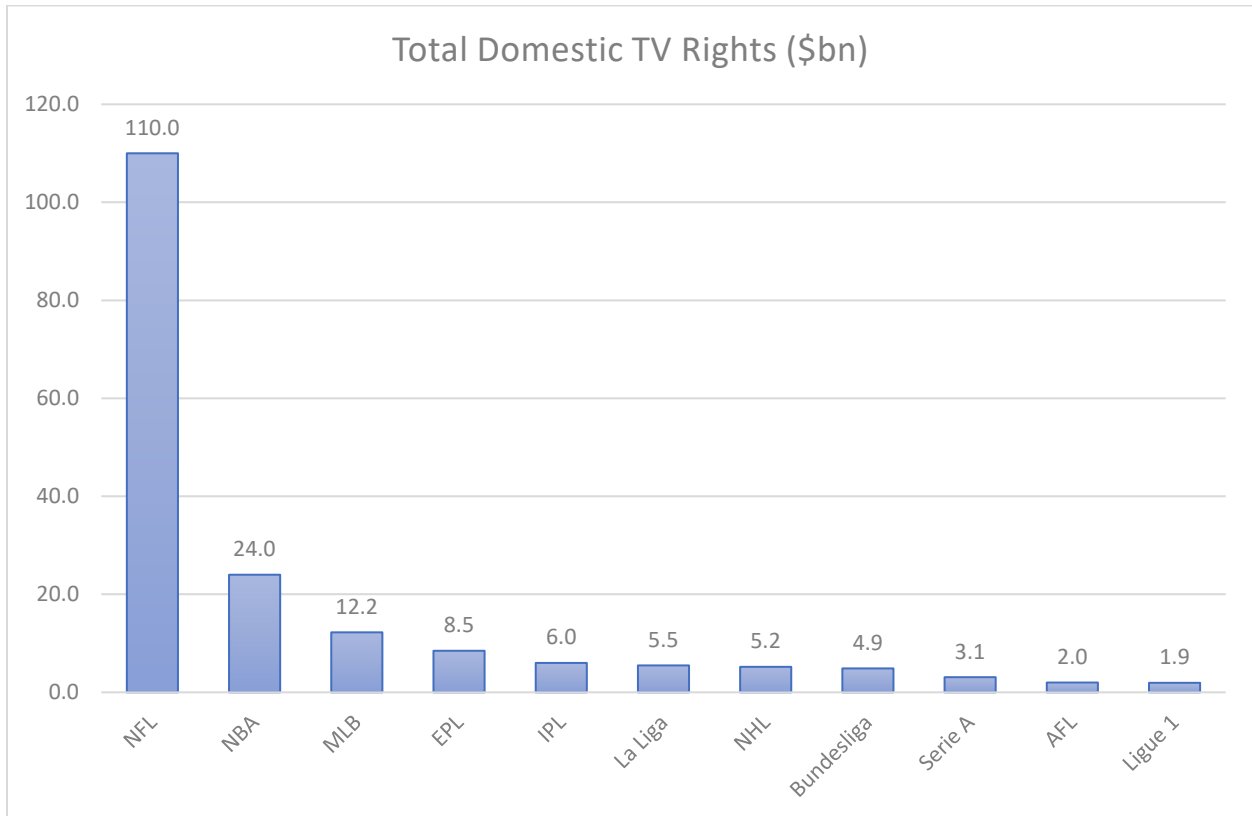
Broadcasting Rights, Distribution and Solidarity

As we saw earlier with the Leicester City example, to some, broadcasting is the most important revenue stream of them all. To outline the reasons why, we need a brief history lesson. The amount of revenue earned from television broadcasting deals for leagues and teams has grown exponentially since the early 1990s and has been primarily responsible for pushing team revenues forward. However, as we will see from some of the data in this section, it has once again benefitted only (for the most part) the teams at the very top of their respective sports and has in some way led to greater financial imbalances between leagues within certain countries – something that you will remember is supposedly not good for competition. To contextualise this further, there is an excellent quote from Morrow (2003) regarding television's relationship with football. We have amended this quote below slightly to include the word sport as we feel it holds true not just for football, but plenty of other sports in the model:

“Football's (sport's) relationship with TV is a paradox. On the one hand, television has been responsible for substantially increasing the revenues available across many different sports. At the same time, it is those very revenues, or rather the manner in which they are shared out, that has most undermined competitive league balance and has led to the emergence of financially dominant leagues and financially dominant super clubs”
(Morrow, 2003).

Let us consider this quote against some of the biggest television broadcasting deals in sport. We add in the American sport for context, before focusing solely on European sports and using football as the unique case study to illustrate the breakdown of distribution and solidarity payments across a single industry. The biggest television deals in professional team sports as of 2023 are presented in figure 1:

Figure 1: The biggest (domestic) TV deals in sport 2023



We can see from figure 1 that the NFL is the market leader when it comes to the most lucrative television deals with the NBA and MLB the clear second and third. The Indian Premier League (IPL) cricket franchise league takes fourth spot on the list before the figure becomes dominated by European football leagues taking up five of the remaining seven spots. The English Premier League is the market leader in football although others have closed the gap (in domestic terms at least) in recent years.

If we focus on the domestic rights picture, the dominance of American sport becomes clear. American sports have historically been quite insular – relying on significant audiences across North America - and have not tended to generate large international television rights deals. Judging by the numbers in figure 1, perhaps they don't need to, but some American sports have begun to shift their focus to an overseas audience to consider future growth (e.g., the NFL hosting games in England and the NBA hosting games in Germany). American sport television

deals tend to be signed on longer contracts, too. The NFL deal, for example, is eleven years long, running from 2022-2033 and the others follow a similar pattern. The NBA is a nine-year deal, the MLB is a seven-year deal, and the NHL is a twelve-year deal. This is a good strategy as it protects the price and reduces risk for a longer period. However, signing a shorter deal, if you have a product that is attractive, could be considered more beneficial as you have the ability for more faster growth assuming you can sell for a higher price. The latter strategy has been the direction of travel for European football leagues since the early 2000s and the English Premier League has been at the forefront of growth. The English Premier League deal in figure 1 is a four-year deal running from 2025-2029 and if we consider this contract on a per season basis it pushes clear of its nearest rivals in football and outstrips MLB in America.

However, figure 1 still does not tell us the full story. If we factor in international television rights, the picture changes again. Part of the reason for this, as mentioned earlier, is that American sports tend to be American centred in terms of broadcasting. For example, all four big American sports have their deals with domestic providers. The NFL have deals with CBS, Fox, NBC and ESPN. The NBA have deals with ESPN and TNT and the MLB have deals with Fox, TBS, ESPN. The NHL has its deal exclusively with the Canadian Network (up until 2024 at least). The difference in the European football market is the value of the overseas broadcasting market, once again dominated by the English Premier League. The English Premier League has made significant gains in the international market over the years, so much so that the total value for the 2019-2022 cycle was closer to £9.2billion (\$12.7billion). In the 2022-2025 cycle, the total value was estimated (because the league does not publish the specifics of overseas rights) to be closer to £10billion, with overseas rights outstripping domestic rights for the first time ever. Once the total pot is confirmed for 2025-2029, it is likely to be more of the same. Additionally, in 2019, the 'big 6' clubs in the English Premier League managed to secure a vote so that the international rights are now split based partly on merit payments (they used to be split equally). More on that later.

Other leagues in European football have closed the gap in international rights value recently but still lag some way the English Premier League. For example, as of 2021, international rights in Serie A in Italy were only worth 21.3% of the overall total and in the Bundesliga in Germany

(16.9%) and Ligue 1 in France (10.9%) they were even lower. So, if the market power for broadcasting in the European model is in football, what about other sports? How do they compare in terms of their broadcasting deals? First things first, unlike football, many of the so-called smaller sporting competitions do not publish their data, so it is not always easy to get figures, yet a small sample is provided below for context. If we look at both codes of rugby in the United Kingdom (UK), we can see the financial disparity between sports compared to football. Rugby union in the UK signed a three-year deal with BT Sport in 2021 that was worth a total of £110m, equivalent to c.£36.6million per season. Remember, the English Premier League generates around £9million per match! The deal for rugby league was estimated to be worth £29m per season between 2023-2026, but that was down from a £40million per season deal up until 2021. In this previous deal, the Super League (and its clubs) received £30m and the Rugby Football League (RFL) received £10m. This was quite unique at the time. The English Premier League, for example, do not provide the Football Association with any share of its television deal. However, the same arrangement did not appear to be in place for the next deal signed so it may be that it was just a flash in the pan. In cricket in England, where we know the English Cricket Board (ECB) provide central funding to the clubs, recent deals have eclipsed those found in rugby. The deal signed for English cricket in 2020 (to run until 2024) with Sky Sports and the BBC was worth £1.1billion in total and £220million per year. This deal guaranteed each county an extra £1.3million and, crucially, it brought cricket back to free-to-air television for the first time in England since 2005.

Data is hard to obtain for other sports in Europe. For example, the EuroLeague basketball television deal is reported to be around €42.5million in 2023 but there is no detail about how many years the deal relates to. Other sports in Europe such as volleyball and handball do have television deals with a range of pay-tv platforms across Europe, but the total amount is not disclosed. It is also difficult to obtain exact figures in other sports because of their complexity. For example, for a sport such as Formula 1, the deal breakdowns become infinitely more complex. This is because Formula 1 has multiple rights holders all over the world, owing to the structure of its competition (e.g., Grand Prix are hosted in different countries). This means it is a sport that does not operate in individual countries, unlike the sports we have discussed so far. However, Formula 1 is also hugely popular because of this fact. Indeed, in 2017 it was estimated

that 352m watched the sport on television. That is one of the largest sport television audiences (in total) after the World Cup (football) and Olympic Games. In terms of the value of the broadcasting contract for Formula 1, in 2021 it was estimated that the Sky Sports deal was worth an estimated \$240m per year. Sport broadcasting makes up a huge part of the financial landscape of professional sport and has grown exponentially since the turn of the most recent millennium. It has been responsible for growing club revenues and pushing sports, teams and leagues into global marketplaces allowing them to further extend their commercial reach by engaging new fans. However, as Morrow (2003) pointed out, it is the way they are shared out, that has created issues for competitive league balance and has led to the emergence of financial gaps between leagues, dominant leagues, and financially dominant super clubs. We will again turn to football as our case study example to deconstruct this notion.

European football broadcasting distribution and solidarity

Each league within the big five in Europe (English Premier League, La Liga, Bundesliga, Serie A and Ligue 1) operate their own broadcasting distributions with their own league. The English Premier League is perceived to be the fairest and most equitable in Europe with regards to its percentage split (note the percentages cited here are based on domestic deals only). The English Premier League allocates 50% of domestic broadcasting rights equally amongst all 20 teams in the league. It then allocates 25% based on performance in the current season defined as a merit payment. This is in relation to the finishing position of teams in the table. In 2022-2023, each position in the Premier League was worth around £2million in additional broadcasting revenue. A further 25% is allocated based on the number of televised fixtures a club is allocated in the given season. This can vary depending on the club in question. Each club must be shown on television a minimum of ten times per season but there is no upper limit.

La Liga's distribution mechanism is very similar with just a couple of slight tweaks. They have moved closer to the English Premier League model after historically letting the big clubs dominate the market. In the early 2010s, it was commonplace for Real Madrid and Barcelona to be taking around 50% of the total pot just for themselves and La Liga's move to a fairer model of distribution was well received by the other member clubs at the time. They also now allocate

50% equally, 25% based on performance (but based on the last completed season not the current one) and 25% for viewership (but they include both stadium and TV viewership in this calculation). This still gives the bigger clubs a slight advantage as they typically have more fans and bigger stadiums, but it does appease other member clubs to a degree. Serie A (Italy) and Ligue 1 (France) also allocate 50% of broadcasting revenues equally and Serie A also follow La Liga's viewership principle of stadium and TV viewership (20%). Serie A's remaining 30% is performance based with 15% based on last season, 10% based on the last five seasons and 5% based on historical performance (this is not explicitly stated but it is rumoured that it stretches back to as far as the 1946/47 season!). Ligue 1 choose to split their remaining 50% across the last season (30%) and the last five seasons (20%). The Bundesliga (Germany) is an outlier against these other four leagues. It allocates 93% of the total broadcasting pot based on the last five seasons. This figure is also weighted so that 70% of the 93% is kept for Bundesliga clubs with a further 23% distributed to the lower leagues. The Bundesliga then gives a further 5% to its top tier clubs based on historical performance and the final 2% is based on playing time of players that have come through the club's academy system. It is the only football league, to our knowledge, that distribute broadcasting money based on academy playing time.

As we can see, the distribution mechanisms can be quite complex and different across leagues within the same sport. As such, we need to also focus our attention on not just the total value and the overall split, but the gap that such a split creates between clubs within a league and the overall amount of money distributed to each club. We noted earlier that the English Premier League is perceived to be the fairest distribution mechanism across European football, and this is largely due to its top to bottom distribution gap. In the English Premier League, based on figures for the 2022-23 season, the broadcasting revenue gap between the top club and bottom is 1.6x. The next best on the list is Serie A in Italy (2.9x) followed by Ligue 1 in France (3.2x). La Liga and Bundesliga both have a top club to bottom club ratio of 3.8x. Such gaps can be attributed back to the distribution system including factors such as stadium viewership and historical performance which creates a situation where the big clubs continue to stretch away from the rest and a larger revenue gap is the result. Whilst we cannot ascertain full data on the breakdown of figures for each club within each league, we can provide a worked example for the English

Premier League (for season 2021/22) in terms of club-by-club income based on the broadcasting distribution (see table 1).

Table 1: English Premier League TV Payments to Clubs 2021/22

Club	Domestic Rights (UK)				International Rights			
	Live TV	Equal Share	Facility Fees	Merit Payment	Equal Share	Merit Payments	Central Commercial	Total Payment
Manchester City	28	31,809,969	24,436,525	33,779,160	48,885,768	7,365,240	6,814,232	153,090,894
Liverpool	29	31,809,969	25,274,331	32,090,202	48,885,768	6,996,978	6,814,232	151,871,480
Chelsea	24	31,809,969	21,085,299	30,401,244	48,885,768	6,628,716	6,814,232	145,625,228
Tottenham Hotspur	27	31,809,969	23,598,718	28,712,286	48,885,768	6,260,454	6,814,232	146,081,427
Arsenal	29	31,809,969	25,274,331	27,023,328	48,885,768	5,892,192	6,814,232	145,699,820
Manchester United	28	31,809,969	24,436,525	25,334,370	48,885,768	5,523,930	6,814,232	142,804,794
West Ham United	23	31,809,969	20,247,493	23,645,412	48,885,768	5,155,668	6,814,232	136,558,542
Leicester City	16	31,809,969	14,382,847	21,956,454	48,885,768	4,787,406	6,814,232	128,636,676
Brighton & Hove Albion	15	31,809,969	13,545,041	20,267,496	48,885,768	4,419,144	6,814,232	125,741,650
Wolverhampton Wanderers	16	31,809,969	14,382,847	18,578,538	48,885,768	4,050,882	6,814,232	124,522,236
Newcastle United	21	31,809,969	18,571,880	16,889,580	48,885,768	3,682,620	6,814,232	126,654,049
Crystal Palace	16	31,809,969	14,382,847	15,200,622	48,885,768	3,314,358	6,814,232	120,407,796
Brentford	16	31,809,969	14,382,847	13,511,664	48,885,768	2,946,096	6,814,232	118,350,576
Aston Villa	20	31,809,969	17,734,073	11,822,706	48,885,768	2,577,834	6,814,232	119,644,582
Southampton	12	31,809,969	11,031,621	10,133,748	48,885,768	2,209,572	6,814,232	110,884,910
Everton	22	31,809,969	19,409,686	8,444,790	48,885,768	1,841,310	6,814,232	117,205,755
Leeds United	22	31,809,969	19,409,686	6,755,832	48,885,768	1,473,048	6,814,232	115,148,535
Burnley	12	31,809,969	11,031,621	5,066,874	48,885,768	1,104,786	6,814,232	104,713,250
Watford	12	31,809,969	11,031,621	3,377,916	48,885,768	736,524	6,814,232	102,656,030
Norwich City	12	31,809,969	11,031,621	1,688,958	48,885,768	368,262	6,814,232	100,598,810
		636,199,380	354,681,180	354,681,180	977,715,360	77,335,020	136,284,640	2,536,897,044

Source: (Premier League Website, 2022)

Table 1 outlines the relative fairness in the distribution model of the English Premier League in relation to other leagues in Europe. The gap between the highest earning team in 2022 (title winning Manchester City) to the lowest earning team (relegated Norwich City) was £52.4million. There is still a considerable difference, but in terms of a top to bottom ratio it is far better than the leagues European counterparts, and the distribution model still favours the big clubs overall. They are likely to be shown more on television and command greater facility fee payments as a result. Again, note Manchester City's 28 live television appearances in table 1 versus Norwich City's 12 (the joint lowest on the list alongside Southampton and the other two relegated clubs Burnley and Watford. On the numbers relating to international rights, note the merit payment column, which used to be shared equally and is now weighted based on overall finishing position. The English Premier League is the fairest distribution in the big five European leagues, but it still looks after its biggest clubs internally.

Greater disparity and financial imbalance arise when we consider how (some of) this money trickles down to the leagues below (most notably the English Football League) through solidarity and parachute payments. The English Premier League passes on some of its broadcasting wealth to the three leagues directly below it (The English Football League Championship, English Football League 1 and English Football League 2).

The English Football League television deal (expiring in 2024) sees the money distributed down from the English Premier League via solidarity payments structured as follows, (data relates to per season breakdowns). The English Football League's own central revenues (media rights, sponsorships, and various levies) delivers a total of £132million to the collective group of clubs (72 in total). An additional £130million in solidarity payments is also passed down from the English Premier League. However, a further c.£200million is also distributed in parachute payments to recently relegated clubs from the English Premier League and only half a dozen or so clubs share this money each year. For example, the relegated clubs (in 2022/23) of Leeds United, Leicester City and Southampton received £47.8million each in the season immediately following relegation (2023/24). If they fail to bounce back to the Premier League, they will all get another £39.1million in 2024/25 and a further £17.4million payment if they are still in the English Football League for a third season (2025/26). The addition of parachute payments plus

solidarity payments means that the English Premier League deliver c.£350million to the English Football League in any given season under the terms of the broadcasting deal in play up until 2024. If a club is not in receipt of parachute payments and only receives solidarity payments and EFL central revenues, then the payment per club is as follows.

Championship

On a per club basis, each Championship side receives £5.19 million in solidarity money – directly coming from the EPL’s domestic and international rights – and an additional £3.92 million from central income, via the EFL. **Total broadcast income of approximately £9 million.**

League One

On a per club basis, each League One team receives £780,000 in solidarity payments, and an additional £950,000 in central EFL payments. **Total broadcast revenue equates to £1,730,000.**

League Two

On a per club basis, each League Two club receives £520,000 in solidarity from the EPL, and a further £640,000 in central payments. **Total broadcast revenue equates to £1,160,000.**

The figures above show a clear revenue disparity between the English Premier League and the English Football League, fuelled by solidarity and parachute payments. A non-parachute payment club earns c.£9million in broadcast money per season whereas a newly relegated club competing in the same league receives £47.8million. That means that the three relegated clubs are approximately £39million ahead of an average Championship club before a ball is even kicked. So much for the joint nature of production and competition argument! The authors of this chapter conducted some research into parachute payments and competitive balance in the Championship in 2019 and are findings supported this stark revenue disparity and the challenges facing non-parachute payment clubs in the Championship. Our results showed that an increase in the number of clubs with parachute payments and the overall value of these payments coincided with a reduction in competitive balance in the Championship. Furthermore, clubs with parachute payments were twice as likely to be promoted to the English Premier League and considerably

less likely to suffer further relegation to the third tier (League 1). At the time, our paper proposed either a re-distribution of parachute payments, the abolition of them completely, or a handicap points system to improve competitive balance. We updated this work directly for the English Football League in 2022 and our findings and recommendations remained the same.

A Fluid Policy Construct

Much like the European Model of Sport being viewed as a fluid policy construct, the future of English football television rights and distribution mechanisms may change in the future. At the time of writing this chapter, a new broadcasting deal in English football, to commence from the start of the 2025/26 season has recently been ratified. The full detail is not yet published but it is likely that this deal will deliver a revised distribution model, intending to provide a more equal share of broadcast revenues across the English football market. It's likely that this new approach is a direct response by the English Premier League to sidestep government pressure to stem the game's structural cashflow challenges, following the establishment of lobby group Fair Game, and the government white paper on the establishment of an independent regulator for football.

Despite ongoing pressure from the English Football League and government lobbyists, including the authors of this chapter, the English Premier League seems unwilling to scrap parachute payments – instead spreading the revenue equally (in relative proportions) across the English Football League – thus a new proposal has been tabled which may change the landscape in the future. The counterproposal (to the scrapping of parachute payments) is for the leagues to combine their net media rights and share 14.75% of that figure in solidarity payments, with a further 4.56% ring fenced for relegated clubs – to be called financial sustainability payments. This package totals c.20% of the net media rights, and provides money to the Professional Footballers Association, the National League (tier below the English Football League) and football related charities.

The plan to execute this new proposal will be a two-season transition period, with the only change in formula being an immediate £88 million boost to the solidarity fund. Additionally, there will also be the inclusion of a merit-based element or 'merit rake' mirroring the English Premier League model where a portion of the central distribution depends on your teams finishing position. In total, the 2025-26 fund would then stand at £733million - £234million more

than under the current model. This drops to £466million when excluding parachute payments, which is still £169million higher than past values under the historical model. In terms of ‘merit rakes’, the model is steeper than in the English Premier League. Championship clubs will operate with a rake of 2:1 – meaning that the club that finishes first will have a merit payment twice as big as the team that finishes last. In League One the proposal is set at 1.5:1 and in League Two, 1.25:1. There is also a plan to make a significant change for the Championship which will see it share its money unequally within each division. The proposal suggests that the Championship’s distribution model should be further enhanced by performance metrics with a 33/67 split between merit and equal shares. The proposed splits in League One and League Two are 80/20 and 90/10, respectively. We still do not quite know what the future holds, but the proposals on the table appear to suggest that the leagues are aware that financial imbalance and sporting integrity is a challenge that they need to tackle, regardless of whether or not there is also a vested interest bubbling under the surface in respect of the English Premier League to stave off the imposing threat of independent regulation in the game.

Parachute payments in English football tend to dominate the headlines because of the numbers involved and the arguments we have presented in the above discussion. However, it is also important to consider the amount of parachute payments distributed throughout other European leagues, circling back to our starting point of the big five leagues. Serie A in Italy, provides parachute payments for one season only, comprised of €10million if the club is relegated after one season, €15million if the club is relegated after two seasons (out of the last 3) and €25million if the club is relegated after three seasons (out of the last four). La Liga also only provides parachute payments for one season which is based on 3.5% of the total broadcasting rights spent in La Liga, split according to previous broadcasting deals and seasons spent in the league. Ligue 1 provide parachute payments across two years with a fixed and variable aspect to the payments in both years. The variable amount is based on the number of seasons the club has spent in Ligue 1 in the last ten years. The Bundesliga, again, does things slightly differently. They do not provide any parachute payments at all as broadcasting revenues are already split between Bundesliga 1 and 2.

Conclusion

In this chapter, we have presented the background and development of revenue distribution models and how they can promote debate across many European professional sports. We have focused mostly on professional team sports as they operate under unique financial structures under the principles of joint production and cooperation. There are many different types of redistribution mechanisms present in the European Model of Sport, all of which have a significant impact on sporting integrity and competition.

The role of governing bodies and league organisers to control revenue distribution among its members is vital in this regard and they must prioritise collective action over vested self-interest. This is a challenge because clubs have a member vote on proposals of change in the league regulation. It is also a challenge as the broadcast market evolves in the future, particularly in relation to streaming platforms, vertical channels and different ways of packaging and selling television rights to international fans in a direct-to-consumer model. Clubs want control over these areas directly, to drive revenue diversification and remove the pressure on the unearned aspect of broadcasting through the league organisers. In our abstract for this chapter, we said we would consider the claim that redistribution is a cornerstone of the European model of sport. We believe this to be the case, based on the data we have provided, but we also propose that it needs to shift in the future to evolve alongside the industry and wider societal changes.

Historical structures have in some ways created a financial gap between leagues and competition, which has further disrupted the landscape regarding business sustainability and sporting competitive balance. The European Model of Sport is, and will remain, unique. A shift to a brand-new model, or a replication of the American model is, quite frankly, utopian, and in many ways the wrong argument to even propose. Instead, stakeholders must continue to review the current distribution and solidarity mechanisms, considering the financial implications and the principles of the joint nature of production in professional team sports, without which there would not be a product to sell in the first place.

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