

Managing the civic activity by the results - economic impacts of the state's result-based funding system in Finland

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Aim

The working paper will discuss the effects of the structural change of the Finnish sport movement and the corresponding implementation of the state's result-based funding system.

The data has gathered from the 15 largest national sport organizations (NSO) in Finland. Research questions are how the new funding system is received and adapted and what kind of courses of action it has favored. The paper will focus mainly on changes in NSO's income structure.

The paper is based on research project carried out by five researchers between October 2010 and March 2012. The project was launched and financed by the Ministry of Culture and Education. The research report of the project will be published in Finnish May 2012 by the National Sports Council. (The writer of this abstract is the leader of the project.)

Theoretical background

The major outcome of reform of the Finnish sport movement in the early 1990's was the establishment of the *domains*. The domains are:

1. children's and youth sport and physical activities
2. competitive and top-sport
3. recreational and health-related physical activities (adult sport)
4. sport for special groups
5. school and student sport.

These domains are run by their own Independent *domain organisations* like Young Finland in children's and youth sport. Each *National Sports Organisation (NSO)* is expected to recognize these domains or groups of sport participants and to reorganise their activities along these domains.

This partly egalitarian idea was strengthened when the state revised the grounds of its sports appropriations for NSOs. New system was grounded on a result-based funding in which the result areas followed mainly the domain areas.

The achieved level of physical activity became the key result. It was measured by the numbers of participants in each result area. The main emphasis was on the results achieved in children's and youth sport: fifty percent of the total subsidies were distributed according to them. The system is still in effect with some minor changes.

Methodology, research design and data analysis

The research material consists firstly of economical reports NSOs have to deliver to the Ministry of Education and Culture yearly. Years of analysis are 1997, 2001, 2005 and 2009. Secondly, six executive managers have been personally interviewed considering their views of the result-based management system.

So far, the results that the national sport organizations have achieved in different result areas have been evaluated based on measured physical activity or total number of licenses of certain sport. This information has been collected mainly by surveys. This method of evaluation has raised discussion, since the role of the NSOs in arranging actual possibilities for physical activity is markedly smaller than the role of local sport clubs. In addition, the vertical link between local and national level has become weaker. Hence we can question whether the level of physical activity result is an outcome of the efforts made by national level sport organizations. For this reason, we focused in this study more on NSOs economical investments in different result areas. This was possible since the ministry has demanded NSOs report their incomes and expenses by result areas yearly.

Results, discussion and implications/conclusions

In their interviews present NSOs executives indicated their indifference towards the aims of the state's result based funding. Also the analysis of NSOs financial investments in different result areas confirmed that the NSOs were not following the emphasis set by the state for each result area between years 2001-2009. However there was a clear rise of investments in youth sport between years 1997-2001. Also earlier studies (Koski & Heikkala 1998, 172-173) seem to indicate that the result-based funding system had the largest influence just before its implementation in 1995. One source of the prevailing "arrogance" of the NSOs against result-based funding system lies on their diminished dependency of state subsidies. NSOs have been successful in their efforts to raise the share of their own incomes while the state subsidies have been almost static. The economical analysis shows especially high raises in license, member and sport event incomes whereas sponsorship, media and other (external) commercial incomes have risen modestly. In practice, this can be seen as higher member fees, which the NSO executives justified this rise mainly by more professional services. This clearly implies that in the NSOs views, members are increasingly also customers. In their interviews, they also contrasted hard and fluctuating (external) fund raising with more permanent (internal) incomes collected from their loyal members and sport participants. The paper will discuss in the framework of welfare economics, whether this way of action is diminishing the consumption of sport as a positive externality.

References

- Koski, P. & Heikkala, J. (1998). Suomalaisten urheiluorganisaatioiden muutos. Jyväskylän yliopisto. Liikunnan sosiaalitieteiden laitos, tutkimuksia No 63/1998.