high pay centre

# FOOTBALL MAD

## ARE WE PAYING MORE FOR LESS?

Dave Boyle

# About the High Pay Centre

The High Pay Centre is an independent non-party think tank established to monitor pay at the top of the income distribution and set out a road map towards better business and economic success.

We aim to produce high quality research and develop a greater understanding of top rewards, company accountability and business performance. We will communicate evidence for change to policymakers, companies and other interested parties to build a consensus for business renewal.

The High Pay Centre is resolutely independent and strictly non-partisan. It is increasingly clear that there has been a policy and market failure in relation to pay at the top of companies and the structures of business over a period of years under all governments. It is now essential to persuade all parties that there is a better way.

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# Executive summary

This report explores the dramatic growth in footballers' pay and looks at its impact on clubs and the national obsession.

## The state of pay in football

Since the 1960s when the regulation of clubs and the employment rights of footballers changed we have seen an increase in footballers' pay. However, it was the emergence of the Premier League in the 1990s that really saw pay rocket.

Since the creation of the Premier League in 1992, top footballers' salaries have mushroomed, rising by 1508% to 2010. Over the same period average wages increased by just 186%.

The amount spent by clubs on wages has also increased dramatically. The percentage of turnover spent on players has increased, from 48% of turnover in 1997, up to 70% in 2011.

## Impact on clubs

With pay making a bigger and bigger percentage of total spend, clubs' financial positions are becoming increasingly precarious. In UEFA's 2010 benchmarking report, the Premier League's cumulative debt was just under £3.5bn, 56% of the combined debt owed by 732 top flight clubs across Europe.

Clubs outside the Premier League are playing casino economics, risking everything on securing the right 'talent' and hoping to pay back what that talent costs with the proceeds of the success it secures.

The only way most fans can now see their team challenging for honours is for it to become the fancy of a rich foreign oligarch or royal family.

Any increase in revenue has not been invested in sustainable development for the club but spent on players whose long term value is limited.

Since 1992, over half of England's professional football clubs have been formally insolvent. Most only survived because the wider community received less of what they were owed in order to ensure players continued to get all of what they were promised.

## Impact on fans

Fans are now paying up to 1000% more to watch their teams play, all in order to support their club's gargantuan wage bills. Fans watching at home are similarly seen as a captive market, whilst those who want to watch at the pub are paying more – or finding their local can't afford it, given the 10,000% increase in pay TV subscriptions.

## Requiem for a Dream

The deregulation of football has resulted in a collective action failure where we are all paying more and getting less. While it may still be possible for the team at the bottom of the league to beat the top fliers this dream has moved from the unlikely to the impossible. In the last three seasons, the record of the final top three against the final bottom three teams is dismal[1], with the bottom three teams winning only 7% of these matches.

[1] Whilst the final top and bottom 3 are not the same as the teams in those places through each week of the season, in reality, the teams who finish in those positions tend to sit in or around them for most of the season.

Manchester City won the league with two goals during injury time of the last game of the season, scored by players with a combined purchase price greater than the entire turnover for half of the teams they were playing against in the league.

## Club affluence, national squalor

Paying more for talent has not improved the game for fans, nor indeed, it is argued has it improved our national chances of winning the World Cup.

Despite having more money than any other country in Europe, England continues to lag behind. The powerful forces in the game with the money are not minded to devote what they'd rather spend on ever increasing player salaries on things like coaches, and the skewed politics of the national sport prevent effective action being taken in any case.

## Whose game it is anyway?

It is now time for a national debate on pay, whether it is footballers or bankers, who we pay what matters and it has consequences. The views of those affected by the growth of high pay – not least because they provide the money – need their voices heard in ways the existing market cannot provide for.

# Introduction

Since the creation of the Premier League in 1992, top footballers' salaries have mushroomed, rising by 1508% to 2010. At the same time, players further down the football leagues have not been as fortunate, with pay rising by 518%, 306% and 233% respectively for the next three divisions.

All have done much better though than the average British citizen over the same period, whose own income has risen by just 186%.

The question this report seeks to explore is does this matter? The average footballer's performance is easy to measure, we just look at the goals they are scoring, it isn't like executive pay we can easily tell who the best is and decide to pay them accordingly, so the argument goes. Indeed they generate the wealth they earn through their talents, and they exist in a high-pressure, rarified atmosphere. Equally, it is argued that we have a global market in footballers' wages, and if £50m is the going rate we should surely not worry about paying it, particularly if the clubs can afford it.

This report seeks to explore this debate in more detail, arguing that like executive pay, pay in football often has as much to do with luck as skill, that the wealth generated is not because of the players' talents, but through the strength of the brand, and that the supposed market in talent is actually deeply flawed.

Between football teams we have a collective action problem where higher wages for footballers aren't improving the game and are creating a growing crisis within football clubs. While football clubs may not be able to bring down the whole UK economy, like the banks, they can break our hearts. What's more, understanding what has happened in football can help inform our understanding of the wider discussion on pay inequality, forcing us to ask, why we pay what we do? And is it really worth it?

# The state of pay: just how much are football's salaries?

Players' incomes are notoriously difficult to establish. British footballers' pay continues to be spoken of in terms of a weekly wage, despite the transformation of their income from the weekly cash payments common to working class employment to multi-million pound packages.

That journey began in 1961 when Jimmy Hill, then Chairman of the Professional Footballers' Association, led a fight that saw the decades-long maximum wage policy of the Football League abolished; at the time, players were paid up to £20 per week during the season and £12 in the summer.

From 1961 onwards the increases were roughly around 20% for the first 6 years, before settling down to around a 10% increase each year after that. It is perhaps no coincidence that this inflationary period saw football approach government for financial assistance in 1968, which led to the then-government commissioning the Chester Review of the game's finances and administration. That rate continued until 1992, the first year of the Premier League, when it started to make massive strides.

The rate of increase in pay across the leagues was roughly proportional until the creation of the Premier League, which saw new TV deals at much greater levels than previously and, crucially, saw the proceeds distributed to the top-flight clubs, as opposed to the game-wide deal which saw this largesse shared more widely.

[2] Source www.sportingintelligence.com

***figure 1*** **Weekly wages of footballers 1984-2010, by league division; figures represent basic pay, but appearance and success bonuses can add 50-100% to these figures.[2]**

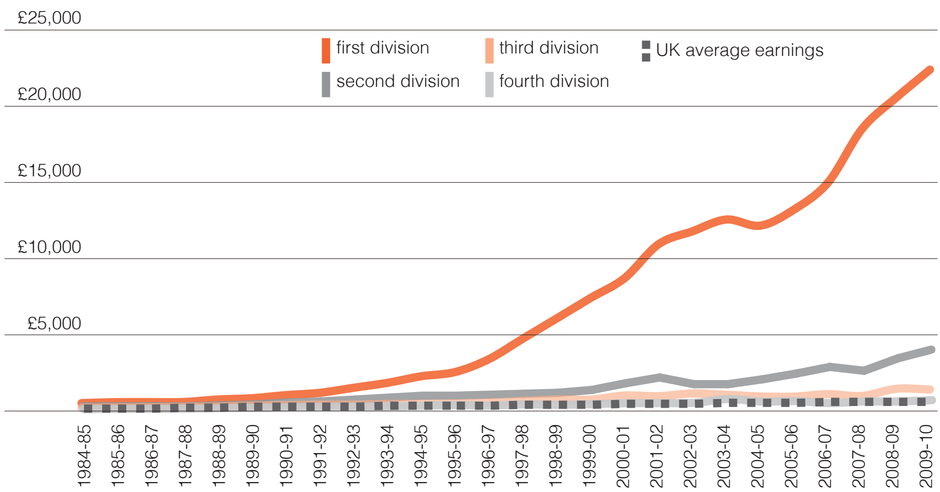


Figure 1 illustrates the disparity, with salaries growing at a much faster rate for the First Division. This exponential growth in pay at the top and relative stagnation for everyone else is reflected across the economy.[3]

The percentage of turnover spent on players has also increased, from 48% of turnover in 1997, up to 70% now (a figure which itself masks a wide disparity, from Manchester United paying 46% through to Manchester City paying 114%); in other words, players are earning more in absolute and relative terms.

The dramatic escalation in pay in absolute terms has only been possible thanks to the astonishing growth in revenues over the same period, driven by the consistent rise in the amount of money broadcasters are prepared to pay to show the top flight. This is not broadcasters paying what clubs demand (which might reflect player demands) as the process by which broadcasters win rights is via sealed bids; in effect, the league gets what broadcasters are prepared to pay, which may not be the same as what the clubs think or hope they are worth – though it usually is. In the latest round, the amount the domestic rights were sold for exceeded all expectations with a 70% increase to just over £1bn per season until 2016.

[3] High Pay Commission (2011) Cheques With Balances

[4] Source: Deloitte Annual Review of Football Finance 2012

***figure 2*** **Premiership turnover and wages 1997-2011[4]**

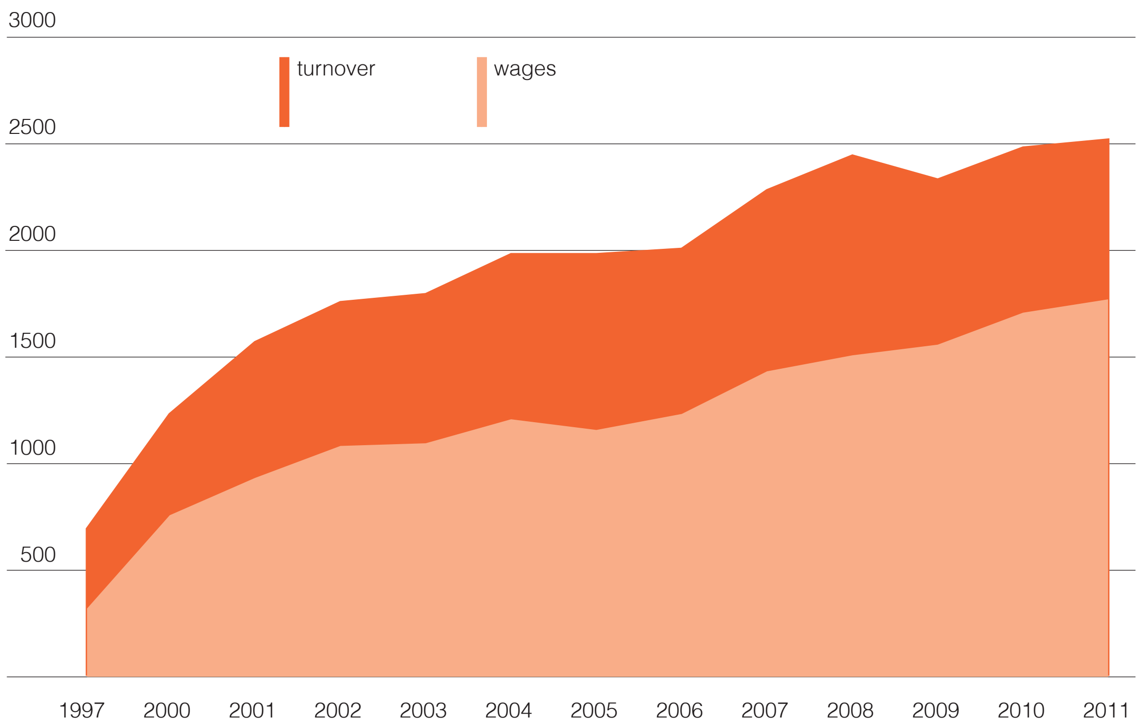


*table 1* **Premier League CEO pay 2008**[6]

| Club | Highest Directors' Pay | Club Turnover | Club Loss/ Profit | Profit % of turnover | Salary % of turnover |
|---|---|---|---|---|---|
| Liverpool | 112,000 | 185,000,000 | -54,900,000 | -30% | 0.1% |
| Fulham | 137,035 | 63,100,000 | 5,800,000 | 9% | 0.2% |
| Aston Villa | 229,592 | 84,200,000 | -30,100,000 | -36% | 0.3% |
| Everton | 244,000 | 79,700,000 | -6,900,000 | -9% | 0.3% |
| Arsenal | 1,718,000 | 379,900,000 | 56,000,000 | 15% | 0.5% |
| West Ham | 349,000 | 76,100,000 | -16,200,000 | -21% | 0.5% |
| Spurs | 650,000 | 113,000,000 | 33,400,000 | 30% | 0.6% |
| Blackburn | 323,433 | 50,900,000 | 3,600,000 | 7% | 0.6% |
| Man Utd | 1,953,000 | 286,400,000 | -83,600,000 | -29% | 0.7% |
| Newcastle | 762,763 | 85,700,000 | -14,600,000 | -17% | 0.9% |
| Bolton | 584,000 | 52,400,000 | -8,700,000 | -17% | 1.1% |
| West Brom | 543,000 | 47,000,000 | -12,300,000 | -26% | 1.2% |
| Man City | 1,515,000 | 125,000,000 | -121,000,000 | -97% | 1.2% |
| Sunderland | 888,142 | 64,500,000 | -24,200,000 | -38% | 1.4% |
| Birmingham | 466,137 | 27,500,000 | -20,100,000 | -73% | 1.7% |
| Wolves | 600,178 | 18,300,000 | -4,400,000 | -24% | 3.3% |

Players are getting paid much more, their pay represents an increased share of the total money available, and the pay at the top is massively outstripping the salaries in the rest of the game.

Individual club accounts will generally show a single figure for total wages (including non-playing staff) which makes it difficult to identify what players collectively earn at the club, still less what individual players do. We know that most clubs have a structure in place that guides the club's salary awards by stipulating a maximum the club will be prepared to pay, in absolute terms, or linking player salaries so no player earns more than a set figure of any other.[5]

The idea behind these structures is a desire to restrict wage inflation. However, this form of wage ratio, where one player's pay is linked to that of another (often stipulated as part of the player's contract) has had the adverse effect of resulting in a direct ratchet effect on all the others. When we look at executive pay we can see an equivalent effect in the benchmarking process which links executive pay levels with their competitors and is seen to result in a ratchet.

[5] There's some research that too great a gap in incomes within a team impacts on performance, with underpaid players disincentivised. Maybe clubs knew this all along from experience?
[6] Source: The Daily Telegraph Ibid

Precise salary differentials are confidential to clubs but we do know something about the disparity between players, executives and casual staff. In 2008, the Fair Pay Network surveyed all of the then-Premier League clubs,finding that pay at or around the minimum wage is standard at all 20 Premier League clubs."[7] Their director Mark Donne said:

*Football must be one of the most unequal industries we have: an extremely wealthy sport with people servicing it who are living in working poverty.*[8]

In response, a Premier League spokesman was quoted saying "the clubs respect all the relevant employment laws… Statutory pay levels are a matter for government."[9]

That contrasts with the amounts paid to football's Chief Executives, who are understood to be handsomely rewarded for the relative size of their enterprises. Benchmarking against the Chartered Management Institute, the *Daily Telegraph*[1] reported that all Premier League clubs paid their CEOs more than the comparable rate for executives in businesses with similar turnovers, most by a significant multiple.

The clubs defend this, arguing that whilst their turnovers might be smaller than in other businesses, the pressures that come with being in a global spotlight are not. By the same token though, most executives do not have the luxury enjoyed by two thirds of Premier League Chief Executives whereby over half the business' income is generated by a contract agreed centrally for them.

[7] http://www.fair-paynetwork.org/news/article/30/FOOTBALL-WAGES-ARE-WELL-OFFSIDE---The-Daily-Mirror
[8] http://www.guardian.co.uk/sport/blog/2008/oct/29/premierleague
[9] http://www.guardian.co.uk/sport/blog/2008/oct/29/premierleague
[10] http://www.telegraph.co.uk/sport/football/competitions/premier-league/5155041/Premier-League-fat-cats-cash-in-despite-recession.html

# How we got here

At the heart of football is the desire to win: most clubs are driven to achieve in terms of sporting performance, not on their balance sheets. Whilst they are set up as profit making companies, most consistently fail to do so because they are subject to internal and external pressure to spend every spare penny on improving team performance.

There is an arms race in football, much as there is in executive pay. Fear over the loss of talent and the growing financial cost of relegation create increasing pressure on clubs to throw caution to the wind and spend excessively on players. Yet this is a collective action problem as when the music stops not much has changed but the players are earning greater and greater sums.

Players' talents have a price, and they have been able to extract it since the removal of the four key parts of the regulatory framework, which previously acted to keep a lid on salaries.

> The maximum wage;
> Freedom of contract;
> Sharing of gate income;
> Sharing of TV income.

The first two were the long-campaigned for reform to the labour market that stopped players being treated as veritable serfs. Under the previous regime once a player signed for a club, he could not play for another club anywhere in the world without his current club's permission. At the same time regardless of what club he went to, his pay was capped.

As a result, despite the odd player moving to play in Italy (where there was no maximum wage) or playing in Colombia in the early 1950s (which did not recognise contracts with other clubs), many players served their careers at a single club, often in their hometown, whilst others would be shunted to new clubs with little notice and little say. Many players acknowledged as international quality would play outside the top division or at 'unglamorous' clubs because there was little incentive for them to move elsewhere.

Obviously, this system was prone to abuse, and additional undeclared payments were rife, as, increasingly it seems, was low-level match fixing by players to supplement their incomes. Treating players as little more than serfs came naturally to a game in which decisions were made by gentleman and players were very much to be seen but not heard.

The abolition of the maximum wage in 1961 was following by limited freedom of contract in 1963, when George Eastham won a landmark case in the courts. Prior to this point, a player was still tied to his club, even if his contract expired, until the club with whom he was registered agreed to release him to another club. After Eastham's victory, a player out of contract could go to a transfer tribunal where a fee would be set between his old and new clubs. Jean-Marc Bosman won more wide-ranging freedom of contract in the European Court of Justice in 1995 and so now at the end of a player's contract, he is free to move to any club of his choosing.[11]

[11] We should note that despite this, players are still more restricted than normal employees, as they cannot voluntarily terminate their contract of employment, a right all other workers share.

That Bosman ruling has been inflationary for two reasons. First, because players can now leave a club at the end of their contract, clubs can sign players without having to pay the old club at all, meaning the revenue they once would have spent to buy a player now goes to the player directly.

In order to guard against losing a player for nothing clubs protect themselves by signing players to longer contracts so as to increase the amount of time a player could leave only if another club paid a fee. Whereas once 3-year contracts were standard, players are now signing 4 or 5-year deals.

That means that players who might once have had four contracts in their career now might only have three, which is to say only three opportunities to negotiate a salary package; as a result, top players have looked to sign more lucrative deals to maximize their income throughout their career.

These changes have given players the same bargaining rights common to all employees. At the same time the conditions have been such that they have also created a "war for talent" equivalent to that seen within the banks. Indeed much as in the financial sector the real explosion in salaries came from changes in what clubs could pay them.

Until 1981, clubs shared gate receipts with each other, with the home team giving the visiting club 20% of the revenues, and the league as a whole 4%. This enabled smaller teams with smaller resources to benefit from the comparative advantage enjoyed by clubs with large catchment areas. In a similar fashion, TV revenues were shared equally across the entire league.

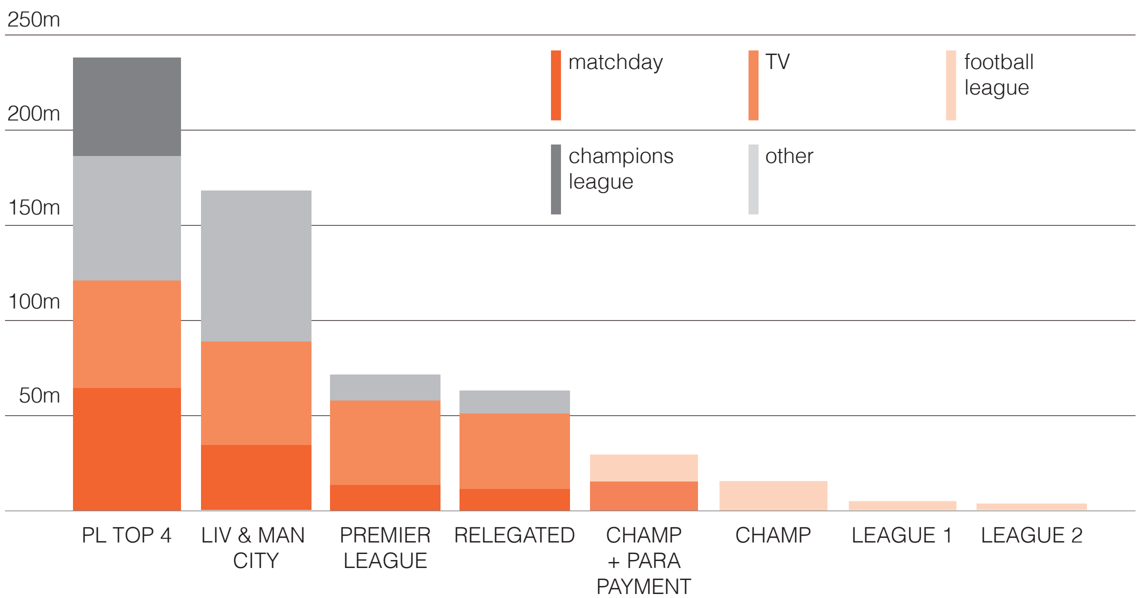
The former was abandoned in 1981, whilst the latter was modified in 1985 to give the top division of clubs 50% of the TV revenues. Both actions were taken to placate those clubs who were agitating to breakaway from the smaller clubs they felt held them back. In essence, football's redistributive mechanism was working too well for the liking of the wealthier clubs, and so they eventually broke away in 1991, forming the Premier League which started a year later and which kept all the TV revenue it secured for itself until a modest element of redistribution was reintroduced in 2007.

The Premier League now gives funds to the Football League clubs in general and to the Football Conference in particular. Whilst welcomed by the recipients, they do little to close the gap between them and the top clubs in or recently relegated from the Premier League; clubs with parachute payments still get seven times the income that clubs not in receipt of them get.

As useful as that money might be to the clubs, the political benefits to the Premier League are significant too. In discussions over the introduction of a new system to develop players, many Football Clubs felt the Premier League proposed system would undermine their own efforts, but their support for the programme was linked by the Premier League to its continued provision of financial support. [12]

[12] http://www.guardian.co.uk/football/blog/2011/nov/03/premier-league-football-league-academy. This would not be unusual; David Conn reports that the premier League Chairman, Sir david Richards, was known to threaten to withdraw Premier Leaue club support from the FA Cup – with devastating financial consequences for the FA and amateur football – if he did not get his way on an issue. See David Conn, The Football Business, page 364

***figure 3*** **The differing levels and sources of club revenue across English football's four divisions 2010-11**[14]




Domestic live TV income within the Premier League is distributed in a tripartite formula:

- 50% is divided equally to each club;
- 25% is awarded according to where the club finishes in the final league table (the merit award);
- 25% is awarded according to the number of times a club is shown live on TV (the facility fee) with each club scheduled to appear a minimum and maximum number of times.

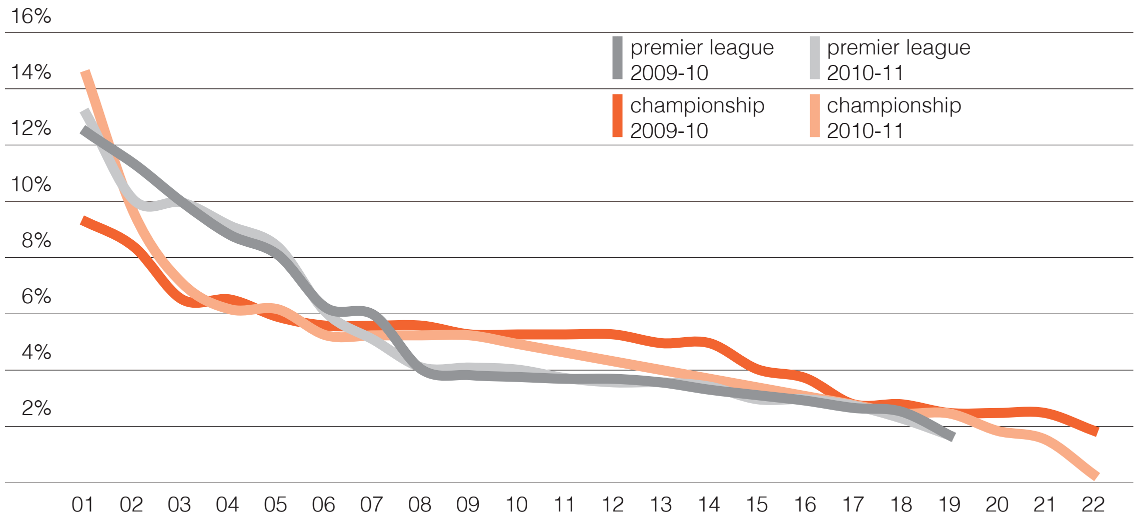
Foreign broadcast rights are split equally between all the clubs; this formula was put in place when the rights were relatively small, but they have grown to around 40% of the total earned by the league.[13] The net effect is that the ratio between the highest and lowest revenue earned from TV in the Premier League is 1.5:1; that's one of the lowest in Europe, but still represents a major impediment to smaller, lower earning teams.

That differential is exacerbated by the UEFA Champions League, which is currently available to the top 4 teams in England, which further increases the gap in revenues between the top and bottom.

That gives the teams at the top two advantages over everyone else. They can meet the salary and performance expectations of the best players, as they can promise higher wages and greater opportunities to win competitions, creating a virtuous circle, which is hard to break.[15]

[13] That has led to some noises to be voiced by larger clubs that this is essentially unfair to them, as the smaller clubs are not generators of this wealth, which is the same argument used back in the 1980s to revise the previously equitable domestic distribution framework.
[14] Source: Deloitte
[15] After the ruling family of Abu Dhabi took over Manchester City, the club clearly was able to match the salaries of any club in the world, but struggled to sign the top players it wished to because those players knew that until a critical mass of other players also joined, they would be unlikely to win championships.

***figure 4*** **League inequality - club revenues as a proportion of the league total[16]**




That is not to say that money always equals success, and clubs with significant resources can suffer problems, but that money is a necessary but insufficient condition for success.

Although this cycle repeats each year, in the main the cumulative gap doesn't grow as much as it might, as the extra income which more successful clubs receive is quickly paid out in player wages.

In other sectors, one might see a business reinvest revenues from a particularly bumper year to build the ability to generate greater income in successive years. In football, however, examples of clubs utilizing their greater revenue to make capital investments in this way are less common than one might expect, with only Arsenal using their position to expand their income-generating base by building a new stadium.

Manchester United did use their cash advantage to double their matchday capacity in the years 1995-2006, but since then have made no significant improvements to their income generating facilities.[17]

Most clubs spend extra revenue on players, who three or four years later will normally have moved on, and the money will need to be spent again on more players. As a result, it is still possible to 'catch-up' to the bigger teams by finding additional sources of income to match the sums they can pay players.

However, such are the sums required to catch up that the only sources of funds that have done this in recent years have been the resource wealth of Roman Abramovich at Chelsea and the ruling family of Abu Dhabi at Manchester City.

[16] Source Deloitte
[17] The experience of capital development in football suggests that however sensible a new stadium is in the medium or longer term, in the short term, it uses money which could be used to spend on players, and so teams often struggle in the short-term.

# On any given matchday: competitive balance

*…as long as we can still have teams in the bottom three beating teams in the top three every season, then we have a compelling competition*

Richard Scudamore, Premier League Chief Executive[18]

There have been many attempts to measure competitive balance, all reflecting that whilst the Premier League's Chief Executive is right that bottom can beat top, at the same time, it happens rarely.
In the last three seasons, the record of the final top three against the final bottom three teams is dismal[19], with the bottom three teams winning only 7% of these matches:

It is now common parlance to speak of there being three leagues within the Premier League itself – the top 4-6 clubs who will challenge for a place in the UEFA Champions League (and of whom 4 at best can entertain serious thoughts of winning the league), around 6-8 clubs for whom relegation is a possibility and success will be to finish 17th and avoid it, and everyone else in the middle.

***table 2*** **Record of Top Three Club against Bottom Three clubs in the Premier League, 2009-12**[20]

| Played | Won | Drawn | Lost | Points | Goals for | Goals Against |
|---|---|---|---|---|---|---|
| 54 | 44 (81%) | 6 (11%) | 4 (7%) | 138 (85%) | 151 | 41 |

Whilst the matches in question might make for interesting viewing, they're very much statistical outliers and they don't stop the title race being determined overwhelmingly on the basis of revenues. As a result, most fans know at the start of the season in which tier their team will finish in.

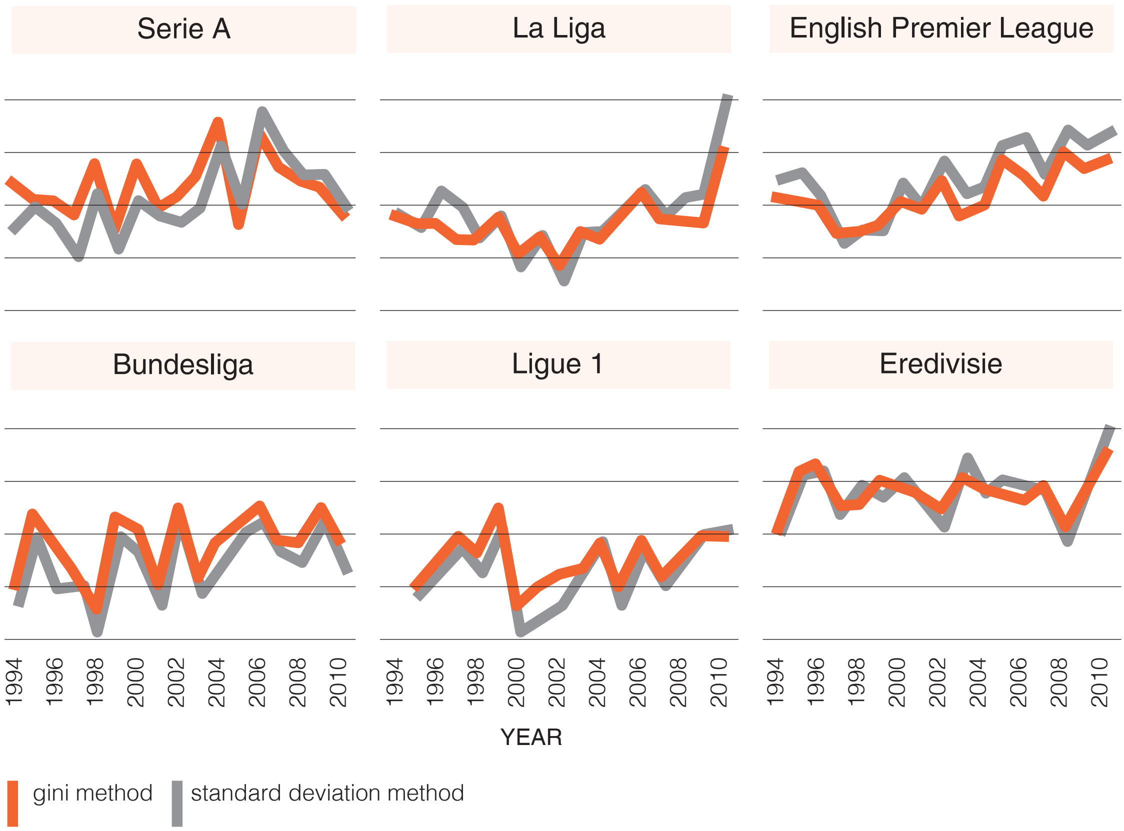
That club income has a decisive impact on performance has been understood for generations, and the variance between a team's position in the final league table at the end of the season and its position in the pay league at the start is small; most clubs vary by a couple of places at best.

Whilst football has never been predicated on equality between teams, it did have a degree of mobility, as a result of the regulatory framework. This has given way to a far more rigid oligopoly.

Of the last five English champions, two – Manchester United and Arsenal – have generated their own revenues; indeed, they were so good at it that by 2002 people were speaking of them becoming a duopoly to rival Rangers and Celtic or Barcelona and Real Madrid. What changed is that since then two of the wealthiest groups on the planet have bought rival clubs and spent staggering sums of money to give

[18] http://www.epfl-europeanleagues.com/pl_audio_visual_rights.htm
[19] Whilst the final top and bottom 3 are not the same as the teams in those places through each week of the season, in reality, the teams who finish in those positions tend to sit in or around them for most of the season.
[20] Source: HPC Analysis

***figure 5*** **Increasing uncompetitiveness in top European leagues 1994-2010. Gini co-efficient (red) and standard deviation (grey) analysis of league competitiveness in 6 leagues from 1994-2010; the higher the line, the less competitive the league. Whilst it fluctuates year to year, the trendline in the Premier League – indeed all the leagues - is towards increasing uncompetitiveness.**[21]




those clubs the means to buy talent of sufficient quality to match Manchester United and Arsenal.

It might be more balanced than some other leagues across Europe, but the focus of English fans' attention is their own club's circumstances; fans of Everton will be little comforted to know that a club with the 8th highest revenues in the division would have even less chance of winning the Netherlands Eredivisie than the Premier League.

The breakdown in mobility in the top flight is transferred to the leagues below thanks to the cascading impact of player wages, assisted by the system of parachute payments. Clubs relegated from the Premier League get a soft-landing into the league below through receipt of a stipend from the Premier League pot for four years after they are relegated (assuming they do not get promoted back).

That enables them to manage the astonishing difference between Premier League revenues and the division below, the Championship (see Figure 3). They are able to either hold onto more of their players, or buy the players who are deemed best suited to helping a team get promoted, making the task of securing promotion harder for teams who haven't been in the top flight in recent years.

[21] Source: http://www.soccerbythenumbers.com/2011/06/has-premier-league-become-more-unequal.html

It's notable that in the last three seasons on which we have data, four of the five teams promoted into the Premier League who were not in receipt of those payments have gambled and spent over 100% of their turnover on player salaries, hoping that the riches they will reap if promoted to the Premier League will make good their losses achieved in getting there.[22]

The impact of these inequalities on fandom itself has been subtle but important. Most fans are aware of their teams' place in the pecking order of football; smaller clubs from small communities know better than to place too much hope on the possibilities for their small town side. Even so, football's cultural legacy from the years of regulation was that it was possible for every fan to entertain the notion that they too might have their day in the sun. Ipswich's promotion from the 3rd tier to the champions of England in three years, or Northampton's rise from the bottom division to the top in five years served as inspirations.

Of course, the reality was that such adventures were often once in a generation, or even a lifetime, but football fandom is a curious exercise in the willing suspension of disbelief. The gap between something being impossible, and being unlikely is the space in which fans' dreams can happily exist. It might not seem like much of a change, but to know that the good times will never happen fundamentally alters one's view of the game and one's club.

Now, the only way one can entertain such ideas is through wondering whether some day, some mineral billionaire might pick your club out of the beauty contest line up that is lower league football, and shower it with the means to progress. Examples of that happening are common enough for it not to be altogether fanciful, and so this is now the gap in which fans' dreams exist.

Whether these new dreams are as wholesome is a different question, given that such resource billionaires are much less frequently sourced from democratic polities.[23] Its sociological equivalent would be recognising that the surest means to enrichment would not be to get an education or start a business or invent something amazing but to seek to find someone much richer than you and marry them.

[22] 2009: Burnley (117%) 2010: Blackpool (134%) 2011: QPR (183%), Swansea (114%), Norwich City (79%)
[23] http://www.soccerbythenumbers.com/2010/08/china-and-liverpool-why-would-china-buy.html

# Debt, insolvency and the salary arms race

Even as revenues have increased dramatically, so to has indebtedness. In UEFA's 2010 benchmarking report, the Premier League's cumulative debt was just under £3.5bn, 56% of the combined debt owed by 732 top flight clubs across Europe. The Premier League asserts that as it is the league with the greatest revenues, it can afford the most debt; people with bigger salaries tend to have bigger mortgages because they can afford them.

Even with that caveat though, to have 56% of the total debt amassed by 2.4% of the clubs does suggest an area of concern. Namely that the vast majority of clubs' debts are not for new facilities, or even purchase debt, but simply the difference between what they earned themselves and what they felt they needed to pay their players.

It should come as no surprise though, because debt is a function of inequality. Just as in the wider economy, the share of national income of the majority stagnated whilst the share of income which went to those at the top massively increased, the same dynamic is at work in football.

In effect, clubs have been paying their mortgage on their credit cards, because there has been no other source of funds available to them.

The first groups to note this were those who ploughed money into flotation on the stock exchanges in the mid-to-late 1990s. They saw that TV revenues were predicted to rise, and players only got half of the pot; in the gap would be excellent dividends.

Whilst the old shareholders did enormously well out of the share issue, the players did as well out of the day-to-day operations. With characteristic frankness, Alan Sugar, then Chairman of Tottenham Hotspur spoke of 'the prune juice effect' of player salaries where money "comes in and goes out straight away." From a high point of 30 clubs quoted on exchanges, now only Arsenal remain, the rest having delisted as they found the disciplines of public company life – generating profits, paying dividends - incompatible with the game.

The only common strand through the last 20 years is a degree of faddishness to the latest trend to make good the balance sheet. Having tried financial innovation (securitizing future ticket income and player leasing) the latest is a reversion to type – find someone rich who can bankroll the salaries.

It's the same motivation that drove many a Chairman in the past, to acquire status; it's just that the sums required to bankroll are so big that the domestic pool of willing candidates is smaller. Luckily for footballers, the global reach of the Premier League expands the communities in which owning a club gives status. As a result Abu Dhabi's ruling family view a club as a great vehicle to put forward their best face.

Supporters Direct, the fans' group that promotes sustainable ownership by co-operatives notes that:

*The current system incentivises irresponsible spending, encourages the acquisition of eye-watering debt, and allows "chasing the dream" to masquerade as a business plan.*[24]

In the last 20 years of English football, over half of its professional clubs have been insolvent.[25] The strategic rethink one might expect in the wake of such calamities has been a long time in coming. Football League Chairman in 2003, Brian Mawhinney, told clubs of his desire to bring some collective solution to the problem of club overspending, recognising that each club simply could not stop the system itself anymore than a bank could end the city bonus bonanza on its own .

Football League clubs finally implemented a measure in 2012 to require clubs to control their spending or face penalties, by which time 22 of them – nearly a third of the Football League – had been in insolvency since 2003. It says an awful lot about football that the rules of the league are required to bring the sort of financial discipline which in most enterprises is provided through the normal means of cash flow, profitability and solvency.

When clubs do go into insolvency, the players' salaries are protected thanks to the Football Creditors Rule, which ensures that the club can only resume its place in the football system provided that the football creditors have been repaid in full. As a result, less is available for others, including the HMRC. In addition, players' contracts are protected meaning that as administrators look to cut costs, the jobs of non-playing staff are in reality the only real place where cuts can be applied.[26]

The impact of this is that when clubs go into administration, mainly through committing too much to paying players, those players must still be paid in full and those payments are at the head of the creditor queue, with the price being paid by everyone else – normal people doing normal people's jobs at the club, suppliers, and, of course, the taxpayer. At Darlington in 2009, unsecured creditors received 0.0009%; HMRC were owed £404,376 and got just £3.64– not even enough to buy a ticket to see the team.[27]

Since the Enterprise Act became active in 2004, HMRC is no longer a preferred creditor, and since that time, the amount of money owed to HMRC from unpaid PAYE and VAT has mushroomed, before coming under control thanks to new rules by the various football bodies to ensure clubs pay their payroll taxes. Prior to this point, there was strong evidence that clubs were simply not paying their payroll taxes due to HMRC and were using it as an overdraft facility.[28]

As well as HMRC, local creditors suffer disproportionately in insolvency too, as the amount set aside for 'ordinary' creditors is

[24] https://socialenterprise.guardian.co.uk/social-enterprise-network/2012/jul/20/cooperative-football-fans-ownership-club
[25] The authoritative source for insolvency data is Coventry University's Dr John Beech: http://footballmanagement.wordpress.com/
[26] This is not technically part of the insolvency framework of football, but is a quid pro quo for the fact that unlike most employees of any other business, they don't have complete freedom of contract. In other words, if they sacrifice the right to move wherever they want whenever they want, their employers must also sacrifice the ability to sack them whenever they want.
[27] http://www.sportingintelligence.com/2012/03/25/revealed-the-39-6m-in-unpaid-football-taxes-and-thats-only-part-of-it-250301/
[28] Sporting Intelligence, ibid

often minimal. The list of a club's creditors at such times contains local businesses and charities owed thousands that they can ill-afford to lose. For example, when Portsmouth entered its first administration in 2010, local business lost £400,000 in unpaid debts.[29]

The Football Creditors Rule is accused of using other creditors as a buffer to ensure that players get paid in full at the expense of everyone else, but perhaps the biggest problem is that – until now with the introduction of Financial Fair Play – the rule has been football's only weapon to deal with club insolvency and it is solely aimed at managing the crisis when a club is already in administration rather than proactively minimizing the likelihood of being insolvent in the first place.

The major cause of insolvency is that the rate of increase in player salaries is greater than the game's ability to meet those costs through self-generated revenues. Clubs in the Premier League at least now have a degree of certainty over revenues for the next 5 years in any event, and should be in a better position to plan accordingly, which is to say to ensure the contracts they have with their players enable them to lower salaries in the event of the club being relegated.

But this problem is squeezed into the next tier, where as noted, the clubs who have won promotion have done so by spending more than they earn. Were those gambles to have failed, the club would have difficult times ahead. As the rewards grow for being in the Premier League, many Championship level clubs are being run at unsustainable levels; the Football League's Chairman urged MPs at the DCMS Select Committee to not "confuse Football League clubs with viable economic entities."

But at the same session he was as equally clear that the solution advanced by many – sustainable community clubs trading only with their self-generated revenues – were risky as they would soon run out of cash. In his view, as ruinous as the arms race was, the only solution was to keep running it.

Responding to the UEFA Benchmark report, a spokesman was quoted as saying:

*The idea of preventing what the likes of Dave Whelan [at Wigan], Jack Walker [Blackburn], Steve Gibson [Middlesbrough], Roman Abramovich [Chelsea] and Sheikh Mansour [at Manchester City] have done to take their clubs on is not something that appeals to us."*[30]

One can see why; had these people not done so, then the League's product would probably be even more of a foregone conclusion (with Manchester United or Arsenal winning everything) and thus less valuable as a TV spectacle. The League's strategy to manage the financial issues within clubs is for each club to hope to strike it lucky and find a wealthy backer.  However, there should be concerns that as clubs become more desperate for such support they become less

[29] Data courtesy of Supporters Direct: http://clients.squareeye.net/uploads/sd/SD_Brief_no2.pdf
[30] http://www.guardian.co.uk/sport/david-conn-inside-sport-blog/2010/feb/23/premier-league-debt-wages-uefa

likely to ask questions about ethics, provenance and motives of those backers, not to mention the impact on the game itself.[31]

This was best illustrated at Portsmouth in 2009, where it is widely believed that the club's owner, Al Al-Faraj did not exist, and was a fictitious front man for the club's real owners. Not existing did not seem to be an impediment to passing the Premier League's then Fit and Proper Test for Club Directors, which was subsequently revised in the light of events at the club.[32]

Belatedly, UEFA have acted to try and bring some sense to the sector through its Financial Fair Play rules to avoid success going to those teams artificially inflated through subsidies provided by their owners, what former UEFA CEO called 'financial doping'. The rules will require all those clubs who wish to play in its elite Champions league competition to break-even and will be in force in every top league in Europe.[33]

There are some concerns that UEFA will baulk at taking action against bigger clubs when the rules finally kick-in in 2015. In addition there are greater concerns that even if these rules are effective in controlling spending, it will create a second-order problem. Namely a classic monopoly or oligopoly problem that the virtuous circle becomes more difficult to break into, as big clubs have the means to remain big, and the less well resourced will constantly struggle to attract or hold onto the kinds of players who will give them a chance. That's a different debate, though it is one of critical importance to the game of football.

To achieve this requires a more equitable distribution of revenues, which is something that the bigger clubs who benefit at present from the status quo would not countenance easily. We can imagine the Premier League clubs who would be impacted most would be opposed, given the Premier League's very existence is a testament to the contrary values of the larger clubs keeping as much of what they see as 'their' revenue to themselves.

[31] This issue has been much debated in the media particularly in light of events at Portsmouth Football Club discussed below
[32] http://www.mirrorfootball.co.uk/news/Portsmouth-were-brought-to-the-brink-of-extinction-by-a-mystery-Arab-owner-who-did-not-exist-article624799.html
[33] The precise calculation of break even, income and expenditure is detailed in UEFA's Licensing Handbook (http://www.uefa.com/MultimediaFiles/Download/Tech/uefaorg/General/01/80/54/10/1805410_DOWNLOAD.pdf) and the implications of this are discussed in great depth by Sports lawyer Daniel Geey at http://www.danielgeey.com/articles.php

# Because they're worth it

The entire purpose of sport is to identify winners and losers; it is a relentless discriminator. Sports commentary is suffused with references to sports stars' astonishing and rare abilities, which propel them to the top thanks to their almost supernatural difference to the rest of us. That in turn variously mitigates, explains or justifies the difference in their rewards to the rest of us. Indeed when it comes to football as stated above their pay is justified by their performance.

Footballers are sportspeople, and they benefit from this notion. Yet even if we accept this notion of talent a team sport makes measuring and rewarding performance more challenging. The dynamics don't work with the same simplicity that they might for individual events.[34]

The talent myth is prevalent across sport but it has been challenged in a number of ways. Matthew Syed, former table tennis UK number 1 and now a columnist on The Times, recently wrote about the role of practice in generating talented sportspeople, as opposed to innate abilities. He does not say that their talents are overrated, but that the idea that they are somehow genetically special is not supported by the scientific data, whereas the notion that they have acquired ability through consistent practice is.[35]

In addition we also can include the role of luck in making great players. Most will tell of players they grew up with, or played with in youth teams, who they felt were perhaps better than them and but for cruel fate would have been a household name; managers change and a player's style falls out of favour and so on; there is an element of snakes and ladders, with players' fortunes literally and figuratively dependent on such events, with the difference between their incomes varying by a factor of 30 a result.

Indeed academic studies have demonstrated the importance of luck in determining a sports stars career. A recent IMF study of cricketers demonstrated how the luck of playing their debut on home ground resulted in better performance not just in that first match but that it also created a virtuous circle that continued throughout their career.[36] The authors determined that a good debut also ensured selectors were more forgiving of poor performance later on.

Of course, the fact that all of us *could* have been contenders had we been able to practice as much of those who made it, or indeed were born at the right time of year, doesn't change the fact that those who did make it are the best around.[37] Even so, the notion that they're not there because they have a rare and unique innate talent but because of circumstance and chance does change the way in which we might view their rewards, which cease to be able to be justified by reference to some intrinsic law of nature but instead result from a particular attitude toward individual talent prevalent within the sport and indeed arguably the wider economy.

[34] Spain and FC Barcelona midfielder Xavi recently noted this, saying: "I'm a team player. Individually, I'm nothing. I play with the best and that makes me a better player. I depend on my teammates. If they don't find space, I don't find them with the ball and I become a lesser footballer.", quoted in The Blizzard, issue 4
[35] Matthew Syed, Bounce: The Myth of Talent and the Power of Practice, 2011
[36] What Can International Cricket Teach Us About the Role of Luck in Labor Markets? Shekhar Aiyar and Rodney Ramcharan (2010) IMF Working Paper10/22.
[37] Studies demonstrate that individuals born in the Autmn, at the start of the academic year are more likely to succeed in sporting careers due to the advantages gained from early development Outliers: The Story of Success, Malcolm Gladwell (2009) Penguin Books

## Show me the money

But back in the reassuringly pragmatic world of football, players are generators of the performances for which clubs receive money from fans directly or indirectly and most fans would consider the players to be a more worthy recipient than, say, the club's directors or shareholders. However, there is still the issue of how a player gets to earn such a specific salary.

Many fans, relying only on what they read in newspapers when players sign for their club, and seeing the performances of those players, have formed a common-sense view that while a club might pay some players a lot of money for amazing abilities, they also spend rather a lot on much less stellar performers.

The official line refutes this, with a spokesman quoted as saying "no football club is out there paying unnecessarily high wages. They pay the least amount they can to get the best possible players."[38]

Given that most fans don't get the chance to witness contract negotiations, we're unable to verify that. Occasionally though, we get a glimpse into this world thanks to tribunals arising from disputes between players, managers, agents and clubs. One such was the Employment Tribunal held when Kevin Keegan sued for unfair dismissal as manager of Newcastle United in 2009.[39]

Part of Keegan's case was that his authority had been undermined by the Director of Football, Dennis Wise, who was making decisions over player signings that Keegan felt should be his. These reveal what factors may influence a club when making such decisions:

*Mr Wise then told him that the player was on "You Tube" and that Mr Keegan could look him up there but he found that the clips were of poor quality and provided no proper basis for signing a player to a Premier League Club. Moreover, no one at the Club had ever seen him play."*

The player in question was signed and cost the club £1m, even though he never made a first team appearance; the Tribunal noted that this was not unexpected, since:

*…the signing of the player on loan would be a 'favour' to two influential South American agents who would look favourably on the Club in the future.*

Maybe that was factored in to the real purchase price of the mackerels caught by the £1m sprat here, but the impression given – and one reinforced by similar tales in numerous other biographies and articles – is that as the income clubs receive increases as does the availability of debt, they become increasingly inured to the reality that they are dealing with huge sums of money. Soon, it looks like the odd million here and there starts to be spent with alacrity.

[38] http://football.uk.reuters.com/football/news/2012/03/09/AE17067A-69DB-11E1-A24A-64F47F33923B.php
[39] http://www.the-northernecho.co.uk/sport/4662583.Keegan_tribunal___read_the_full_transcript/

## Reaping what they've sown?

Perhaps the most important argument is that players are ultimately worth what they get because they have generated the income which clubs get from fans; it's they who create the drama, the moments to remember and decide championships. But is it really the case that they generate the income?

Most income comes from fans either at home or in the stadium, who choose to pay more not because the quality of the product has improved but because of their nature as a unique type of consumer who take brand loyalty to the extreme. To put it another way, the new Premier League TV contract will be 70% more lucrative to clubs than the current one, and players will earn the lion's share of that increased revenue. The increase reflects the fact that football has value to broadcasters, not that football has become 70% more watchable, entertaining or valuable to the consumers because of the activities of its players. Instead, it reflects the fact that the broadcasters who paid that much see it as the key content to drive subscriptions to their services because sport is an acknowledged driver of subscription take-up the world over.

What underpins that value is the 'inelasticity' of customer demand: fans are loyal customers, and their consumption doesn't waver despite performance fluctuations. People might see Wayne Rooney, or watch Fernando Torres, but they go to support Manchester United and Chelsea, and will have overwhelmingly done so since well before either player had anything to do with those clubs.

In effect, a club is a brand that was created in the past by previous generations of fans and players as much as the current players. Indeed, fans in the stadium generate atmosphere which survey after survey shows is a critical factor in the appreciation and enjoyment of the match by TV viewers.

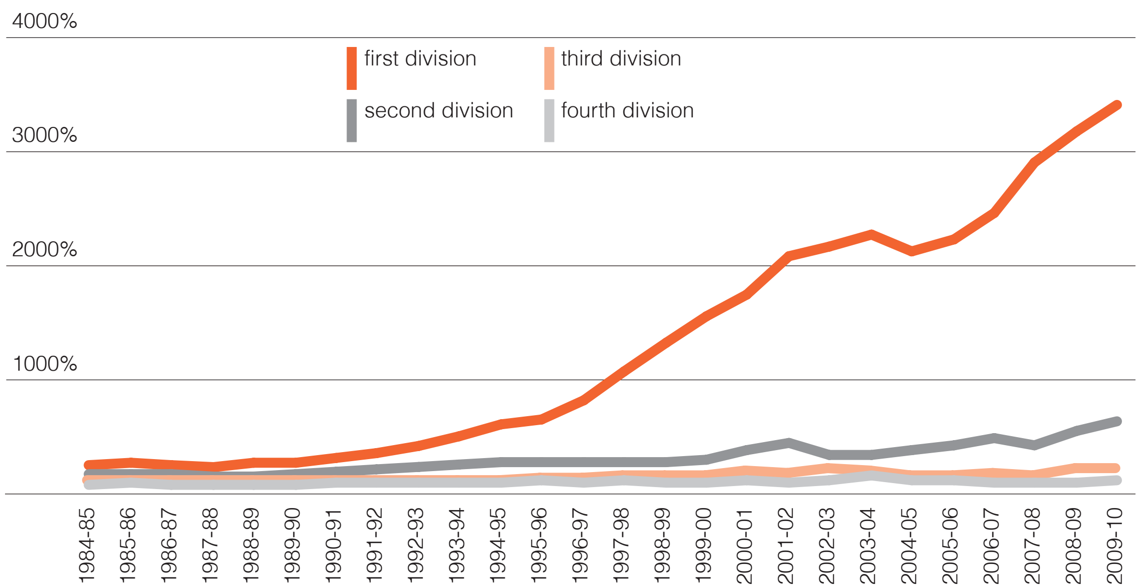
# Up, up and away: the cost of football

Regardless of how much one views fans as co-creators of revenues, they are overwhelmingly the providers of it. But at the same time as players are being paid more, ordinary incomes are not rising any where like as fast, meaning the gap between top players and everyone else in society is growing.

It is well understood that fans are paying more to watch football than ever before, yet at the same time the amount clubs are getting from their TV sources is also increasing. When in 2006, the Premier League secured an increase in its TV deal, there was some talk from fan activists and MPs that clubs could use this money (which none were expecting to receive) to hold down or even lower ticket prices charged to fans.

Of course, this never happened, for the reasons of the "arms race" mentioned above. The additional income was soon committed on new contracts for players at increased levels, and ticket prices continued to rise ever higher.

***figure 6*** **Footballers' salaries as a multiple of average UK earnings[40]**




The precise figures for how much tickets have risen are hard to document. Partly this is because clubs have a variety of ticket prices within their stadium which can vary from match to match, and be sold at different rates in bulk (season tickets) than they are for single purchases, and partly because comprehensive records are hard to come by.

[40] Source: www.sportingintelligence.com

***table 3*** **Changes in price of cheapest tickets between 1989 and 2011 at clubs who have stayed in the top flight through that period[41]**

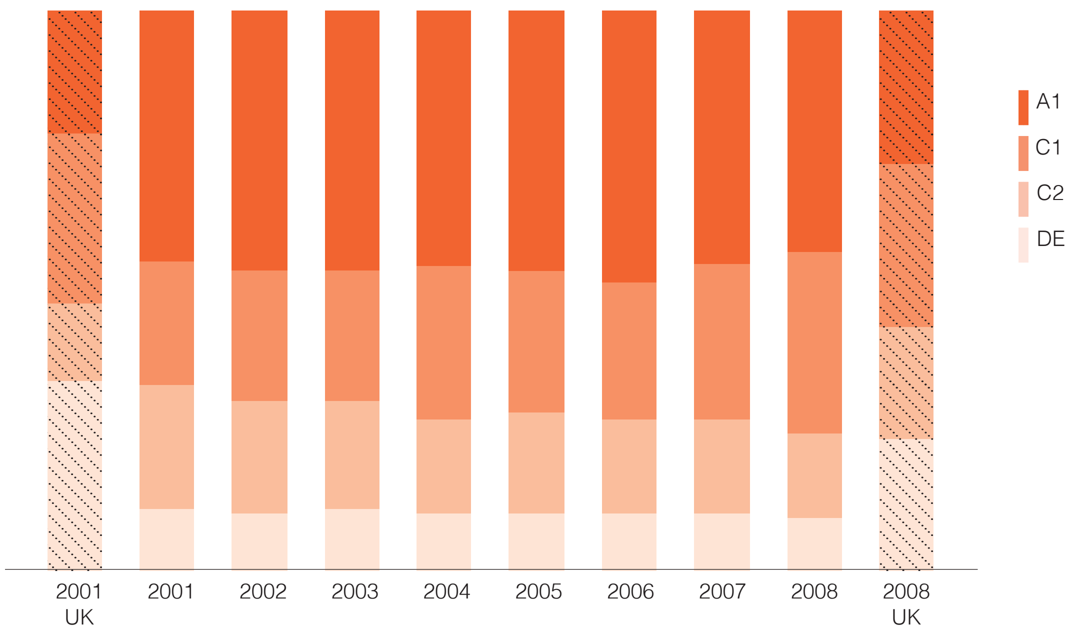
| | Cheapest Price in 1989 | Cheapest Price in 2011 if subject to inflation (80%) | Actual Cheapest Price in 2011 | Real Inflation |
|---|---|---|---|---|
| Liverpool | £4 | £7.09 | £45 | 1025% |
| Arsenal | £5 | £8.86 | £51 | 920% |
| Manchester United | £3.50 | £6.20 | £28 | 700% |
| Everton | £4.50 | £7.97 | £36 | 700% |
| Tottenham Hotspur | £7 | £12.40 | £47 | 571% |
| Aston Villa | £5 | £8.86 | £25 | 400% |

It's important to note too that the average paid per fan in 1989 would be much, much lower than now, as these low prices would have been available in their thousands on the terraces, whilst by 2011 the lowest price would be a hard to find, harder to purchase ticket of which only a small number would be available.

The impact of this on demographics has been unsurprising (See Figure 7).

[41] Source: The Guardian

***figure 7*** **Demographic composition of Premier League fans and UK football fans as a whole[42]**



Commenting in the same article, Professor Rogan Taylor, now Chair of the Liverpool University Football Industries Group but in 1990 Chair of the Football Supporters' Association, said:

*Of course the grounds have improved out of all recognition, but the ticket price increases have not mostly been necessary to pay for that – they are now going into the arms race of escalating players' wages. When I go to Liverpool now I don't mostly see a bourgeois, middle class crowd, but ordinary people who must be stretching to afford it. And the two groups who were clearly excluded when the prices went up were older people, who had stuck with the game through some terrible times, and young people.*

This wasn't an accident. Back in 1991, fresh from the rebirth of the nation's love affair with the game following Gazza's tears at the World Cup, the FA had issued its Blueprint for the Future of Football (written for it by the Henley Centre), which stated that:

*The response of most sectors has been to move upmarket so as to follow the affluent middle-class consumer. We strongly suggest that there is a message in this for football.*

## Shouting at a screen

It is not just fans in the stadium who have felt the pinch. Sky followed up their purchase of the next round of TV rights with an increase in subscription costs for viewing Sky Sports.[43] Just as the clubs know that fan loyalty will make them likely to continue spending on their love of the game, so too do broadcasters. Indeed, the increase in TV rights is predicated on it.

This upward trend mirrors the rise in matchday prices, and the rises saw many fans forsake both the ground and the cost of a subscription to watch it in pubs, where the people Rogan Taylor lamented the exclusion of, found they could watch the game with friends, beer in hand, on a big screen. Many pubs catered for specific clubs, so a partisan atmosphere could be enjoyed, which many felt was a distinct improvement on the declining vibrancy of the stadium experience.[44]

*While a 'culture of pub supporting' appears to have developed largely out of necessity as a result of a lack of access to live televised football matches in the home, it has now developed into an activity that is attractive in its own right* [45]

Mike Weed, Professor of Sport in Society at Canterbury Christ Church University

Even here there has been price inflation. In 1992, pubs were charged £6 per month; this flat rate was replaced by a charge pegged to a pub's rateable value (with adjustments for food sales and location in the UK).[47]

The result has been a massive inflation in prices charged; these will vary but has in most cases has been over 10,000% which

[42] Source: Premier League Fan Survey, Census 2001, National Readership Survey 2008 The Premier League Fan Surveys were published online until 2007-08, after which the data is only released in piecemeal fashion in other PL documents, such as their Season Review.

[43] http://www.telegraph.co.uk/sport/football/competitions/premier-league/9377998/Sky-subscribers-pay-price-for-Premier-League-rights-deal.html

[44] Stadia are still often vibrant at matches, but long-standing fans note the decline from what it was once like at every match; the Premier League's own survey of fans in 2001 reported that over 50% of fans at 13 of the 20 clubs in the league felt that atmosphere at the ground had declined, with 82% of Manchester United's fans taking that view.

Mike Weed, "The Pub as a Virtual Football Fandom Venue: An Alternative to 'Being there'?" in Soccer & Society Volume 8, Number 2-3.

[46] http://www.prnewswire.co.uk/news-releases/bskyb-holding-customers-to-ransom-over-prices-say-brewers-156471555.html

[47] As the price charged varies from pub to pub, getting an average is beyond the scope of this paper. However, using the average rateable value of a pub in 1995 from the story above and postcodes in a relatively poor and relatively affluent areas gave varying figures of £600 and £800 per month respectively. Since 1995, pubs have been revalued three times, with the last valuation causing an average of 23% increase, according to the pub trade's Morning Advertiser, and so we can be confident that the anecdotal figure of £1,000 per month often cited in reports is reliable.

many find unsustainable. In some cases, landlords passed the rise in the price charged by broadcasters to show matches on to customers in the form of higher drinks prices. However, for many pubs, that is not a viable option since they are already struggling under the combined weight of the recession and the competition from supermarkets for alcohol sales.

The common trend across all fronts is that wherever people watch football, there is a concerted effort to raise prices well above inflation, be that in the stadium, at home on TV or in pubs. The beneficiaries in the first instance are the shareholders of Sky TV, who have the dominant position in this market and have seen revenues grow to the point where Sky is an immensely profitable enterprise. A close second are the people who benefit most from Sky's input into football - the players in the Premier League and their agents.

Despite all this, the grounds are still mostly full. A solid defence of all of this would say that as long as there are willing punters, then there is no problem; after all, nobody puts a gun to anyone's head to attend a match or take out a subscription.[48]

Of course, no one forces a fan to consume, but they are compelled to do so by the nature of fandom. Football consumption is not a good for which fans have a substitute. A fan's purchase of a season ticket for Aston Villa is less an endorsement of their pricing policy vis a vis Birmingham City's as the fact that the threshold at which her love of the club is outstripped by her financial means has not yet been reached.

Despite all these rises, fan sensibilities still regard attending as something they need to do, and 'political' action such as boycotts or protests run counter to their sense of loyalty. Indeed, given that price rises will be justified – in most cases fairly accurately – as enabling the team to afford players of a certain quality, fans will see continuing to buy tickets as something they can do to help their team be more successful.

As a result, the increased price doesn't actually reflect an increase in absolute quality of the product served up anymore than the increase in salaries reflects the same. Instead, it demonstrates that the game has a captive market which it can constantly tap into; such is the power of football.

That power and reach drives our understanding of the sport as our national game; one might consider that something privileged to be seen as such has a responsibility to be accessible to all of the nation, but clubs clearly disagree. As David Conn argued:

> *Football's glittering success since the Premier League was formed tells a contradictory story: the clubs operate well-respected community programmes aimed at "social inclusion" for young people in their neighbourhoods – while mostly pricing them out of going to matches.*[49]

[48] There is an increasingly argued view though that with such high prices fans increasingly buy into a notion that they have bought the right to have success delivered, and bought the right to criticise players and officials, resulting in crowds becoming angrier, more vituperative and unforgiving, as seen on any phone-in show.

[49] http://www.guardian.co.uk/sport/david-conn-inside-sport-blog/2011/aug/16/premier-league-football-ticket-prices

# It's still not coming home: The England National Team

When the Premier League was formed in 1992, the FA gave it its blessing on the ground that the clubs behind it were committed to reducing the size of the top flight from 22 clubs to 18, something the FA considered imperative to increase England's international chances by ensuring its top players came to end-of season tournaments as fresh as their opponents playing just 32 matches a season.[50]

Since the League's formation though, England's tournament record has not improved (and arguably has gone backwards[51]) and the Premier League has been often cited as a contributory factor hindering rather than helping. The specific causes have variously included factors such as:

> England's players are too confident, boosted by reputation earned thanks to playing alongside foreign players who aren't with them on international duty;
> There are too many egos from multi-millionaires all wanting to be the central focus;
> There are too many foreign players bought as ready-made articles by clubs too fearful of the financial consequences of relegation to take a chance of an untried prospect.

The paucity of actual data (only three to five matches played in the World Cup and Euros every two years) mean it is challenging to add to the debate in a meaningful way. It is reasonable though to assume that all the above factors might have some role to play, and in so far as there is a causal link, all seem to relate to the riches flowing into the game.

But what is striking is that England should do much better. Not because of its history or for any bombastic reasons, but because its footballing culture and infrastructure are in the global front rank. Its clubs are pre-eminent, it has a broader and deeper football system than anywhere in the world (the attendances at the fourth tier of English football are much, much higher than comparable nations) and it has a larger number of players. In nearly every way one might conceive to describe a strong football culture, England has it.

Following England's exit from Euro 2012 (and following on from the exit from the World Cup in 2010), criticism focused on the lack of technique of English players which manifested in a basic inability to be able to control possession. Explanation of why English players are deficient in this manner, and one critical difference with competitor countries, is coaching numbers. Consider the ratio of UEFA licensed coaches to registered players (see Table 4).

***table 4*** **Ratio of UEFA-qualified coaches to active footballers[52]**

| | |
|---|---|
| Spain | 1:170 |
| France | 1:960 |
| England | 1:812 |
| Italy | 1:480 |
| Germany | 1:150 |

[50] Though as David Conn writes in 'The Football Business' as important as reducing the top flight is the fact that the FA would strike a decisive blow against the Football League, its century-long rival for supremacy in English football politics. In any event, the League reduced to 20 in 1994, and has stayed there since.
[51] England seems to have gone from being a side that regularly gets to quarter-finals but not any further to being one for which getting to a quarter-final is an achievement.
[52] http://www.soccerbythenumbers.com/2011/02/why-england-loses-not-enough-qualified.html (using data provided from http://www.guardian.co.uk/football/2010/jun/01/football-coach-shortage-england)

**figure 8 Qualified Coaches in UEFA countries**[53]

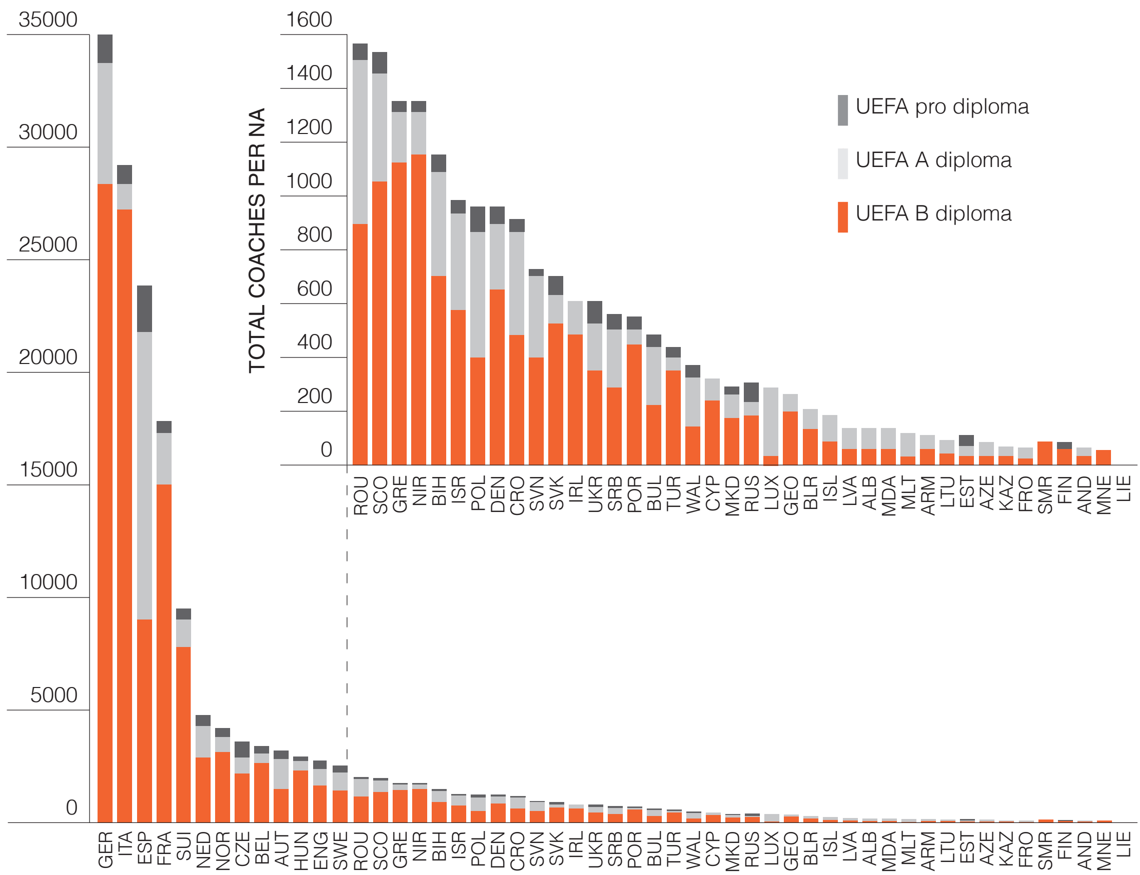



Figure 8 shows the enormous gap between the number of coaches in countries such as Germany, Italy and Spain as compared to England. The major difference between German and English approaches is historical; German football has long valued coaching and made achievement of standards compulsory, as has Italy. For example, in order to be a coach employed by a club in the top three leagues in Germany, it is a requirement to hold a UEFA PRO License; that is only mandatory for Premier League Managers in the UK. In Germany in order to be a coach at a recognised club in an amateur league, coaches must have the B licence, whilst in England, it is an aspiration, not a requirement.

Clearly, such approaches to education and training reflect cultural bias; English football has tended to privilege 'on the job' learning over theoretical training. As a result, were English football to attempt to catch-up to its rivals, it would take significant resources to subsidise attendance on the courses.[54] That, of course, is something England is better placed to achieve than any other footballing country in the world thanks to the vast sums of money the game in this country receives.

[53] Source: UEFA Benchmarking Report 2011
[54] A PRO course costs just over £7,000 to attend, UEFA A is around £3,000 and a UEFA B course around £700.

In Euro 2000, England scraped a 1-0 victory over Germany in a dour match that presaged both teams' exit from the tournament at the group stage. This started a debate in both countries about how to restore their fortunes.

By 2008, the production line of new talent had lifted Germany's performances, built on the back of a united approach between its clubs and national football association. By contrast, the FA's new National Football Centre finally opened in 2012 after being held up variously by the FA's financial crisis over its new national stadium and the reluctance of the professional clubs to commit to support the project. The Chief Executive of the League Manager's Association, Richard Bevan, was quoted saying:

*Historically there has been a significant lack of investment in the provision of management support and training programmes for the development of young coaches and managers. We are embracing the corporate world for funding after recent proposals were declined by the FA and the Professional Game Board, which was immensely disappointing.*[55]

Bevan highlights the lack of will, rather than funds; this and other power struggles in English football were well documented in evidence to the recent House of Commons Select Committee Inquiry on Football Governance. The main thrust of that evidence is that the Premier League clubs increasingly dominate decision-making by dint of their revenues vis-à-vis others in the governance mix.[56]

Player salary inequality isn't the driving cause of this, but it is a factor; football governance questions are really issues of economics. Clubs are reluctant to play a part and use their own enormous resources because they want to spend that money on players. England could have the money to fund a massive development of coaching to get its ratio towards those of its competitors if only it wasn't spending it on player salaries.

The ability of English football to cohere around a united conception of the 'goal' of the national game has always seemed to be weaker than in other comparable countries. That ability has probably not been helped by the changes in club ownership which have been driven by the need for clubs to find ever wealthier individuals to bankroll salaries.

As a result, for the first time in a major football league, a majority of the owners of the clubs – English football's strategic assets – are people for whom it is far from a given that England winning the World Cup is the overriding goal of the football system. The new owners' interests will be focussed on the clubs in which they pour money into, not the national team to which they owe no allegiance.

[55] http://www.guardian.co.uk/football/2010/jun/01/football-coach-shortage-england
[56] http://www.publications.parliament.uk/pa/cm201012/cmselect/cmcumeds/792/79202.htm#evidence

# You'll miss us when we're gone: the global marketplace and the good of the game

Even if some of these problems are admitted by defenders of the status quo, a major impediment to any change has been a desire to prevent a player exodus which will weaken England's top clubs relative to their competitors.

Football is one of the most integrated labour markets in the world, with players truly a global workforce, able to go where the money is. In the 1980s and 90s, Italy's Serie A was the league in which players gravitated and played at the peak of their careers.

The rise in the Premier League's revenues saw them supplant Italy in the 2000s, though the picture at present is less clear cut, with the Premier League's revenue advantages undermined by the changing exchange rate between sterling and the Euro, which has increased the bargaining power of other leagues.

Players are highly mobile and wealthy, and have little compunction about migrating to other countries. Such moves are an accepted part of a top player's career trajectory, and they have the funds to make adjustments as painless as possible.

As a result, it would be likely that if action were taken in England to depress player salaries, players would leave, denuding the game of talent. A similar if less compelling argument is often made that changing the tax position of executive bonuses or salaries would similarly prompt a talent exodus.

It is probably the case that were some players to leave, English clubs would be less likely to succeed in foreign competition, but what is rarely discusssed is whether this would be a bad thing in itself. It's taken as axiomatic that this would be a bad outcome for the English game and for its fans, but the assumptions that underpin this notion are rarely brought into open debate.

It would impact on those handful of clubs who aspire to lift European trophies, but how bad that would be for English football is rarely considered. The power of the bigger clubs in governance terms has seen the dominant notion of what's good for Chelsea (and Manchester United, and Arsenal) as also being good for English football.

That is not to indulge in little Englander sepia-toned nostalgia, but that a very important and very real debate about what 'we' want from 'our' sport is elided, as our interests are made coterminous with those of the biggest winners in this increasingly uneven and rigidly divided system; witness ITV's commentary assuming that people watching English league teams in the Champions League will want the 'English' team to win, despite their owners, managers and players being overwhelmingly not English, and those clubs constantly speaking of their global fanbases and desire to extend their reach in Asia, or the US and so on.

By contrast with this unspoken assumption, coaches working to develop players for England might welcome the chance for younger England-eligible players to be more likely to feature in top flight first teams; club executives with a desire to avoid relegation might lament the inability to buy a ready-made reliable player instead of a younger player still learning their trade and in many cases, still developing physically.

Fans of clubs who aren't in the top echelons of the top flight might welcome the chance for their own clubs to be more competitive. It might even be that with fewer global stars' salaries to pay for, fans could spend less on tickets to watch their teams at the same time as those teams become more competitive.

The main losers would be the biggest clubs who, in addition to finding it harder to win domestic trophies, would struggle in European competition against clubs from countries without such restrictions. Even there, it is perfectly possible though for regulatory reform to take place at the level of Europe; UEFA's Financial Fair Play proposals are constructed precisely to do just that.

But what about fans? They might be disappointed that their clubs didn't have as many world-class foreign players. Given that fans also love seeing players the club has developed come through, it's not a given that this would be seen by fans as being as catastrophic as it might to the club's manager.

In Germany, fans are in the driving seat. They pay much less than their English counterparts to watch their teams, and do so in state of the art, atmospheric stadia. Their clubs have a high degree of homegrown talent, and they play in a league which is one of the most open and competitive in Europe; after a period of relative decline for the national team, reforms instituted a decade ago are bearing fruit, and the team is once against seen as one of the top in the world.

The only downside for football fans in Germany has been that over this period German teams haven't  attracted the continent's best players and, consequently, the record of German teams in European competitions in the 2000s has been poor compared both to its own historical performance, and as against competitors' leagues.

German clubs are owned by their supporters, who must control at least 50+1 % of the votes within a club.[57] That ensures a degree of accountability to fans (which works to keep ticket prices lower) and has prevented oligarchs and other wealthy individuals taking over clubs. The watchword in Germany is sustainability, with clubs surviving on revenues they generate through their own efforts (much aided by the commercial benefits of the Germany's strong corporate and industrial sectors[58]).

Some club presidents felt that their clubs would do better domestically and in European competitions were they able to attract the kind of subsidies English clubs had been able to, and lobbied for a change to the regulations. Fans campaigned strongly and in the end, 35 out of the 36 Bundesliga clubs voted to

[57] See http://supporters-direct.coop/news/item/?n=15286&cat=sd_eng for more on the German ownership and regulatory framework.

[58] Whilst the Premeir League's TV deal dwarfs the Bundesliga's, German clubs have a better performance in gaining corporate sponsorship and other commercial income. The demand-side factor is the lack of wealthy owners, so the clubs must by necessity generate as much as they can as it is a key means of gaining a competitive advantage. On the supply side, Germany has a larger and more profitable domestically owned commercial and industrial sector which is keen to demonstrate fidelity to the local teams in the markets in which they operate.

keep the regulation in place, even though it impacts on how well their domestic clubs will perform in European competitions. In the end, what they value much more is their club's ability to play in an affordable, competitive domestic league.

There's an interesting parallel with Scotland here. In 2012 Rangers entered administration following a season's worth of unpaid taxes to HMRC and were eventually wound up.[59] An application was made to the top flight league – the SPL – to allow a reformed Rangers in, which was predicted be a foregone conclusion. Rangers were a big draw, and seen as the team who filled stadiums and underpinned lucrative TV contracts.

However,  fans of the other clubs started to make their views known. They understood that the most financially sound move (which is to say the thing which would make their clubs best able to continue to pay their players' salaries) was to allow Rangers back in because the value of the TV contract for the league was significantly greater with Rangers in rather than out. But this was a denial of the entire point of a league as a competition based on sporting integrity; Rangers had cheated them and won championships by signing better players than other teams not least because it wasn't paying taxes like those other teams were.

Fans made it clear that they would boycott matches in a competition they deemed illegitimate and without integrity, and the resulting fury led to 10 of the 12 SPL clubs voting against Rangers' admittance, despite the 'obvious' financial merit of doing so.[60]

Would the English football public similarly seek radical change? It is difficult to say with them being so far from the decision-making process.

[59] See www.rangerstaxcase.com for the definitive story of this, including the wider problems the club faced with respect to a HMRC tribunal for undeclared payments to players over a decade long period, which precipitated the change of ownership and eventual collapse.

[60] http://splsurvey.co.uk

# Conclusion

*There is plenty that is wrong with Premier League football, as I have written on several occasions…but the fact that it makes quality footballers as rich as Croesus is not one of them.*[61]

Ben Chu, The Independent

At the heart of football's economics are the players and their salaries. These salaries are the result of a system they exist in. But it is important to now consider whether or not we want this to continue. Debt-laden clubs seeking oligarchs to bail them out is perhaps not a financial model we should aspire to for our national game.

The money they can throw at the team just serves to reinforce the status quo; Manchester City won the league with two goals in injury time of the last game of the season, scored by players with a combined purchase price which was greater than the entire turnover for half of the teams they were playing against in the league.

Gary Lineker once said "Football is a simple game; 22 men chase a ball for 90 minutes and at the end, the Germans always win." Now it might be more accurate to say "and then the team with the biggest oligarch wins". Winning the league with the last kick of the season might be dramatic, but that's not the same as surprising.

It is tempting at this point to posit that for all the many differences between football and finance, there is at the heart of the two enterprises a fundamental shift in the last 30 years in which the achievements of a small number of enterprises came to become seen as proxies for the good of the country, and within those enterprises, a small handful came to earn rewards that would have seemed inconceivable just few decades earlier.

The game has been dominated by the notion that the market needed to be let rip and was a better deliverer of good outcomes than any regulator could be. That allowing bigger clubs to grow bigger and to cease to support smaller enterprises at the base of their pyramid was in fact a better way to achieve better outcomes as a whole, and that the success of English enterprises in a global market would be beneficial to the health of the national game, and that nothing should get in the way of making English clubs more attractive for foreign capital than anywhere else.

Of course, since its earliest beginnings, football has been in a relationship with money and the notion of a past free of these kinds of debates is a misreading of the game's history. The early battles over professionalism and amateurism were at their heart about the same things, and throughout the game's history its governors have been tasked with negotiating the game through the commercial environment of its day.

[61] http://blogs.independent.co.uk/2011/02/03/bankers-pay-is-crazy-footballers-pay-is-not/

The rise in revenues from broadcasting changed the economics of the game, but as in previous generations, the people tasked with making the decisions about how the game should adapt and proceed were highly interested in the outcome, either as owners of clubs who would soon be making tens of millions from their shareholdings or executives who would soon be earning millions from their clubs.

At no stage in the process by which the regulatory framework was loosed or the revenue taps turned on, were the game's supporters – the people who pay for it – consulted by those who would soon earn much from their decisions; these were done in their name without reference to them. Thanks to the growth of inequality in player salaries, there's a feeling in football, like in our economy more widely, that the game is really over before its even begun, and regardless of the outcome, we already know who the real winners will be.