

Discussion: “Sectoral Labour Market Effects  
of the 2006 FIFA World Cup”  
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# Sectoral Labour Market Effects 2006 FIFA World Cup

by Arne Feddersen and Wolfgang Maennig

- Labour market effects large sports event
  - Major sports events are costly (2006 World Cup: €3.2 billion)
  - Studies find little benefit ex post, ...
  - ... but effect may be too small for aggregate data
- Contributions of this paper:
  - Disaggregated (regional-industry) data
  - Flexible (non-parametric) DD-RDD approach
- Results
  - 1 No or small effects on employment in aggregate
  - 2 Positive effect hospitality sector, negative effect on construction

- Result 1: No or small employment effects 2006 World Cup
  - Hard to believe! (cf 1992 Olympics Barcelona)
    - 1 How small is small?
    - 2 DD-RDD methods designed to argue there *was* an effect
- Result 2: Sectoral effects
  - Positive effect on hospitality sector seems plausible
  - Negative effect construction:  
Does public expenditure *more than* crowd out private expenditure?

# How small is small?

- To argue the effect is small, we need a benchmark
  - Rejecting an hypothesis is informative, failing to reject is not!
  - Statistically insignificant does not mean small (economics of *Oomph*)
- Some reasonable benchmarks
  - Do benefits exceed costs (for the tax payer)?
  - Does the project have positive net present value?
- How small was the effect of the 2006 World Cup?
  - Kurscheidt et al. 2008: benefits = €3.2 billion (costs = €3.2 billion)  
Fact that this is 'only' 0.14% of GDP seems irrelevant
  - This paper: 2,000 additional jobs in hospitality  
Is this really "a far cry from" the "up to 10,000" extra jobs predicted?

# DD-RDD designed to argue there *was* an effect

- D: Compare counties with stadium (Berlin) to counties without (Düsseldorf)
  - *Underestimates* the effect if Düsseldorf reaps some benefits (spillovers)
  - *Overestimates* the effect if Berlin had ex ante higher employment
- DD: Compare Berlin after-before to Düsseldorf after-before (eq 3, 7)
  - *Underestimates* the effect if preparations generated jobs (anticipation)
  - *Overestimates* the effect if Berlin had ex ante higher job *growth*
- DD-RDD: county-specific time trends (eq 12)
  - *Underestimates* the effect *a lot* if preparations generated jobs

# DD-RDD underestimates the effect



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- Spillovers across counties
  - Firms operate in neighbouring counties, labor migration
  - 'Feel good' effect, improved reputation of the country





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  - 'Feel good' effect, improved reputation of the country
- Anticipation effects
  - Rome was not built in one day
  - Neither was the stadium in Cologne
- Why not use tradable industries as a control group?
  - Production of cars, machinery, chemicals not affected by the World Cup
  - More credible source of identifying variation than time or geography