

# Social Impacts of Gambling Report

## A statutory requirement for the 2021 review of the Class 4 Gaming and TAB Venue Policy

### 1 Purpose

To describe and discuss the social impacts of gambling in the Far North District.

### 2 Context and Situation

Under the Gambling Act 2003 (sections 101 and 102) and the Racing Industry Act 2020 (sections 96 and 97), the Council is required to have a Class 4 gaming policy and a TAB venue policy. The policy must be reviewed every three years. When reviewing the policy, the Council must have regard to the social impact of gambling within the District.

When conducting a review of the gambling policy, the Council must consider whether to include a relocation policy. When considering a relocation policy, the Council must consider the social impact of gambling in *high-deprivation communities* in the Far North District.

### 3 Executive Summary

- Class 4 Electronic Gaming Machines (pokies) are a high-risk form of gambling.
- Only a small proportion of adults play Class 4 EGMs (11%; 1.3% weekly or more), but they represent the largest amount of gambling expenditure by a significant margin.
- 40% of EGM proceeds is returned to the community as grants.
- Risk for gambling harm is much higher for Māori and Pasifika people, and for people living in high deprivation areas.
- Most EGM venues in the Far North District are located in high deprivation areas.
- Since the adoption of a sinking lid policy in 2014, the number of Class 4 venues and EGMs in the Far North District has dropped, but overall expenditure has risen.

### 4 Overview of gambling in New Zealand

#### 4.1 Gambling participation in New Zealand

There are four main types of gambling legally allowed in New Zealand:

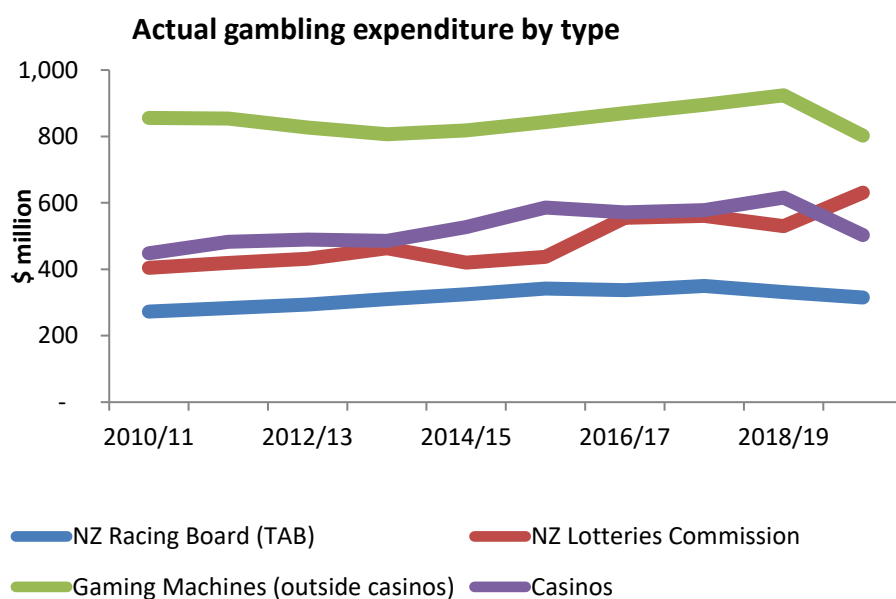
- Sports betting through the TAB;
  - Managed by the New Zealand Racing Board (a statutory monopoly)
- Class 4 Electronic Gaming Machines (EGMs), also known as pokie machines;
  - Only applies to EGMs at clubs, pubs, and societies (not casinos)
- New Zealand Lotteries Commission (Lotto); and
- Casinos.

The 2018 Health and Lifestyles Survey found that the majority (67%) of adults in New Zealand participated in some form of gambling in the previous 12 months.<sup>1</sup> Gambling participation has decreased since 2006 (from 83%). Lotto is the most common form of gambling, with 55% of respondents buying a Lotto ticket in 2018. 11% of respondents had played EGMs outside of a casino, and 11% of respondents had participated in TAB betting.

#### 4.2 Gambling expenditure and trends in New Zealand

Total gambling expenditure in 2018/19 in New Zealand was \$2.4 billion. (This is the total amount wagered by gamblers, less the amount paid out as prizes; in other words, the amount lost or spent by players.) Although only 11% of New Zealand adults played EGMs, total expenditure on Class 4 EGMs (\$924mil) is almost twice that of Lotto (\$530mil) as shown in Figure 1.

Figure 1: Graph showing actual annual gambling expenditure by gambling type in New Zealand from June 2010 to June 2020.<sup>2</sup>



Predictably, COVID-19 lockdowns had a major impact on gambling figures for 2019/2020. Class 4 EGMs expenditure decreased (\$802mil) and Lotto increased (\$631mil), although class 4 EGMs expenditure remained the largest category.

More recent figures indicate that this impact may be short-lived. The Gaming Machine Profits (GMP)<sup>3</sup> for Class 4 EGMs for October – December 2020 was the highest quarterly figure documented since records began (\$252mil). The January – March 2021 figure is lower (\$230mil), in line with the usual seasonal variation, but it is still significantly higher than the January – March 2019 figure (\$218mil).

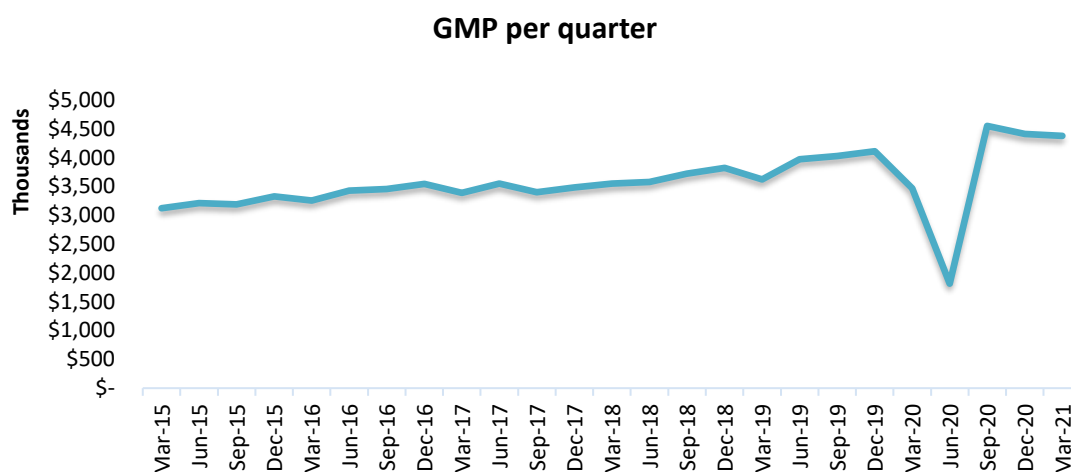
Despite an overall downward trend in the number of class 4 EGMs and venues, there has been an upward trend in gambling proceeds (excluding the 2020 data affected by the COVID-19 lockdowns), as shown in Figure 2. When adjusted for population and inflation, the per capita expenditure on class 4 EGMs has remained steady despite decreasing numbers of machines.

<sup>1</sup> [2018 Health and Lifestyles Survey](#)

<sup>2</sup> [Department of Internal Affairs Gaming Machine Profits Dashboard](#)

<sup>3</sup> Gaming Machine Profit is the amount in dollars that is not returned to a player.

Figure 2: Graph showing Gaming Machine Profits (GMP) in New Zealand from March 2015 to March 2021<sup>2</sup>



### 4.3 Benefits of class 4 gambling in New Zealand

There are some benefits associated with class 4 gambling. Roughly 40% of class 4 gambling machine proceeds is returned to the community. For the 2019 calendar year, of the \$939 million expenditure on class 4 EGMs, \$241 million was paid out in grants to community groups, services, and sports groups (approximately half to sports and half to community groups and services).<sup>4</sup> In addition to community fundraising, other benefits include employment opportunities, and entertainment value.

### 4.4 Gambling harm

Most people can safely enjoy gambling as a recreational activity. However, a significant number of people are at risk of harmful gambling, which can have a negative impact on their own lives, and the lives of their family, whanau, friends, workmates, and wider community.

Problems associated with gambling harm include:

- detrimental effects on an individual's physical, emotional and psychological health;
- financial difficulties;
- bankruptcy;
- reduced employment performance;
- relationship conflict;
- family violence;
- child neglect; and
- criminal activity such as theft and fraud.

These problems can have an impact on a wide number of people. Research shows that about 22% of New Zealand adults will be adversely affected by their own gambling or the gambling of others.<sup>5</sup>

The effects of harmful gambling are varied. A useful way to measure this harm is the quality-adjusted life-year (QALY) – this is a way to understand how much impact a health condition has on quality of life. One QALY equates to one year in perfect health.

A 2017 study calculated the total impact to the New Zealand population from harmful gambling each year.<sup>6</sup> There was an estimated 161,928 years of healthy life lost (QALYs) to disability as a result of harms from gambling in

<sup>4</sup> [Problem Gambling Foundation](#) Profits from machines operated by clubs are retained for the purposes of the club.

<sup>5</sup> [Ministry of Health Strategy to Prevent and Minimise Gambling Harm 2019/20-2021/22](#)

<sup>6</sup> [Ministry of Health report Measuring the Burden of Gambling Harm in New Zealand \(Central Queensland University and AUT\)](#) The calculation does not include harms experienced beyond a 12-month period, meaning that it is likely to be conservative.

2012. This comprised 67,928 years lost by gamblers themselves and 94,729 by people who were affected by someone else's gambling.

This represents a substantial level of harm compared to other issues:

- 2.1 times more harm than osteoarthritis.
- 2.5 times more harm than diabetes.
- 3 times more harm than drug use disorders.

This harm was not solely due to high-risk gamblers – nearly 50 percent of all gambling harm was attributed to low-risk gambling.

#### 4.5 EGMs, continuous versus non-continuous gambling, and risk of gambling harm

Different forms of gambling carry different levels of risk for gambling harm. EGMs are a high-risk form of gambling, as they are a solitary activity rather than social, and are continuous.

Continuous gambling activities are when the participant can immediately 'reinvest' any winnings. Examples include gaming machines, casino table games, and scratchie cards. These types of activities are associated with higher risk levels of gambling harm. With non-continuous gambling there is a delay of many hours or days between buying a ticket and the determination of a win or loss – for example, Lotto, or a raffle. Because the gambling behaviour is non-continuous, the risk of harm is lower.

EGMs are cited as a problem for almost 50% of the people who seek help for their gambling. The *2016 Health and Lifestyles Survey* found that almost half of respondents (49%) who played EGMs in a pub or club at least monthly experienced some level of gambling harm.<sup>7</sup>

#### 4.6 Online gambling on offshore websites and host responsibility

New Zealanders may also legally gamble online on offshore sites. Official statistics show participation in online gambling is low (2% of respondents).<sup>8</sup> This activity is not currently regulated or captured by the Department of Internal Affairs; however, the DIA is conducting a review into online gambling.

The accessibility, speed, and unsupervised environment of online gambling is high risk. People who gamble online do experience high rates of harm, but this is often because they are likely to gamble more heavily overall, and are more likely to have an existing gambling problem. One third to half of online gamblers experiencing harm attribute their problems to place-based forms of gambling.<sup>9</sup>

There is concern that online gambling is riskier than class 4 EGMs, because of the lack of host responsibility. Pubs and clubs are obliged to monitor and assist patrons who show signs of harmful gambling. However, the *2018 Health and Lifestyles Survey* found that 90% of pokie players didn't think their pokie room was monitored. None of the players surveyed had been spoken to by staff with a concern about their gambling, although 16% were experiencing some level of gambling harm.<sup>10</sup>

This data suggests that class 4 EGMs are not safer than online gambling.

#### 4.7 Inequities in the risk of gambling harm

1.8% of New Zealand adults experience moderate to severe risk of problem gambling. However, this risk is not evenly distributed. Risk for problem gambling is higher for Māori (8.6%) and Pasifika (7.6%) populations.<sup>11</sup>

Total gambling participation is similar across ethnicities and deprivation levels, but the types and cost of gambling are not evenly spread. People living in the most deprived neighbourhoods are more likely to participate in EGM

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<sup>7</sup> [2016 Health and Lifestyles Survey](#)

<sup>8</sup> [2018 Health and Lifestyles Survey](#)

<sup>9</sup> Hing, N., Russell, A., Browne, M. (2017). *Risk factors for gambling problems on online electronic gaming machines, race betting and sports betting*. *Frontiers in Psychology* doi: 10.3389/fpsyg.2017.00779

<sup>10</sup> [2018 Health and Lifestyles Survey](#)

<sup>11</sup> [Problem Gambling Foundation](#)

activities, which are high-risk. Much more gambling harm is experienced by those living in areas with a high social deprivation index score (8/10 or higher). People in deprived neighbourhoods are 4.5 times as likely to experience gambling-related arguments or money problems related to gambling.<sup>12</sup>

Gambling tends to be more prevalent in lower income households and the concentration of gambling venues tends to be higher in areas of high deprivation. This means that gambling taxation and redistribution to community purposes tends to be regressive, that is, it places a higher burden on the less well-off.

Of the four categories of gambling in New Zealand, class 4 gambling has one of the smaller participation rates (11%) but represents the largest expenditure by a significant margin. Only 1.3% of New Zealanders use class 4 EGMs frequently.<sup>13</sup> Approximately 50% of EGM venues are located in high-deprivation communities (decile 8-10). The figures show that the cost of gambling is not evenly spread across the population but is concentrated in the poorest communities.

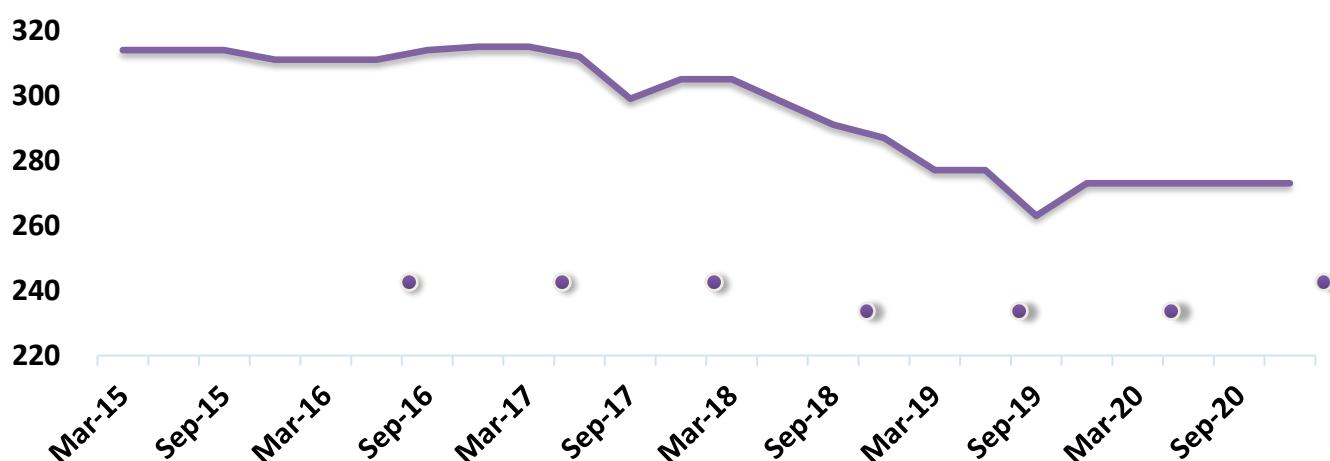
## 5 Class 4 gambling and TAB venues in the Far North District

### 5.1 Class 4 gambling venues and expenditure in the Far North District

Since the adoption of a sinking lid policy in 2014, the number of Class 4 venues in the Far North District has decreased from 25 to 19. The number of EGMs has decreased from 314 to 273 as shown in Figure 3.

Figure 3: Graph showing number of Class 4 Electronic Gaming Machines in the Far North District by quarter from March 2015 to December 2020<sup>14</sup>

#### Number of gaming machines



Based on the 2018 census figures, there were 56.2 EGMs per 10,000 adults in the Far North District, which is significantly higher than the 40.6 machines per 10,000 adults nationally.

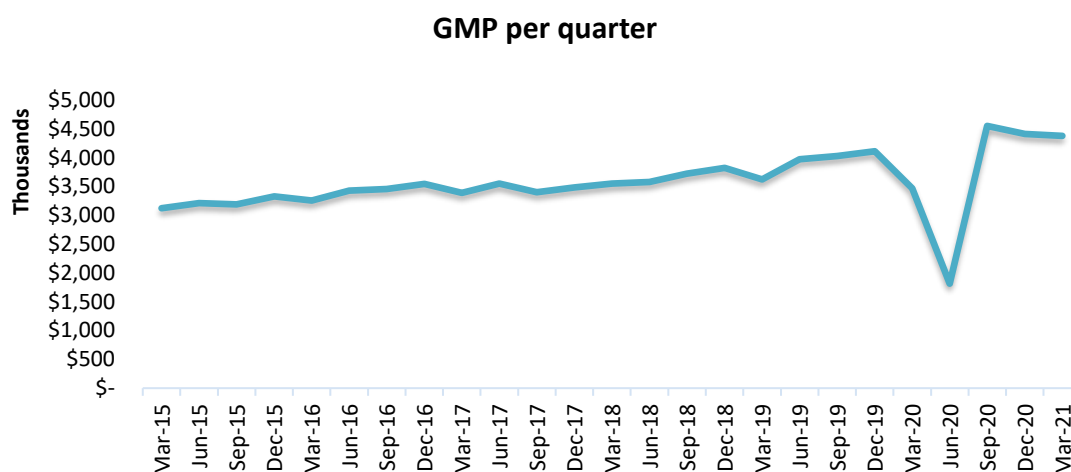
Although there are fewer EGMs in the Far North District than in 2014, gaming machine proceeds have steadily increased, as shown in Figure 4.

<sup>12</sup> 2016 Health and Lifestyles Survey

<sup>13</sup> At least once a week. Health Promotion Agency (HPA) 2018. Kupe 2016: Health and Lifestyles Survey

<sup>14</sup> [Department of Internal Affairs Gaming Machine Profits Dashboard](#) There are two small dips in the graph; in both instances this reflects that the DIA granted a licence to a pre-existing venue after an unlicensed period of less than six months. Both venues existed on 17 October 2001. Under DIA policy guidance, in this case a council's policy does not come into effect, so the sinking lid policy did not apply.

Figure 4: Graph showing Gaming Machine Profits (GMP) in the Far North District from March 2015 to March 2021<sup>15</sup>



From March 2015 to March 2021 quarters, GMP for the Far North District increased by \$1,251,728 or by 40.1%. This is greater than the increase across New Zealand as a whole, where GMP from March 2015 to March 2021 increased by \$37,259,713 or by 19.3%.

A way to compare class 4 gambling expenditure across different areas, and to compare year on year expenditure equally, is to look at GMP per gaming machine. GMP per gaming machine in Far North District increased by \$6,080 since March 2015, which translates to \$16,032 in March 2021 or a 61.1% change. This means players are spending longer hours playing gaming machines, betting more per game, or more players are playing. In comparison, GMP per gaming machine in New Zealand increased by \$4,015 since March 2015, (to \$15,644 in March 2021), which represents a 34.5% change.

## 5.2 Benefits and costs of class 4 gambling in the Far North District

In 2019, the total money spent on class 4 EGMs in the Far North District was \$15.7 million. \$2.4 million was returned to the district in grants to community and sporting groups. This figure does not capture grants that might have been made to a national body or shared with another district. The figures suggest that, overall, a significant amount of money is taken out of the district. More detailed research is required to calculate the economic impact of class 4 gambling in the Far North District.

While many community and sporting groups depend on the income from these grants, they are not always comfortable with the reality that much of the funding comes from people who can ill afford it.<sup>16</sup> Some groups refuse to receive funds raised through gambling. Of those organisations who do receive funding from gambling, research found that almost half of respondents still felt that it presented a moral dilemma.<sup>17</sup> This is in line with wider public perceptions of the costs versus the benefits of gambling. Almost half (46%) of participants in the 2016 Health and Lifestyles Survey thought that raising money through gambling did more harm than good in the community, one quarter thought that it was neutral, and only one quarter (24%) thought it did more good than harm.<sup>18</sup>

## 5.3 Class 4 gambling in high-deprivation communities in the Far North District

Of the 19 class 4 venues in the Far North District, the majority (12) are in the highest deprivation areas (decile 9-10), 5 are in medium-high deprivation areas, and 2 are in medium deprivation areas.

Figure 5: Graph showing class 4 gambling venues in the Far North District by deprivation rating<sup>19</sup>

<sup>15</sup> [Department of Internal Affairs Gaming Machine Profits Dashboard](#)

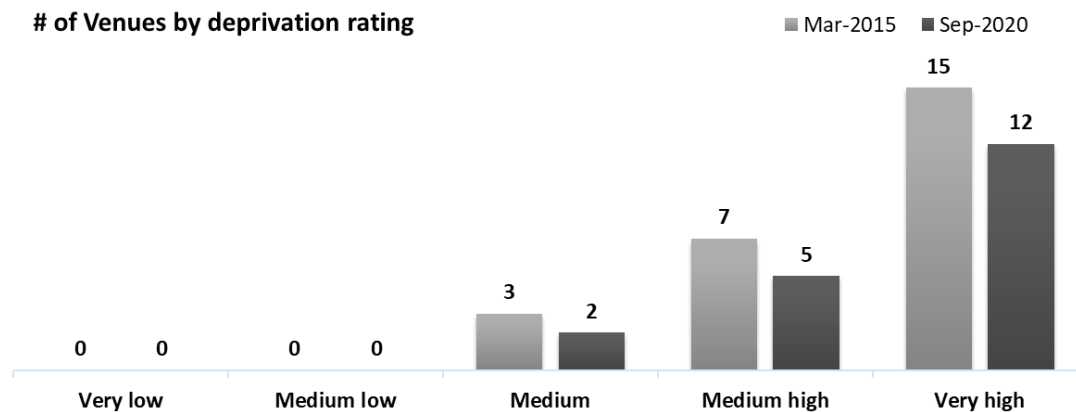
<sup>16</sup> [Problem Gambling Foundation](#) White Paper: ending community sector dependence on pokie funding

<sup>17</sup> Research undertaken for Auckland Council [Community Funding: a focus on gaming grants](#)

<sup>18</sup> [2016 Health and Lifestyles Survey](#)

<sup>19</sup> [Department of Internal Affairs Gaming Machine Profits Dashboard](#)

## # of Venues by deprivation rating



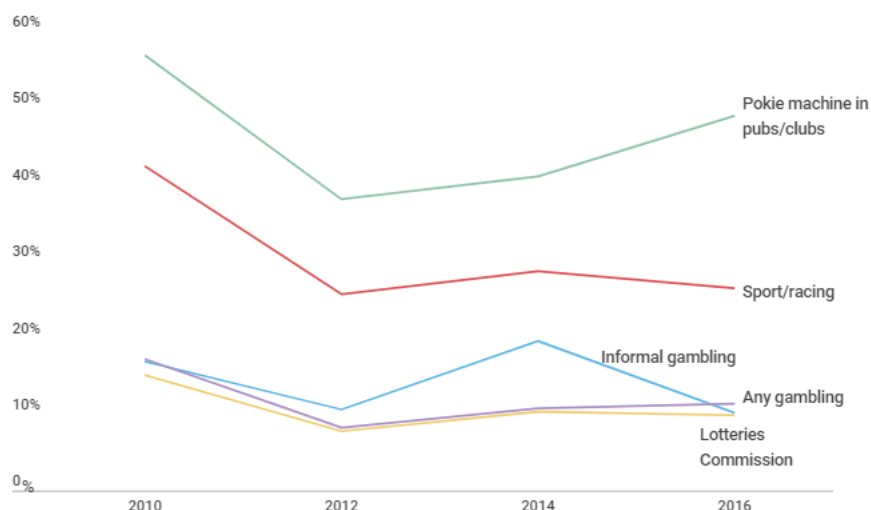
### 5.4 TAB gambling in the Far North District

Under the Racing Industry Act 2020, the TAB venues policy can only apply to stand-alone TAB venues. The policy cannot apply to licensed premises which provide TAB services. The current policy allows for stand-alone TAB venues to be located in the commercial/industrial zone.

Out of the common types of gambling activities, EGMs are the riskiest, however sport and racing betting is also associated with a high risk of gambling harm. Almost half (49%) of people who played pokies and over one quarter (26%) of those who bet on races or sports, at least monthly, experience gambling harm, which indicates much higher risk than other activities, as shown in Figure 6.

Figure 6: Graph showing proportion of those experiencing harm among different types of gambling<sup>20</sup>

#### Proportion of respondents who participated in each activity at least monthly who experienced at least some level of gambling harm, 2010 to 2016



There are currently no stand-alone TAB venues in the Far North District. There are six PubTAB and 1 ClubTAB locations, in on-licence premises, which are outside the scope of the policy.

<sup>20</sup> [2016 Health and Lifestyles Survey](#)

## 6 Discussion

Several factors are important in assessing the social impact of gambling in the Far North District. A variety of community organisations and sports groups rely on funding derived from class 4 gambling. It also provides some employment and entertainment value. At the same time, class 4 gambling has a significant negative impact on the wellbeing of many people, especially those in high deprivation areas.

The demographics of the Far North District mean that our communities are more vulnerable to the detrimental effects of problem gambling. A large proportion of the Far North District consists of the highest deprivation areas, and 50% of the population of the Far North is Māori. Both factors significantly increase the risk of gambling harm. Despite the decrease in the number of EGMs and class 4 venues since 2014, class 4 gambling expenditure (both absolute and per machine) in the Far North District has increased by a larger proportion than the change across New Zealand as a whole.

## 7 Conclusion

This report has drawn on data for gambling participation and expenditure, research into gambling harm, and information about the benefits and costs of gambling, to discuss the social impacts of gambling in the Far North District. The communities of the district have an increased risk of detrimental social impacts from gambling. When conducting a review of the class 4 gaming and TAB venue policy, the Council will need to consider the needs of these communities.