

Hamilton Roundtable for Poverty Reduction

**MAKING
HAMILTON
the best place
to raise a child.**

Our Position on the Development of a new casino complex within the City of Hamilton

Background

The Hamilton Roundtable for Poverty Reduction was born out of concern for our community's poverty challenge. It came together in May 2005 to understand Hamilton's high poverty levels, focus the community's attention on poverty, and begin to find solutions.

Initially co-convened by the Hamilton Community Foundation and the City of Hamilton, the Roundtable today is a multi-sector 55-member body that has helped connect hundreds of organizations and thousands of individuals in Hamilton around the goal of reducing poverty and a community aspiration ~ to make Hamilton the best place to raise a child.

The Roundtable has actively engaged all levels of government in discussions to reduce and eliminate poverty through public policy initiatives. The current provincial proposals regarding the establishment and potential location of a *new* casino complex has been an opportunity for residents from across the community to participate in a critical civic debate. Members of the Hamilton Roundtable for Poverty Reduction also believe our organization should share its unique perspective around the prospective development and challenges associated with a new casino complex in Hamilton with the provincial government, Hamilton City Council and members of the Hamilton community.

Research

Roundtable members recognize the issues surrounding a proposed new casino development are complex: Potential economic benefits such as job creation, new economic investment and neighbourhood redevelopment must be weighed against the social ramifications of exposing vulnerable populations to more accessible gambling, promoting addictions and increasing the need for social supports.

With these concerns in mind, in late 2012, we commissioned a research report to ask several key questions:

- What are the local economic benefits of gambling and casinos?
- What are the social impacts of casinos on low income populations?
- Is there evidence to indicate low income households can be pulled out of poverty through the existence of casinos in their communities?

Dr. Wayland's report, Casinos and low income households is included as appendix 1.

Some key findings included:

- ☑ Casinos create local jobs, but they are mostly part-time, low skill jobs that do not pull households out of poverty.
- ☑ Low income households have lower incidences of gambling, but spend proportionally more.
- ☑ Low income households that gamble at casinos spend more than double the average spent by low income households on gambling overall.
- ☑ Proximity to a casino is associated with greater participation in gambling and greater expenditure.
- ☑ Research on the relationship between proximity to a casino and gambling disorders yields mixed results.
- ☑ Low income populations have higher rates of gambling disorders than the general population.
- ☑ Gambling disorders are related to a multitude of other social risk factors and are costly to society.
- ☑ the overall economic impact of casinos depends on location, timing and other factors and does not necessarily have any benefit for those living in deep poverty.

Our position

Based on information gathered through this research, recent community consultations, and after a thorough discussion at our meeting in December 2012, **members of the Hamilton Roundtable for Poverty Reduction have concluded that a new casino development would not advance our community's aspiration of Making Hamilton the Best Place to Raise a Child.**

We do not believe our strategic goals: of changing community attitudes about poverty, addressing income disparity, including all citizens in community life, or tackling concentrated poverty in Hamilton's neighbourhoods would be enhanced through the existence of a new casino in our community.

There is significant evidence that there are considerable health and social risks associated with casinos, and although community re-investment strategies can benefit individuals and families living in poverty, we believe those benefits come at too high a cost for the community as a whole. We also believe however that it is justifiable to put this critical civic question to the residents of Hamilton; we believe the provincial government should approve a referendum on the question to coincide with the next municipal election in 2014.

Criteria

We recognize the decision on whether to support a new casino development in Hamilton must factor in many considerations. Hamilton City Council, through the backing of a public referendum, may determine that the development of a casino complex is in the community's interests. If that decision were made, the Poverty Roundtable would recommend several key principles/criteria for approval for any casino complex in our community be required:

Any new jobs created must pay living wages

One of the Roundtable's key 'Action Plan' priorities is to encourage local businesses, private and not-profit enterprises in Hamilton to adopt Hamilton's living wage rate of \$14.95 (inclusive of benefits). Today in Hamilton, 30,000 individuals go to work every day but live below the low-income cut-off because minimum wage does not meet the costs of basic needs. We believe living wages benefit employees, employers and the community as a whole and help pull families out of poverty. Any casino operator should be required to pay Hamilton's living wage rate to all employees as part of its commitment to Hamilton.

Limit hours of operation¹

To discourage addictive behavior, Roundtable members would encourage Council to curtail the hours of operation of any casino (for example, to between 10am and midnight).

Community re-investment strategies must be directed to mitigate social harms of gambling and addictions

Health professional and social researchers have indicated casinos can feed gambling addictions which can have profound implications for individuals and communities. The Roundtable is extremely concerned by figures that indicate that a high percentage of the Ontario Lottery Corporation's casino revenue comes from a small percentage of problem gamblers.

"Casinos mostly redistribute income from gamblers to wages, profits and taxes – that is the business model. And because a large portion of those revenues come from a smaller percentage of problem gamblers, they are a tax predicated on harm to their (and their family's) well-being."

To mitigate the social harm, we would strongly encourage that profits from a proposed new casino be first directed to evidence-based harm-mitigation strategies, and that a larger community reinvestment strategy be developed in consultation with the community.

Local neighbourhoods must support the location of new casino within their community

The City of Hamilton along with community partners have embarked on an extraordinary engagement of residents through the Neighbourhood Development Strategy that seeks to implement local plans and strive for action. If Hamilton is to maintain affinity with that process we believe neighbourhoods should also have the opportunity to weigh in on whether they would benefit from a new casino development within their community. We do not believe Council or OLG should proceed to develop a new casino without the endorsement of local neighbourhoods in which it would be located.

¹ Lee, Mark "The dubious case for casinos" <http://www.progressive-economics.ca/2013/01/22/the-dubious-case-for-casinos/>

Casinos and Low-Income Households: Research Review

Prepared by Sarah V. Wayland, PhD for the Hamilton Roundtable for Poverty Reduction

September 26, 2012

KEY FINDINGS

- Casinos create local jobs, but they are mostly part-time, low skill jobs that do not pull households out of poverty.
- Low income households have lower incidences of gambling, but spend proportionally more.
- Low income households that gamble at casinos spend more than double the average spent by low income households on gambling overall.
- Proximity to a casino is associated with greater participation in gambling and greater expenditure.
- Research on the relationship between proximity to a casino and gambling disorders yields mixed results.
- Low income populations have higher rates of gambling disorders than the general population.
- Gambling disorders are related to a multitude of other social risk factors and are costly to society.
- The overall economic impact of casinos depends on location, timing and other factors and does not necessarily have any benefit for those living in deep poverty.

INTRODUCTION

What are the economic benefits of gambling in general, and casinos in particular? And to what degree do these benefits go to low income communities? The literature on gaming and gambling is abundant, with seemingly convincing arguments made both for and against the impact of casinos on communities, depending on the focus. Casino advocates speak of job creation and economic spinoffs such as tourism on the positive side. Opponents point to public costs in the form of increased addictions, traffic, and crime, including organized crime, prostitution, and domestic violence. Critics also highlight the opportunity costs of not pursuing other forms of development aimed at urban revitalization.

The brief paper focuses very specifically on the potential impact that a casino might have on the poorest people living within its proximity. Its findings are based on a review limited to peer-reviewed work by independent researchers and scholars. Canadian research was used wherever possible.

DETAILED FINDINGS

Casinos create local jobs, but they are mostly part-time, low skill jobs that do not pull households out of poverty.

It has been argued that gambling, and casino gambling in particular, provides income through employment and tax revenue while also fostering secondary gains as those monies ripple through the economy.¹ There is some evidence that social assistance numbers have decreased in U.S. communities when a casino opens as people move into casino-related service jobs.² However, because most such jobs are relatively low paying, income levels remain somewhat constant. Employment created by casinos generally pays at or slightly above minimum wage, including positions such as cashiers, food preparation and serving, security guards, housekeeping and maintenance.

Low income households have lower incidences of gambling, but spend proportionally more.

In 2009, fewer Canadian households in the lowest income bracket participated in gambling compared to wealthier households: 46% of households with incomes of less than \$20,000 gambled in 2009 compared to 75% of those with incomes of \$80,000 or more.³

As a percentage of household income, money spent on gambling is three times higher in low income households than in top earning households in Canada. Households with after tax incomes of under \$20,000 spent 1.3% of their total income on gambling. This proportion declined with each \$20,000 income bracket, reaching a low of 0.4% for households with incomes of over \$80,000.

¹Arthur Anderson, *Economic Impacts of Casino Gaming in the United States*. Vol. 1: Macro Study. Prepared for the American Gaming Association (Las Vegas: Arthur Anderson, LLP, 1996).

²U.S. General Accounting Office, *Impact of Gambling: Economic effects more measurable than social effects*. Report to the Honorable Frank R. Wolf, U.S. House of Representatives, April 2000
<http://www.gao.gov/new.items/gg00078.pdf>

³Gambling refers to total money wagered on all non-charity government-controlled gambling, such as lotteries, casinos and VLTs, minus prizes and winnings. Katherine Marshall, *Gambling 2011, Perspectives on Labour and Income*, Statistics Canada, Winter 2011, p.6. <http://www.statcan.gc.ca/pub/75-001-x/2011004/article/11551-eng.pdf>

Low income households that gamble at casinos spend more than double the average spent by low income households on gambling overall.

In Canadian households, money spent on gambling increases with income. In 2009, this amount ranged from an average of \$390 each year for households with incomes under \$20,000 to \$620 for those with incomes of \$80,000 or more.⁴

Within the lowest income households (under \$20,000), lotteries and raffles were the most common forms of gambling. However, the 8% of lowest income households who gambled at casinos, slot machines, and video lottery terminals were the biggest spenders in this income bracket, spending \$845 a year on gambling. In brief, the lowest income households whose members gambled at casinos, slot machines, and video lottery terminals spent more than double the average amount spent on gambling among the lowest income households as a whole. Spending was also high (\$625/year) among lowest income households that gambled at bingo halls.⁵ These lowest income households spent more on average (in absolute terms) than households in the highest income bracket.

These spending patterns may indicate the presence of problem or pathological gambling as well as higher rates of these disorders within our lowest income population, as discussed below.

Proximity to a casino is associated with greater participation in gambling and greater expenditure.

Overall, research shows a positive link between casino proximity and gambling participation and expenditure. This link has also been identified for low-income households in particular. In research conducted in Mississippi five years after the legalization of casino gambling, Rivenbark found that accessibility and convenience increased the amount that low income households spent at casinos.⁶

A survey by the Problem Gambling Research Group (PGRG) of the Psychology Department at the University of Windsor surveyed different samples of more than 2,500 adults regarding their gambling activities at three points in time: prior to the opening of Casino Windsor, one year after the casino opened, and four years after the opening of Casino Windsor. Survey responses indicated that the participation in gambling activities increased over the course of the research, from 66% of the adult population having gambled at some point in their lives prior to the opening of the casino, to 82% of the adult population reporting in the final survey that they had gambled.⁷

⁴ Marshall, p. 6.

⁵ Marshall, p. 6.

⁶ William C. Rivenbark, The tax incidence of casino gaming in Mississippi, *Public Finance Review* 1998, 26: 583-599.

⁷ G. Ron Frisch, Richard J. Govoni, Nicholas Rupcich. Community Impact of Increased Gambling Availability on Adult Gamblers - A Four Year Follow-up, Press Release March 4, 1999. Problem Gambling Research Group, University of Windsor. <http://web2.uwindsor.ca/pgrg/fyear.htm>

Research on the relationship between proximity to a casino and gambling disorders yields mixed results.

Pathological gambling refers to persistent behaviour in which a person's gambling activities significantly disrupt his or her social, financial, vocation or family life. *Problem gambling* is a less serious disorder that occurs when a person has several significant problems associated with his or her gambling activities.⁸ These two gambling disorders directly or indirectly affect an estimated 8 to 10% of the population.⁹

An oft-cited statistic in this area comes from a national study conducted by a US government commission which found the likelihood of being a pathological or problem gambler to be double for a person living within 50 miles of a casino.¹⁰ More recent research narrowed down the importance of location to a mere 10 miles. In a nation-wide survey funded by the National Institutes of Health (NIH), researchers from SUNY University at Buffalo's Research Institute on Addictions asked adults about their gambling and other habits. In this study, an analysis of geographic factors found that living within 10 miles or less of a casino doubled the risk of problem gambling (7.2% vs. 3.1%).¹¹ It also found that individuals living in a disadvantaged neighborhood had a 90% increase in the odds of being a problem or pathological gambler.

In the University of Windsor study cited above, researchers estimated an increase in gambling disorders from 4,600 to 6,000 persons in Essex County between Phase I and III of the study. This study did not find a statistically significant change in the percentage of problem or pathological gambling among adult gamblers, only an increase in absolute numbers of problem gamblers related to the growth in overall numbers of people who were gambling.¹² Similarly, research in Quebec found a positive correlation between proximity and participation in gambling, but it did not find an increase in rate of probable pathological gambling or of problem gambling.¹³ A 1997 telephone survey with residents of Niagara

⁸ defined by the *Diagnostic and Statistical Manual of Mental Disorders*.

⁹ Robert J. Williams, Yale D. Belanger, and Jennifer N. *Gambling in Alberta: History, Current Status, and Socioeconomic Impacts. Final Report to the Alberta Gaming Research Institute*, Edmonton, Alberta, 2011, p. 281. <http://hdl.handle.net/1880/48495>,

¹⁰ Kay C. James, Chairman, *National Gambling Impact Study Commission Report* (Washington, D.C., 1999).

¹¹ Welte, J.W., Wieczorek, W.F., Barnes, G.M., Tidwell, M.-C., & Hoffman, J.H. (2004, December). The relationship of ecological and geographic factors to gambling behavior and pathology, *Journal of Gambling Studies*, 20(4), 417-20.

¹² This trend was particularly noticeable among women. In Phase I, women were problem gamblers at half the rate of males. According to the authors, "Four years later, the gap has closed to the point where males and females did not differ significantly from one another. This reflects reported trends in other research showing increasing levels of gambling participation and gambling problems among women." G. Ron Frisch, Richard J. Govoni, Nicholas Rupcich. *Community Impact of Increased Gambling Availability on Adult Gamblers - A Four Year Follow-up*, 1999.

¹³ Serge Sévigny, Robert Ladouceur, Christian Jacques, and Michael Cantinotti, Links between casino proximity and gambling participation, expenditure, and pathology, *Psychology of Addictive Behaviors* 2008, 22: 295-301.

Falls, Ontario, one year after the opening of the casino, found an increase in reported gambling disorders.¹⁴

Ontario-based research on university students and gambling behavior however found that students who lived close to a casino manifested more serious problem gambling than students far from a casino. This investigation supports the idea that context and proximity to gaming venues may have exposure or accessibility effects on university students' gambling behavior.¹⁵

Low-income populations have higher rates of gambling disorders than the general population.

Research indicates that pathological gambling is not distributed evenly across the population. Higher rates of pathological gambling are found among individuals from lower-income and ethnic minority groups and communities, as well as recent migrants and young males.¹⁶ In some instances, pathological gambling and other addictive behaviours are the actual cause of low-income situations.

A study of frequent gamblers found that 25% of all casino gambling usage was being conducted by less than 2% of all casino gamblers. In other words, there is a low number of extremely frequent gamblers. Among extremely frequent casino users, approximately 14% had very low household income.¹⁷

Gambling disorders are related to a multitude of other social risk factors and are costly to society.

Other research relevant to low income populations indicates that pathological and problem gamblers are more likely than other gamblers or non-gamblers to have been on welfare, declared bankruptcy, and to have been arrested or incarcerated, and to have received mental health care.¹⁸ The authors stated:

Pathological and problem gamblers in the United States cost society approximately \$5 billion per year and an additional \$40 billion in lifetime costs for productivity reductions, social services,

¹⁴ Robin Room, Nigel E. Turner, and Anca Ialomiteanu, Community effects of the opening of the Niagara casino, *Addiction*, October 1999, 94: 1449-1466.

¹⁵ Gerald R. Adams, Anne-Marie Sullivan, Keith D Horton, Rosanne Menna, Ann Marie Guilmette. *Journal of Gambling Issues*, 19 (January 2007): 9-18.

¹⁶ Gerda Reith, Beyond Addiction or Compulsion: The Continuing Role of Environment in the Case of Pathological Gambling, *Addiction* 2012, , 107 (10): 1736-1737, citing these studies: J. Orford, H. Wardle, M. Griffiths, K. Sproston, B. Erens, The role of social factors in gambling: evidence from the 2007 British Gambling Prevalence Survey, *Community Work Family* 2007, 13: 257-70; R. Volberg and M. Wray, Legal gambling and problem gambling as mechanisms of social domination? Some considerations for future research, *American Behavioral Science* 2007, 51: 33-56; D. Marshall, The gambling environment and gambler behaviour: evidence from Richmond-Tweed Australia, *International Gambling Studies* 2005, 5: 63-83.

¹⁷ Ralph Perfetto and Arch G. Woodside, Extremely Frequent Behavior in Consumer Research: Theory and Empirical Evidence for Chronic Casino Gambling, *Journal of Gambling Studies* 2009, 25:297-316.

¹⁸In D.R Gerstein, R.A. Volberg, M.T. Toce, H. Harwood, A. Palmer, R. Johnson et al. *Gambling Impact and Behavior Study: Report to the National Gambling Impact Study Commission* (Chicago, IL: National Opinion Research Center at the University of Chicago, 1999) . Available at: <http://govinfo.library.unt.edu/ngisc/reports/gibstdy.pdf> (accessed 15 August 2012; archived by Webcite at <http://www.webcitation.org/69vz1bLnc>).

and creditor losses. However, these calculations are inadequate to capture the intrafamilial costs of divorce and family disruption associated with problem and pathological gambling.¹⁹

As such, limiting the spread of gambling disorders benefits not only individuals prone to problem or pathological gambling but also the broader society.

The overall economic impact of casinos depends on location, timing and other factors and does not necessarily have any benefit for those living in deep poverty.

A recent major study conducted in Alberta concluded: "At a provincial level, there would appear to be minor economic benefits to gambling in Alberta that are offset by minor economic costs." The study found that gambling appeared to create additional economic activity without any obvious negative impacts on other business, and that gambling was associated with a very small increase in the value of infrastructure. The model whereby the provincial government and community groups are the primary beneficiaries of gambling revenue is a system that best ensures that gambling revenue stays in the province and the economic benefits accrue to Albertans.²⁰

A comparative study of sixty-eight U.S. counties where casinos opened and three multi-casino counties during the period 1989-1993 found that casino gambling is adopted by economically struggling counties and that it can be a successful development strategy. It found that effects did trickle down to other sectors of the economy, including recipients of government income transfer programs. However, on the downside, most benefits did not go to local governments and local workers but were rather transferred outside the county.²¹

Other research has found that more urbanized communities – other factors being constant – are less likely to benefit from casino development.²² In large urban areas, especially those that do not ordinarily attract many tourists, customers far more likely will be drawn locally. Their gambling expenditures reflect a distribution of existing spending within the community and not new spending originating people coming in to gamble.

Even in areas that attract tourists to casinos, casino-affiliated businesses may often fare better than independent, locally-own businesses. Construction, hospitality, and amusement revenue increase, but the number of restaurants, bars, and shops in the areas around casinos may decline. Atlantic City was home to 242 restaurants and bars in 1977 (the year before the first casino opened), a number that declined to 142 by 1996.²³

¹⁹ Gerstein et al., p. ix.

²⁰ Williams, Belanger, and Arthur, p. 281.

²¹ Terance J. Rephann, Margaret Dalton and Anthony Stair, Andrew Isserman, Casino Gambling as an Economic Development Strategy, *Tourism Economics*, 1997, 3: 161-183.

²² W. Eadington, Economic Development and the Introduction of Casinos: Myths and Realities, *Journal of Economic Development Review*, 1995, 13: 51-54.

²³ U.S. General Accounting Office, *Impact of Gambling: Economic effects more measurable than social effects*.

Traditional economic impact studies of casino development rarely capture the broader long-term effects, and fewer still analyze distributional outcomes. With respect to those living in poverty, economic development does not necessarily help them specifically. Aggregate growth and development may occur while leaving the situation of low income households virtually unchanged. This phenomenon has been evident in places such as Tunica, Mississippi where deep poverty not only reflects economic deprivation but also stems from longstanding social and political realities.²⁴ Growth and development often benefits those already holding economic power in a local community.

CONCLUSIONS

This review of the literature has highlighted various potential impacts of opening a casino on the low income households within the same locality. On the positive side, short-term as well as longer-term job creation is a likely result. However, new jobs are likely will be lower-paying service jobs that will not by themselves be able to lift most families out of poverty. On the negative side, participation in gambling is likely to increase among low income households, thereby increasing the incidence of gambling disorders.

The impact of gambling can be compared to regressive taxation, with lower income households contributing a greater portion of their incomes, on average, compared to households with higher incomes. North American research cited in this paper indicates that government revenues generated by gambling receipts are gained from a small portion of the population, a population that is disproportionately low income, less educated, and more likely to suffer from some form of gambling disorder. As such, Hamilton's low income households are likely to bear significant social, economic, and other costs should a casino be built downtown.

²⁴ Tracy L. Farrigan, *The Tunica Miracle, Sin And Savior In America's Ethiopia: A Poverty And Social Impact Analysis of Casino Gaming In Tunica, MS*. Submitted in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy, Dept of Geography, Pennsylvania State University, May 2005.

