

# The Real Cost of Casinos:

## A Health Equity Impact Assessment

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## The Policy Issue

Over recent months, there has been much conversation about the possibility of a casino being built in the City of Toronto. The provincial government and the Ontario Lottery and Gaming Commission (OLG) have indicated that they intend to build a casino in the Greater Toronto Area, subject to consent of the municipality.<sup>1</sup>

The debate about whether the City of Toronto should give consent has largely focused on 1) the potential of a casino to provide a new revenue stream for the city, and 2) the casino's possible social costs. The potential health and health equity impacts of a casino in Toronto have not been adequately discussed. This paper addresses that crucial issue.

## Applying A Health Equity Lens<sup>2</sup>

Policy decisions made outside of the health care system can have significant health implications. Decisions about housing, income, education, social support or other underlying determinants of health can affect the health of the population as a whole, and vulnerable or marginalized populations are often more severely impacted than other groups. It is therefore important to consider health and health equity when making policy decisions across a wide range of fields.

Health Equity Impact Assessment (HEIA) is a tool used to analyze a new program or policy's potential impact on health disparities and/or on health disadvantaged populations. A simple health equity question should be applied to all policy decisions: could the proposal have an inequitable impact on some groups, and, if so, which groups would be disproportionately affected? If there could be an inequitable impact, HEIA enables policy-makers and planners to identify the health implications of the planned policy and make appropriate changes to mitigate adverse effects on the most vulnerable. Finally, the HEIA tool assists in setting targets and measurements to determine the policy's success.<sup>3</sup>

The Wellesley Institute has developed a high-level scoping Health Equity Impact Assessment that is specifically designed to help policy makers to quickly and effectively identify how planned policy changes or program initiatives could affect health and health inequities. This paper uses this HEIA tool to analyze the health and health equity impacts of a Toronto casino.

## Prevalence of Problem Gambling

Gambling is common in Ontario. The Canadian Community Health Survey shows that 66 percent of Ontarians and 62 percent of GTA residents have gambled within the past 12 months<sup>4</sup>, and 85 percent of Canadians have gambled at some point in their lifetime.<sup>5</sup> For most people, gambling does not significantly affect their lives and their well-being. Social, financial, and health problems arise, however, for problem gamblers. Problem gambling is often not well-defined in debates about gambling; this can lead to the assumption that unless the gambling is compulsive, it is healthy, responsible, and low-risk.

Leading researchers have defined low risk gambling as:

- Gambling no more than 2-3 times per month
- Spending less than a total of \$501-1000 per year; or
- Gambling less than 1 percent of gross family income.<sup>6</sup>

People who exceed one or more of these criteria can be described as problem gamblers. The Canadian Public Health Association defines problem gambling as a progressive disorder characterized by “a) continuous or periodic loss of control over gambling; b) preoccupation with gambling and money with which to gamble; c) irrational thinking; d) continuation of the activity despite adverse consequences”.<sup>7</sup>

An analysis by Toronto Public Health estimates that problem gambling seriously affects upwards of 11,000 people aged 18+ (0.2%) in the GTA and 25,000 people (0.3%) in Ontario. Additionally, there are approximately 129,000 people in the GTA (2.8%) and 294,000 people (3.0%) in Ontario who are considered low to moderate-risk gamblers (as opposed to non-problem gamblers).<sup>8</sup> These estimates are conservative and may reflect under-reporting. One study that used 2001 gambling rates found that 4.7% of gamblers – 559,187 Ontarians – can be described as problem gamblers.<sup>9</sup>

There is evidence that problem gambling is increasing in Canada. According to Statistics Canada 1.2 million Canadians exhibit at least one indication of problem gambling. Between 1992-2001, the amount that Canadians spent on gambling each year tripled from \$130 to \$447 per person.<sup>10</sup> People also tend to underreport how much they spend on gambling. In 2001 Canadians reported gambling \$267 *per household*, when actual gambling revenues showed an average of \$447 *per person*.<sup>11</sup>

There are clear links between the availability of casinos and increases in problem gambling. A study in Niagara Falls found that rates of pathological gambling increased from 2.5 percent to 4.4 percent of the population in the one-year period after the first casino opening.<sup>12</sup> Other communities in Ontario have reported similar increases following casinos opening including Sarnia, Sault Ste Marie, Brantford, and Thunder Bay.<sup>13</sup> Similar increases in problem gambling have also been documented in British Columbia.<sup>14</sup>

## Impacts of Problem Gambling

### FINANCIAL

Gambling yields significant tax revenue for governments. OLG reports that it contributes \$1.7 to \$2 billion in net profit to the provincial government each year. This represents a significant proportion of the \$3.7 billion in total revenue generated by OLG’s operations each year.<sup>15</sup>

While many Ontarians gamble, problem gamblers contribute a disproportionately high share of gaming revenues. A 2006 study estimated that between 30 and 40 percent of gambling revenues in Ontario are derived from problem gamblers<sup>16</sup>, while a study based on 2003 gambling rates found that problem gamblers (identified as 4.8 percent of the population) generated 36 percent of gambling revenues.<sup>17</sup>

## **SOCIAL AND ECONOMIC IMPACTS OF PROBLEM GAMBLING**

The social and economic cost of problem gambling is well established. Research shows that problem gambling increases stress, harms financial well-being, is linked with increased crime, contributes to job losses and lost work productivity, and can lead to addiction.<sup>18</sup> Problem gambling can lead to an inability to pay for essential items like food and housing.

While Ontario sets aside two percent of gross gaming revenues for problem gambling prevention, research, and treatment, this allocation is insufficient to cover the true costs of problem gambling. Problem gambling increases the need for medical care, policing, courts, prisons, and social assistance, all of which represent significant public costs. On top of this, problem gambling also contributes to individual and community level hardships that have social and economic costs such as business loss, bankruptcy, family breakup, fraud, theft, and homelessness.<sup>19</sup>

It is estimated that the annual cost associated with each problem gambler ranges from \$20,000 to \$56,000, including loss of work and court and treatment costs.<sup>20</sup> Given that a high proportion of these costs represent public expenditure, and comparing this to the annual tax revenue yielded of up to \$2 billion, the cost-benefit ratio that policy makers must consider is very poor.

## **HEALTH IMPACTS OF PROBLEM GAMBLING**

The debate about a casino for Toronto has largely excluded the health impacts of problem gambling, but these impacts are well documented. Research shows that:

- The stress, financial harm, lost work productivity, and addiction associated with problem gambling can contribute to lower overall health status.<sup>21</sup>
- Problem gambling can contribute to depression, insomnia, intestinal disorders, migraine, and other stress-related disorders.<sup>22</sup>
- There are clear links between problem gambling and problem drinking. This combination increases risk of intimate partner violence.<sup>23</sup>

Toronto Public Health and the Centre for Addiction and Mental Health (CAMH) compiled research on the health impacts of problem gambling and found evidence of increased risk among problem gamblers of fatigue and sleep problems; chronic bronchitis; fibromyalgia; mood, anxiety and personality disorders; and alcohol, tobacco and drug use. They also found evidence of how financial problems contribute to poorer health for families and communities and increase the likelihood of family breakdown and divorce. Problem gambling also contributes to child development problems, neglect, and poverty.<sup>24</sup>

In an analysis of Canadian Community Health Survey data, Toronto Public Health and CAMH looked at the effects of problem gambling on self-reported health, which is considered to be a reliable indicator of clinical health status. They found that as the level of risk for problem gambling increases, self-reported health significantly decreases. 61 percent of non-problem gamblers rated their health as excellent or very good, compared to only 49 percent of low to moderate-risk gamblers and 33 percent of problem gamblers. Likewise, 76 percent of non-problem gamblers rated their mental health as excellent or very good, compared with 69 percent of low to moderate-risk gamblers and 35 percent of problem gamblers. An alarming 32 percent of problem gamblers reported that they had considered suicide within the last 12 months.<sup>25</sup>

The health impacts of problem gambling create increased demand for health care services. One

in four moderate to severe problem gamblers in Canada report being under a doctor's care for emotional or physical problems due to stress, and more than one in three report feeling depressed.<sup>26</sup>

Research also shows that the health impacts of problem gambling can be intergenerational with the children of problem gamblers being more likely to use tobacco, alcohol or drugs, and develop psychosocial problems, educational challenges, and emotional disorders throughout their lives.<sup>27</sup> Children of problem gamblers are also at greater risk of becoming problem gamblers themselves.<sup>28</sup>

### POPULATIONS AT GREATER RISK

Not all populations are at equal risk of problem gambling. Research shows that high risk populations include<sup>29</sup>:

- **People living in poverty**, who are more likely to spend a higher proportion of household income on gambling than higher income households. Living in poverty is associated with increased financial risk taking.
- **New Canadians**, who are more likely to experience unemployment and underemployment, which can lead to poverty and increased financial risk taking. Newcomers may also experience high levels of social isolation, which can contribute to problem gambling.
- **Seniors**, who are more likely than other population groups to live on fixed incomes and accumulated savings. Problem gamblers can cause long-term financial harm by gambling more than they can afford. Older people have less time to recover from the adverse consequences of problem gambling and are less likely than other adults to seek treatment.<sup>30</sup> It is believed that 2.2 percent of Ontario seniors are problem gamblers.
- **Young people**, who also tend to rely on fixed incomes and may miscalculate gambling odds. A study of students in Lethbridge, Alberta found that 7.5 percent were problem or pathological gamblers.<sup>31</sup> Young people who are problem gamblers are also more likely to report concurrent substance abuse problems, experience mental health problems, and attempt suicide.<sup>32</sup>

Because vulnerable and marginalized populations are more likely to engage in problem gambling, and because at least one-third of gaming revenue comes from problem gamblers, gambling is a regressive tax.

## The Real Cost of a Toronto Casino

### LIMITED REVENUE GENERATION

Ernst and Young estimates that building a casino in Toronto could generate the following annual revenues for the City.<sup>33</sup>

Potential site for casino	Convention Centre	Exhibition Place	Port Lands	Woodbine	Convention Centre	Exhibition Place	Port Lands	Woodbine
Casino Type	Integrated entertainment complex				Standalone casino			
Hosting fees	\$18M-\$168M	\$18M-\$168M	\$17M-\$151M	\$16M-\$120M	\$16M-\$120M	\$16M-\$120M	\$16M-\$120M	\$16M-\$95M
Property taxes (incremental)	\$22M	\$27M	\$27M	\$12M	\$5M	\$10M	\$10M	n/a
Annual revenue	\$40M-\$190M	\$45M-\$195M	\$44M-\$178M	\$28M-\$132M	\$21M-\$125M	\$26M-\$130M	\$26M-\$130M	\$16M-\$95M

Ernst and Young have also estimated that additional proceeds ranging from \$0 to \$250 million could also be generated from the sale or lease of City land, depending on the site.<sup>34</sup>

The actual revenue that the City would receive from a casino would be determined in negotiations with the Ontario Lottery and Gaming Corporation. It is noteworthy that OLG estimates that the City of Toronto could expect to receive \$50-\$100 million in hosting fees for a casino located at the Convention Centre, Exhibition Place, or the Port Lands. These estimates vary significantly from the Ernst and Young estimates that City documents primarily cite.<sup>35</sup>

While the potential revenue that a casino could generate for the City of Toronto appears sizable, it is only a fraction of the \$1.7-\$2.0 billion that the Ontario Lottery and Gaming Corporation remits to the provincial government each year.<sup>36</sup>

Moreover, the social risks and costs associated with casinos, such as increased crime and public health risks, will fall disproportionately on the City of Toronto. Thus, Toronto will carry a large proportion of the risk but will receive only a small portion of the projected revenue.

### **INCREASES IN PRECARIOUS EMPLOYMENT**

The Ontario Lottery and Gaming Corporation argues that a downtown casino could create 12,000 jobs.<sup>37</sup> However, the Corporation has not provided any information to support this claim.

The quality of our jobs has important health impacts. Many of the jobs associated with casinos are relatively low wage and low skill, such as hospitality and cleaning. These kinds of jobs are precarious: they have limited social benefits, are insecure, offer low wages, and high risks of ill health.<sup>38</sup> Moreover, recent Ontario research shows that casino employees have problem gambling rates three times as high as the general population.<sup>39</sup>

There is also evidence that many of the jobs that casinos ‘create’ come at the expense of employment in other industries if consumers substitute gambling for other consumption.<sup>40</sup> Thus a casino may take away good jobs and replace them with bad jobs.

## **Recommendations**

It is clear that there will be significant health and health equity implications if a casino is built in the City of Toronto. The significant number of problem gamblers in Ontario and the evidence that problem gambling is increasing across Canada provide clear indications of the scope of the challenges that our society faces even with the existing gambling infrastructure. These challenges will worsen with the development of a new casino in Toronto, and vulnerable populations, such as people living in poverty, newcomers, seniors, and young people, will be particularly negatively affected.

In light of the health and health equity impacts of problem gambling, we recommend that council reject a casino for Toronto.




## Appendix I: Potential Casino Locations

### CENTRAL ONTARIO: ZONE C1



#### MUNICIPALITIES INCLUDED

Potential sites include City of Toronto, Peel Region (City of Mississauga) and York Region (Markham, Richmond Hill)

 Bingo hall part of revitalization

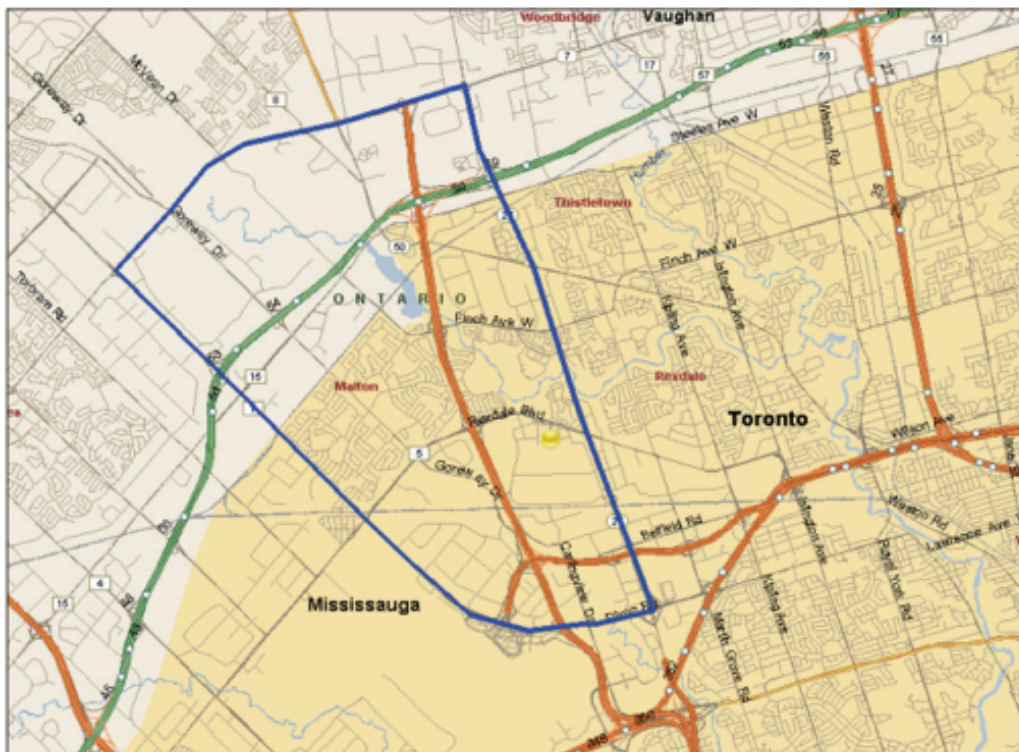
 Existing facility

#### GAMING OFFERING FLEXIBILITY

Maximum number of facilities	1 (in 1 of the 3 areas)
Allowed range of slot machines	Up to 5,000*
Allowed range of table games	TBD

\*Between zones C1 and C2, only one facility will be allowed up to 5,000 slots

### CENTRAL ONTARIO: ZONE C2



#### MUNICIPALITIES INCLUDED

Zone includes City of Toronto, Peel Region (City of Mississauga, City of Brampton), York Region (City of Vaughan)

 Existing facility

#### GAMING OFFERING FLEXIBILITY

Maximum number of facilities	1
Allowed range of slot machines	Up to 5,000*
Allowed range of table games	TBD

\*Between zones C1 and C2, only one facility will be allowed up to 5,000 slots

## Appendix II - Further Reading

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