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Report prepared by Ellie Shuo Jin for

No Casino Vaughan

*On the effects a prospective casino in the City of Vaughan*

May 2013

To: Mario G. Racco  
Co-Chair, No Casino Vaughan

From: Ellie Shuo Jin  
Date: May 26<sup>th</sup>, 2013

Dear Mr. Mario G. Racco,

Please find attached a report that I have prepared which identifies what it will mean to my City, the City of Vaughan, if a casino is to be constructed.

Unfortunately I will be in Montreal on Tuesday for my university graduation therefore I will not be able to speak at the Special Committee Meeting dealing with the possibility of a casino in our city of Vaughan.

I will be pleased to elaborate further to anyone interested my findings.

Sincerely,

A handwritten signature in black ink, appearing to be 'Ellie Shuo Jin'.

Ellie Shuo Jin

## Casinos in Our Backyard

### Introduction and Overview

Common conceptions associated with casinos are that they create jobs and bring prosperity to a community. However, others have argued that casinos are associated with crime and a myriad of social and economic problems that outweigh any potential benefits. Comprehensive studies examined in this report provide an in-depth analysis of the effects of gambling on individuals, families and communities on three levels: social, economic and health.

### *Key points of summary*

1. Research shows that the most clear social impact of casinos is the increase in the incidence of problem gambling. According to a 1997 meta-analysis by Harvard Medical School's Division on Addictions, 1.9% of the adult population in Canada could be called pathological gamblers (Shaffer, Hall, & Vander Bilt, 1999). This nation-wide estimate can be compared to that of Ontario, in which a 2006 report showed that 3.4% of residents experienced "moderate to severe gambling problems" (Kauffman, Mun, & Wiebe, 2006). While seemingly insignificant, these figures should be evaluated in light of the fact that Ontario has the most casinos (13) of any other Canadian province. Furthermore, the likelihood of being a pathological or problem gambler is doubled for a person living within 80 kilometers of a casino.
2. Using census data, it is estimated that if a casino was built anywhere within The Greater Toronto Area, there may be over **3735** pathological gamblers in the City of Vaughan. The additional social cost to address this increase in problem and pathological gambling is estimated to be:
  - a. **\$6 million** annually in ongoing costs, stemming from job loss, unemployment and welfare benefits, poor physical and mental health, and gambling disorder treatments. These may translate into higher demands on the community's human services systems.
  - b. **\$54 million** in total lifetime costs from one-time or less frequently occurring events such as bankruptcies, arrest, imprisonment, and legal fees for divorce. These costs will be borne primarily by individuals and families, business, and government.
3. Research shows that while casinos tend to increase community revenue in the short term, they divert from other expenditures in the community by displacing smaller local businesses.
4. In addition to increased pathological gamblers in the community, related issues such as alcohol and tobacco dependence also tend to rise with the introduction of a casino.
5. Overall, research shows that negative social impacts such as crime, gambling addiction, destruction of family, prostitution, divorce, alcoholism and political corruption have been found to be worse for residents who were under-age or who were receiving social assistance.
6. With the legalization of prostitution and brothels in Ontario along with the low drinking age of 19, youth and young adults who are most susceptible to the development of gambling addiction are at the most risk as a result of a casino in the community.

### **Social impacts of gambling and casinos**

Research shows a connection between casinos and increased rates of compulsive gambling problems. Reith (2006) cite various authors (Volberg, 1995; Welte, Barnes, Wieczorek, Tidwell, & Parker, 2004) to show that the location of a casino within 80 kilometers of an individual's home is associated with approximately double the likelihood of problem gambling. Based on this, opening a casino could potentially double the existing prevalence and social impacts of problem gambling in a community.

Although it is difficult to measure the social effects of gambling on the general population due to limited data, a comprehensive study by the National Opinion Research Center (Chicago, USA) found that

pathological and problem gamblers are more likely than other gamblers or non-gamblers to have been on welfare, to have declared bankruptcy, to have been arrested or incarcerated (Gerstein et al., 1999). In addition, pathological and problem gamblers cost society approximately \$5 billion per year and an additional \$40 billion in lifetime costs for productivity reductions, social services, and creditor losses. However, these calculations are inadequate to capture the intrafamilial costs of divorce and family disruption associated with problem and pathological gambling.

Several other studies have also found a link between the presence of casinos and higher bankruptcy rates. For example,

1. Stitt, Nichols, and Giacomassi (2005) in comparison to communities without casinos, communities with casinos had much higher rates of personal bankruptcy and that communities that had casinos the longest tended to have the greatest increases in bankruptcy rates.
2. Barron, Staten, and Wilshusen (2002) analyzed 3,000 communities both with and without casinos. The authors found that the presence of casino gambling increased bankruptcy rates by 5.4% over a span of 6 years.

Various studies conducted in Canada have found that while residents' attitudes toward casinos were positive before casinos opened, they were less enthusiastic only a few years later (Caneday & Zeiger, 1991; Perdue, Long, & Kang, 1995; Stokowski, 1996).

A casino may contribute to or exacerbate poverty and socioeconomic inequalities (Korn, 2000). Anielski and Braaten (2008) and William et al. (2011) review of gambling studies found that lower income people contribute disproportionately more to gambling revenue than those with middle and higher incomes. Similarly, a 2011 review of gambling activity by Statistics Canada found that low income families spend proportionally more of their household income on gambling than higher income families. Furthermore, as reported in the November 2012 TPH Technical Report, evidence suggests that families and individuals with low income may be heavily represented as problem gamblers or disproportionately affected by 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. Problem gambling can lead to an inability to pay for essential items like food and housing.

#### ***Populations at greater risk***

Not all populations are at equal risk of problem gambling. Research shows that high risk populations include:

- **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 also experience higher 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 consequence of problem gambling and are less likely than other adults to seek treatment.

- **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% were problem or pathological gamblers. Young people who are problem gamblers are also more likely to report concurrent substance abuse problems, experience mental health problem and attempt suicide.

#### ***Quantifying the social costs of problem gambling***

According to the Ontario Ministry of Health, across all communities where a casino has opened, pathological gamblers increased from 1.5% to 2.5% after casino openings. A more recent research by the National Institute of Health (NID) found that living within 15 kilometers or less of a casino doubled the risk of problem gambling. It also found that individuals living in a disadvantaged neighbourhood had a 9-percent increase in the odds of being a problem or pathological gambler.

The National Opinion Research Centre (1999) study identified two sets of social costs resulting from pathological gambling. These were net of other effects, such as drug or alcohol abuse, and according to the National Gambling Impact Study Commission, should be considered minimums.

1. Ongoing, annual costs resulting from job loss, unemployment and welfare benefits, poor physical and mental health, and gambling disorder treatments
2. One-time (or less frequently occurring) costs over the lifetime of a gambler resulting from bankruptcy, arrests, imprisonment, legal fees for divorce, etc.

**Table 1. National Opinion Research Centre (1999) estimates of average social costs per pathological gambler**

Type of gambler	Type 1 (ongoing/annual) social cost per gambler	Type 2 (lifetime total) social cost per gambler
Pathological gambler	\$1,200	\$10,550

**Table 2. Estimate of additional social costs in the City of Vaughan from increased prevalence of pathological gambling as a result of a new casino**

Category	Data	Data resource, notes
City of Vaughan adults 18+	196,565	Statistics Canada, 2011
Number of additional pathological gamblers	$196,565 \times 1.9\% = 3,735$	1.9% of Canadian adults are lifetime pathological gamblers (Shaffer, 1999)
<b>Estimated additional Type 1 annual social costs from a new casino in the City of Vaughan</b>		
Annual social cost of additional pathological gamblers	$3,735 \times \$1,674.89 = \$6,255,714.15$ annually	National Opinion Research Centre (1999) <sub>1</sub> estimates (see Table 1), updated to 2013 dollars <sub>2</sub>
<b>Estimated additional Type 2 lifetime social costs from a new casino in Franklin County</b>		

Lifetime social cost of additional pathological gamblers	3,735 x \$14,725.10 = <b>\$54,998,248.50 lifetime total</b>	National Opinion Research Centre (1999) <sub>1</sub> estimates (see Table 1), updated to 2013 dollars <sub>2</sub>
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1. These figures represent the increased number of adults who may become pathological gamblers as a result of the location of a casino in the community.
2. Adjustment to 2013 dollars based on Bureau of Labor Statistics Consumer Price Index calculator: <http://data.bls.gov/cgi-bin/cpicalc.pl>

Table 2 estimates \$6 million per year in Type 1 social costs that are linked most directly to human services issues (mental health, substance abuse, welfare, gambling addiction treatment) and \$54 million in Type 2 total lifetime social costs (bankruptcies, arrests, imprisonment, divorce) that impact individuals, families, businesses, and government most directly, although they also impact the human services system.

#### **Economic impacts of gambling and casinos on local businesses**

Advocates of a casino in the City of Vaughan argue that such a destination casino, in the heart of the downtown core, would attract increased commerce, revenue and employment. However, a sudden influx of people without the infrastructure to support such expansion lead to many issues related to crowding (e.g., traffic congestion, environmental pollution, etc). In addition, research shows that the policy of making money by attracting tourists to a casino tends to work only in the short term (Room, Turner, & Ialomiteanu, 1999). In fact, most of the revenue appears to have come as a diversion from other expenditures, such as on entertainment that would have otherwise been made from community businesses.

While it is true that any new business or industry brought into a community contributes to the local economy, some of the new business represents displacement (Persky, 1995) from other economic activities; for example, a person that may have spent \$100 on a dinner at a local restaurant may instead spend \$100 on gambling. According to respondents in of a survey conducted in Niagara Falls (Room et al., 1999), most of the money they spent at the casino was diverted from some other form of entertainment. Gambling losses at the casino by local residents quietly subtract from other parts of the local economy and this effect more or less cancels the added employment and commerce from visitors' meals or stays at motels.

Research by Ontario Ministry of Health (Hann & Nuffield, 2005) found that local would-be suppliers to casinos had very little if any net gains. For tourist and hospitality industry operators, there has been no windfall; most "visitor" casino patrons who come to gamble do not stay and do not spend significant amounts of money outside the casino.

In addition to detracting customers from smaller local businesses, Janes Holmes, the vice president of corporate affairs at Woodbine Entertainment Group fear that the addition of a casino in the GTA would cannibalize the gaming operations in Etobicoke (which is only 10 minutes away from the proposed construction site). It doesn't make economic sense to develop one potentially viable business, only to have to close down another successful one due to competition of clientele. Woodbine and its business activities currently generate over 10,000 jobs for the City of Toronto, the closure of the existing Woodbine Racetracks would have a devastating impact on families that depend on those jobs.

Proponents of a local casino have argued that the addition of such a business expansion will reduce employment rate. However, to the contrary, research has found that local unemployment often stays the same even with the addition of a casino. A study examining the opening of a casino in Niagara Falls found no significant change in the unemployment rate, with the possible explanation that direct and indirect employment from the casino was diverted from other industries from the area, resulting in no impact on the local unemployment rate (Turner, 2008). Most studies examining the employment impact of a casino do not account for the potential loss of employment in other sectors of the local economy or in the larger region as a result of a casino opening.

### **Health impacts of gambling and casinos**

In addition to the increase in pathological gamblers in the community, related issues such as tobacco and alcohol dependence also rise following the construction of casinos. Furthermore, with the legalization of brothels in the province of Ontario in 2012, the combination of illicit substances such as alcohol may lead to higher prevalence of sexual transmitted infections in the community.

Nigel Turner, a gambling studies researcher at the Centre for Addiction and Mental Health in Toronto, says a casino in the GTA could have severe ramifications for its population of problem gamblers. "Availability is a particular problem for people with an addiction," he says. "That's just as true for [alcohol] or tobacco as it is for gambling. People who live closer to a casino tend to be the most risk for developing a problem, because it's harder to get away from it. If they drive by it, they're triggered by a desire to go back and recapture some of that excitement."

He continues to say that, "There are quite large number of people with gambling problems in the criminal justice system already; there is very little in the way of treatment services for people who are incarcerated."

While proponents of the casino in the Greater Toronto Area, such as the spokesperson of Ontario Lottery and Gaming (OLG) Tony Bitonti cite the province's \$40 million responsible gambling program, as well as the \$13 million the OLG spends on education, research suggest that preventative measures (such as prohibiting the development of a casino in the GTA) will save far more money than providing rehabilitation services for problem and pathological gamblers.

In a report by the Toronto Public Health (TPH) published in January 2013, it was found that the impact of a casino is mostly negative. This conclusion is based on assessment of employment, crime, neighborhood impact as well as social safety. Specifically, the addition of a casino is sought to increase shift work, property crime, violent crimes, traffic and congestion, air pollution, motor vehicle accidents as well as public service demand – all factors that will worsen health of the city's residents.

While it is true that opening any new business venture would add more jobs, positions in the gambling industry are low skilled, low paid and more often part-time. A 2011 Statistic Canada report on gambling found that compared to those in non-gambling industries, workers in the Canadian gambling industry were more likely to be paid by the hour (80% versus 65%) and to be paid less on average, including tips and commissions (average of \$21.95 an hour versus \$24.05).

A negative impact often associate with casino employment is the requirement for shift work and late night work (Turner, 2008). Night shift work can interrupt the circadian rhythm and increase risk of insomnia, physical and mental health problems, social disruption and traffic accidents. Shift work and late night work may also have negative family impacts. For example, nonstandard work schedules have been associated with emotional and behavioural difficulties in children of shift workers. Furthermore, fathers who have been married for less than

five years, have young children and work night shifts are six times more likely than those who work standard hours to become separated from their partner. Similarly, mothers, who have been married for more than five years, have young children and work night shifts are three times more likely than those who work standard hours to become separated or divorced.

In addition, studies of casino employees have also found higher prevalence rates of problem gambling, problem drinking, depression and smoking than the general adult population.

People who live near casinos frequently cite high traffic volume as one of the negative impacts. Higher traffic increases levels of ambient noise pollution, which is associated with high blood pressure, sleep disturbance and impaired task performance and impaired childhood development. It also increases outdoor air pollution, already a significant public health concern in Toronto. The health effects of air pollution include a broad range of respiratory and cardiovascular effects, cancer and hormonal and reproductive effects. Vulnerable groups who are especially at risk from traffic related air pollution include children, fetuses, pregnant women and the elderly.

Higher traffic volumes associated with a new casino increases risk for pedestrian injury and fatality, particularly in situations of pedestrian intoxication. Increased vehicle traffic may also increase risk for cyclist injury and fatality. Increases in driving while impaired or extremely tired have both been linked to a casino presence in communities.

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.
- Problem gambling can contribute to depression, insomnia, intestinal disorders, migraine, and other stress-related disorders.
- There are clear links between problem gambling and problem drinking. This combination increases risk of intimate partner violence.

#### **Additional Notes**

- In an article published online on March 28<sup>th</sup>, 2013 in YorkRegion.com, Vaughan mayor Maurizio Bevilacqua has stated that “[the casino] could generate anywhere between \$25 million and \$35 million or more to city coffers and 8,000 full-time jobs and 3,000 construction jobs for three years.” While this certainly looks attractive in the short term, we must keep in mind that casino jobs are often menial, with undesirable hours and low wage. Furthermore, the short burst of construction jobs does not guarantee long term stability; those who are currently unemployed will become unemployed once again following the construction. Finally, as we see from calculations associated with increased pathological gamblers, this group alone would decrease the amount of revenue by about 6 million. If we take into account the lifetime cost associated with increased pathological gamblers (\$54 million) we in fact run into a deficit from the \$35 million that mayor Bevilacqua has suggested.
- As gambling expands in North America, local and provincial governments face tough decisions regarding the welfare of its people. Governments want to provide services to its people but the lack of plush budgets leads to tough choices. Instead of cutting spending or increasing taxes, the two basic philosophies of balancing budgets, many in government are looking to use gambling as a way to solve budget shortfalls. The belief is that you put an enormous tax on gambling institutions to make up budget dollars while not directly increasing taxes nor cutting any spending. The problem is that a wealth of evidence indicates that such notion is tremendously flawed. A casino would cannibalize local economy



and result in a net loss of jobs not a net gain. Furthermore, the money that the casinos do generate are often sent out of the community and not reinvested back for its residents.

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