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The Economic Impact of Gambling Regulation: a case study of Great Britain

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Disclosure of interest

- **Financial links** in the gambling sector: **Heather has not received any income, directly or indirectly, from the gambling sector** (including lotteries) in the last five years, both personally or through her employer (University of Glasgow). She has received regulatory settlement funding from the Gambling Commission. In 2018/19 she worked on a project funded by GambleAware on gambling and suicide and prior to 2018, worked on other projects funded by GambleAware. She is funded for gambling studies by: Economic and Social Research Council; National Institute of Health Research; Wellcome Trust; GREO; Local Government; Department of Culture Media and Sport, Gambling Commission.
- **Non-financial links** in the gambling sector: **Heather has no structural cooperation or collaboration with the gambling sector.** Where necessary for research purposes or where required by the Gambling Commission, there is occasional interaction with the gambling sector to achieve project aims (i.e., attending events where industry are present for research purposes; presenting information about the Gambling Survey for Great Britain as required by the Commission to industry stakeholders).
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The central tension in policy reform

“We respect the freedom of adults to choose how they spend their money and the value of a responsible industry which protects players, **provides jobs and pays taxes**. But it is essential that we prevent exploitation of vulnerable people and **protect individuals, families and communities from the potentially life ruining effects of gambling-related harm.**”

Nigel Huddleston

Minister for Sport, Tourism and Heritage, Terms of Reference: Gambling Act Review White Paper, 2020

What does gambling add to the economy?

Direct effects:

- The industry also makes significant contributions to the economy, employing nearly 100,000 people,
- Pays about £3.5 billion (£3 billion in Betting and Gaming Duty; £200 million in corporation tax from Gross Gaming Yield of over £14 billion).
- Betting and Gaming Duty represents only about 0.14% of GDP, though industry cite their contribution to GDP as nearly 0.6%

Indirect effects:

- It also contributes to other industries, including sport, racing and advertising.
- ONS multiplier = 1.74; lower than private traded sector; same as manufacturing sector; higher than rental sector*



Industry framing

“The regulated betting and gaming industry employs 100,000 men and women and pays £3.2 bn a year in tax to the Treasury, so the Government needs to be wary of doing anything that puts that at risk.” (Wardle et al, 2021)

“If people were restricted, they would simply migrate to the growing unlicensed, unsafe, black market” (Wardle et al 2021)

“[U]nlicensed, unsafe [black market online] that employs no one, pays no tax and contributes nothing to UK PLC” (Wardle et al 2021)

“the idea that somehow restricting betting would create more jobs is economically daft and frankly for the birds. This is the theory that if you closed the betting shops there would somehow be a boom in the sale of scented candles.”

<https://www.politicshome.com/members/article/betting-and-gaming-council-statement-response-to-the-peers-for-gambling-reform-report>



The practice & theory

1. Gambling Act White Paper estimates a reduction in GGY of between 498 million to £1.3 million per year.
2. What happens to that money?
3. Lost, saved, unlicensed gambling, spent elsewhere?
4. Good evidence for substitution effects from other sectors
5. Prior reports estimated 1:1 substitution, with results of net benefit to economy
6. But what would people who gamble actually do?

Stage 1: Survey of approx. 1500 people who regularly gamble:
To understand consumption patterns and propensities

Stage 2: Discrete choice experiments and choice modelling:
To elicit gamblers preferences for a change in expenditure from gambling to other goods and services, savings and debt reduction.

Stage 3: Macro economic models:
To assess macro economic impact following a reduction in gambling expenditure



The survey

Use of unlicensed operators?

- New questions measuring use of unlicensed operators: multi-part questions: whether gambled with unlicensed operator (after description) – names given and coded; gambling with cryptocurrency; use of VPN (for not crypto gambling); gambled with non-gamstop websites: Overall 7% of sample reported using unlicensed websites.

Gambling expenditure

- New questions developed to attempt to get more accurate responses: asks about losses first, then winnings and perform check for overall expenditure Better distributions than other studies (majority report losses) but likely over-estimation of “breaking even”.

Hypothetical spend

- Ask to imagine if they could no longer spend money on gambling, what would they spend money on instead.

Hypothetical spend: the question

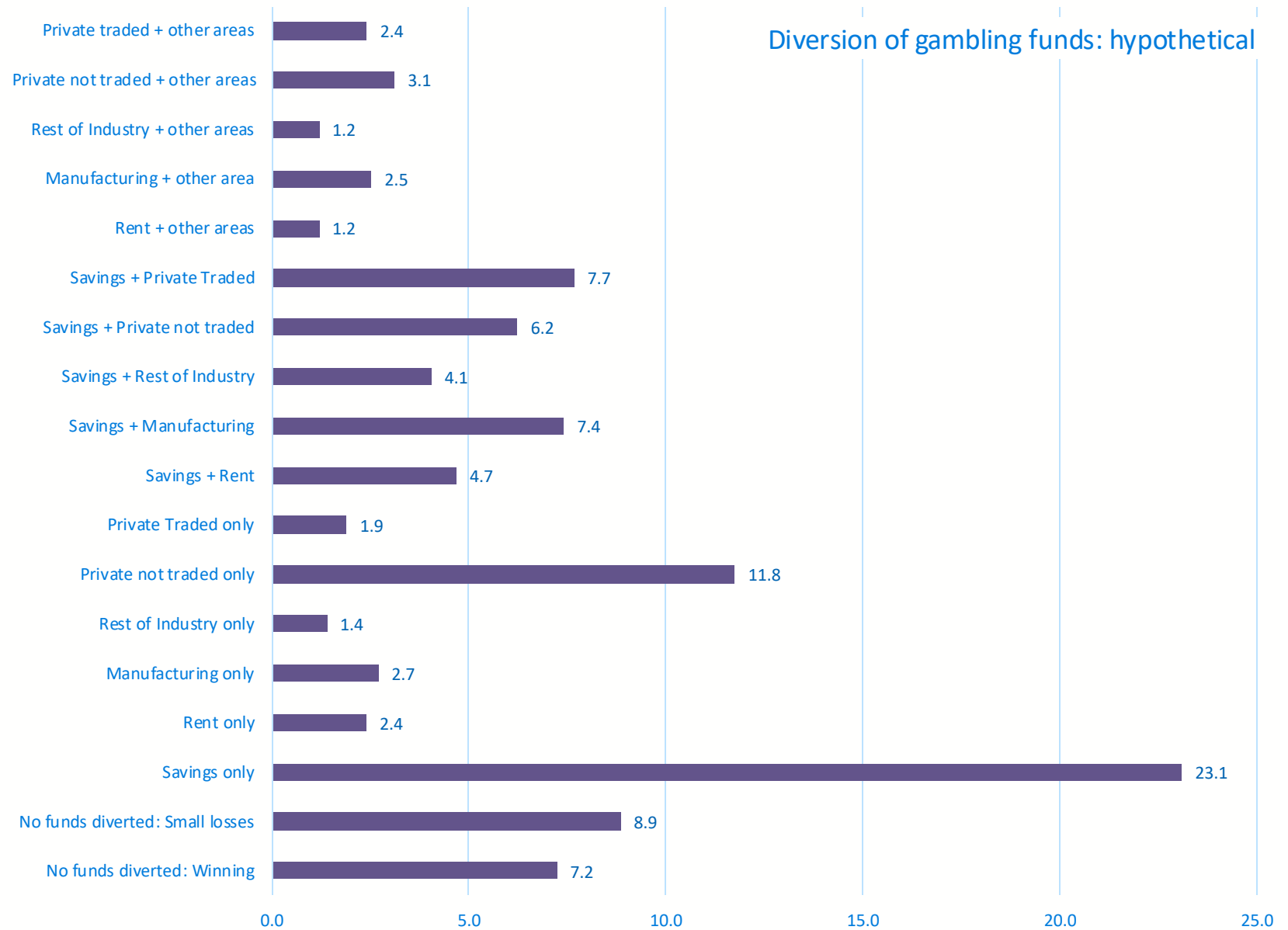
Q28: Imagine, for some reason, you were no longer able to spend any money on gambling. Which of the following, if any, would you spend money on instead?

1. Pay mortgage or rent **(b)**
2. Put money in savings accounts **(a)**
3. Paying electric, gas, water or other household bills **(d)**
4. Phones, internet costs **(f)**
5. Paying credit card bills **(a)**
6. Paying back bank loans or other loans **(a)**
7. Paying back personal loans from friend and family **(a)**
8. Buy food and non-alcohol drinks **(f)**
9. Alcohol, tobacco, cannabis or other substances **(f)**
10. Clothing and footwear **(c)**
11. Household goods (electrical, furniture etc) **(c)**
12. Household services (cleaning, maintenance, repair etc) **(e)**
13. Transport (including fuel, vehicle costs and public transport) **(f)**
14. Health products and services (medications, glasses, hospital costs etc) **(e)**
15. Restaurants and hotels **(e)**
16. Leisure and culture (daytrips, holidays, cinema or events tickets, TV streaming services, hobbies) **(e)**
17. Education (nursery fees; school fees etc) **(e)**
18. Other (please specify)
19. None of these

1. Map results to National Institute of Global Economic model (NiGEM) sectors
2. Top level sectors:
 - a) Savings/debt reduction
 - b) Rent
 - c) Manufacturing
 - d) Rest of industry
 - e) Private not traded
 - f) Private traded

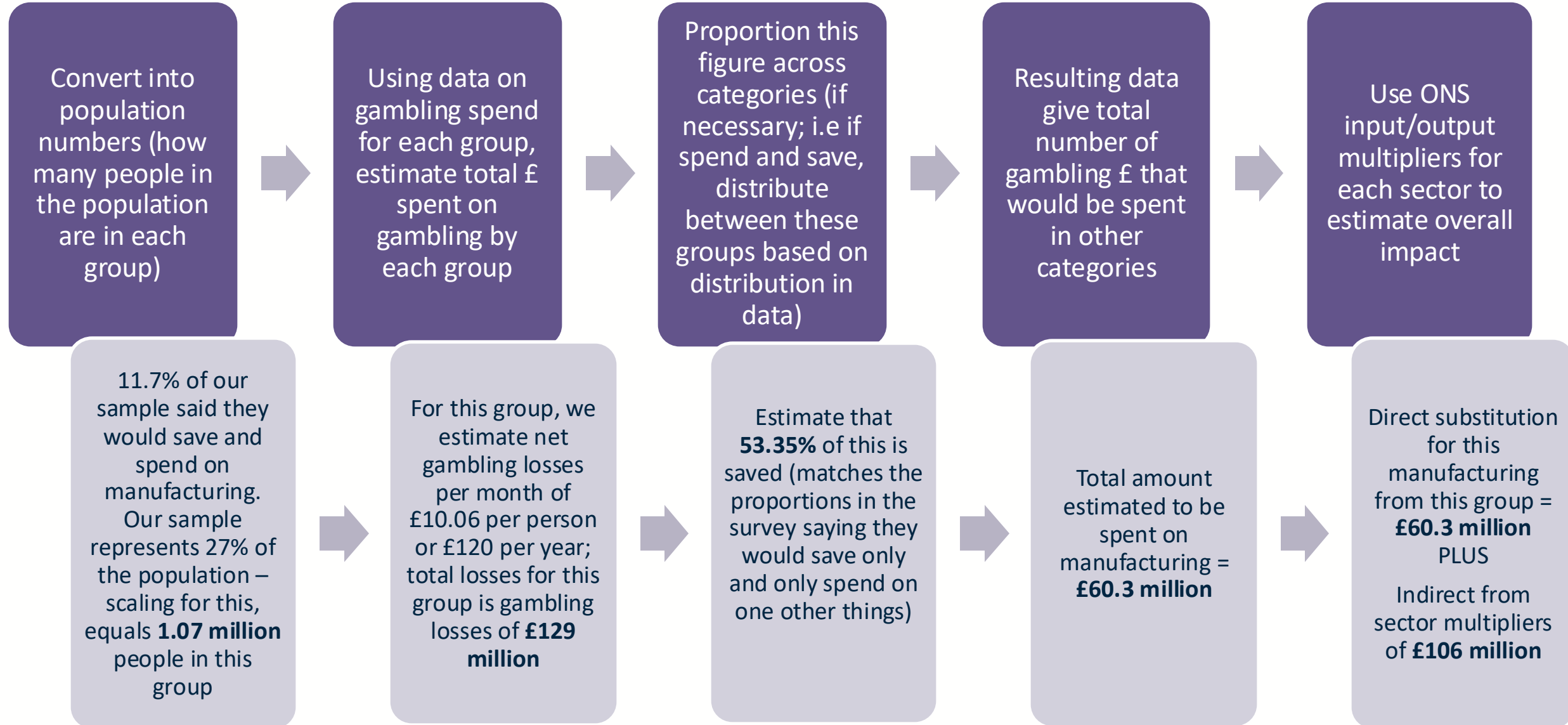


Hypothetical spend: results





Conversion into macro estimates



Preliminary estimates – assuming a reduction of GGY of £1.1 billion

NiGEM Sector	Gambling £ substituted to other sector	Sector multiplier	Direct effect (£ millions)	Indirect effect (£ millions)	Total effect (£ millions)
Rent	144887837.8	1.5	144.9	71.7	216.6
Manufacturing	130938635.7	1.8	130.9	98.8	229.8
Rest of Industry	48088447.8	1.9	48.1	43.1	91.2
Private not traded	218776814.8	2.0	218.8	209.2	428.0
Private Traded	98295457.0	1.7	98.3	64.9	163.2
Total			641.0	487.7	1128.7

If reduce gambling by £1.1 billion, get a combined positive impact on other sectors of £1.1 billion. If take into account impact of gambling reduction on other sectors (a reduction of £1.9 billion); the difference is a negative effect of c.£800,000 million BUT these estimates are based on a range of assumptions that need further testing. If savings distribution alters, picture would be different.



Where next?

1. Have confidence we can translate micro data into macro estimates
2. Need to implement more robust micro-methods to look at people's stated preferences
3. Get better estimates of the distribution of spend
4. Get estimates of propensity to reallocate to unlicensed market
5. Stage 2, planning now – fieldwork in September
6. Re-run Macro models based on more robust Stage 2 data.

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Final thoughts



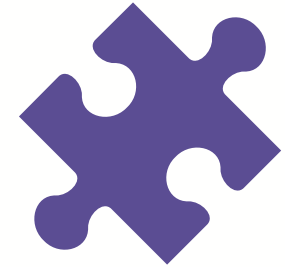
Question

Important to question and counter industry framing and narratives



Resolve

Prior studies set the ground-work, but we need more empirically grounded insight on how assumption reflect possible behaviours



Join-up

Joining up micro and macro economic perspectives to generate new, and policy-orientated insight



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Thank you!

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