



Tasmania can't afford a bet on the pokies

Will re-opening the pokies be something Tasmania can't afford?

Discussion paper

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Summary

The poker machine industry has been shut down in Tasmania since the 24th of March. The industry is set to re-open on Friday the 26th of June.

Re-opening these venues will provide immediate employment to staff previously stood down. However, our research shows that, in broader terms, poker machines (“pokies”, “electronic gaming machines” or “EGMs”) are a drain on the state economy and on jobs.

Tasmania has been hard hit by COVID-19, suffering more job losses per capita than any other state. It can therefore be assumed that Tasmanians are also receiving a high level of JobSeeker and JobKeeper support per capita. These payments are designed to assist the unemployed and provide stimulus into a suppressed economy. Poker machines are highly profitable for owners, but low return for job creation.

Our analysis shows that, since the lockdown began in late March, around \$42 million that would normally be spent on the pokies has not been spent on the pokies.

\$42 million spent in Tasmania could create:

- 398 jobs in Food and Accommodation; or
- 236 jobs in Arts and Recreation; or
- 427 jobs in Health Care and Social Services; or
- 125 Retail Trade jobs

Estimates of jobs directly related to pokies vary widely, but businesses that include gaming activities themselves estimate that only 19% of their employees are working directly in gambling roles.

The state budget has also been hit, with the Premier acknowledging the state will go into a \$700 million deficit.¹ Our research finds that under most models, the cost of EGM-related problem gambling (up to \$184 million in 2011 dollars) far exceeds revenue from EGM-related gambling taxes and fees (\$53.4 million in 2016). Given the current position of the state’s budget, and the impact (social and economic) on the community from COVID-19, re-opening the pokies represents a net financial burden to the state.

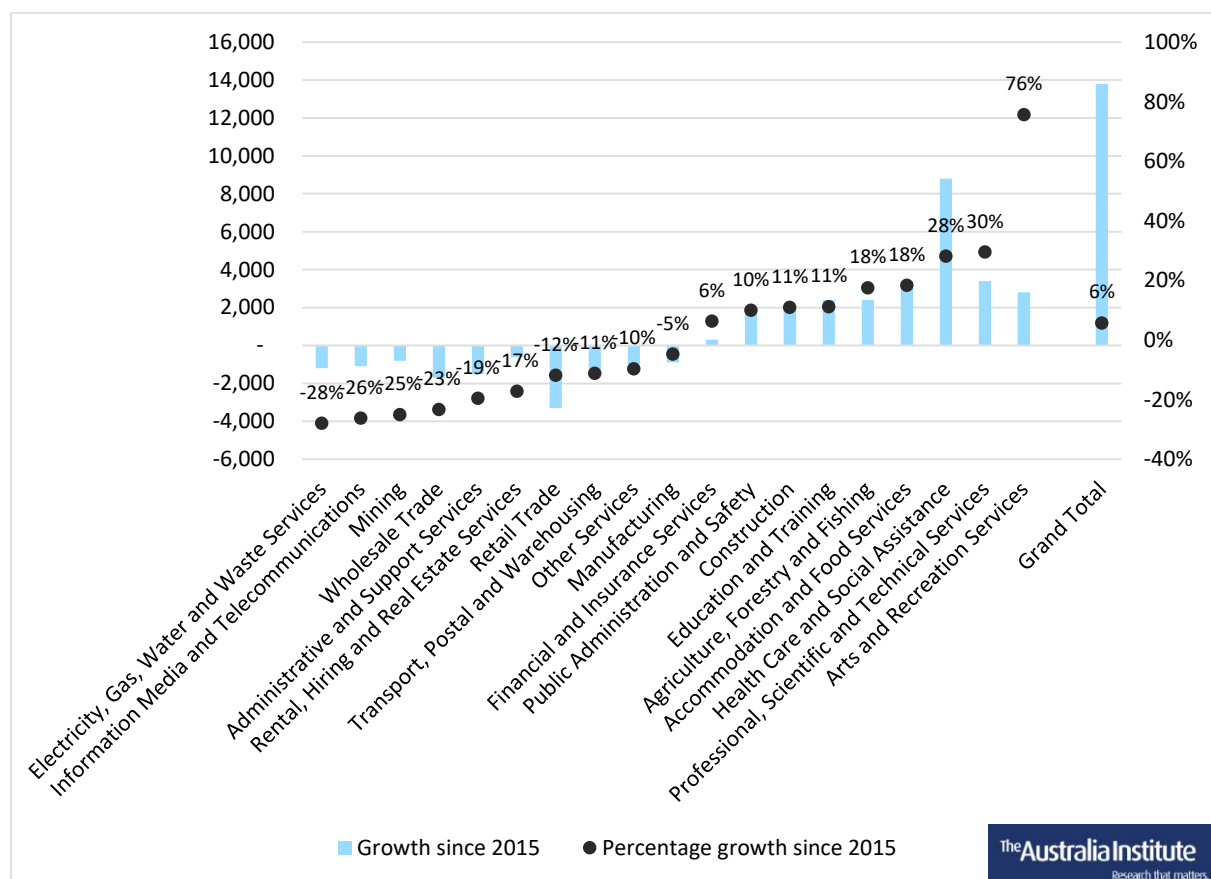
¹ Gutwein (2020) *Tasmania’s Economic and Fiscal Update Report May 2020*, http://www.premier.tas.gov.au/releases/tasmanias_economic_and_fiscal_update_report_may_2020

The Tasmanian economy before COVID-19

The shape and size of the Tasmanian workforce had shifted substantially in the five years before the COVID-19 pandemic. Overall, almost 14,000 jobs were created between 2015 and 2020, an increase of 6%.

On a percentage basis, Arts and Entertainment was the standout sector, creating almost 3,000 new jobs, an increase in size of 76% over five years. The Health Care and Social Assistance sector added the largest number of jobs at 8,800. Sectors that shrunk included Mining, Retail Trade, Electricity, Gas, Water and Waste Services.

Figure 1: Employment changes by sector (2015 to 2020)



Source: Labour Market Information Portal (2020) *Census - Employment by Industry Time Series*, <https://lmip.gov.au/default.aspx?LMIP/Downloads/EmploymentRegion>

Note: Based on the four-quarter rolling average for February 2015 and February 2020 quarters.

Economic impact of COVID-19

Tasmania lost 9.5% of jobs between the 14th of March and the 30th of May, more than any other state or territory.² Jobs in the Accommodation and Food Services sector decreased by 29.1% and Arts and Recreation Services saw a drop of 26.3%, the two worst-affected sectors.³ As shown above, both of these sectors were, prior to the pandemic, major employers in Tasmania.

Figures on the geographical distribution of JobKeeper and JobSeeker payments are not yet available. However, given the high per capita job losses in Tasmania it is reasonable to presume an accompanying level of high support via the two government schemes.

Two of the primary purposes of Job Keeper and JobSeeker is to provide economic support to individuals and provide stimulus throughout the economy.

As the Tasmanian economy re-opens, government policy must be geared toward industries and investments that have the highest rate of job creation per dollar spent.

² ABS (2020) 6160.0.55.001 - *Weekly Payroll Jobs and Wages in Australia, Week ending 30 May 2020*, <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6160.0.55.001Main%20Features2Week%20ending%2030%20May%202020>

³ ABS (2020) 6160.0.55.001 - *Weekly Payroll Jobs and Wages in Australia, Week ending 30 May 2020*

Poker machines and jobs creation

During the lockdown period from late March to late June, an estimated \$42 million has been saved or spent in areas of the Tasmanian economy other than on poker machines.⁴ The re-opening of poker machines at the end of June will likely see this money re-diverted to poker machines. If Tasmania follows the trend of NSW, there may even be an increase in spending on poker machines.⁵

Poker machines have a low direct job creation rate per dollar spent compared to other industries.

ABS statistics estimate that for every million dollars spent:⁶

- 9.5 jobs are created in Food and Accommodation; or
- 5.6 jobs are created in Arts and Recreation; or
- 10.2 jobs are created in Health Care and Social Services; or
- 3 jobs are created in Retail Trade; or
- 3.3 jobs are created generally; or
- 2.3 jobs are created in Gambling Activities⁷ (all types of gambling, not just poker machines)

Our analysis shows that, since the lockdown began in late March, around \$42 million that would normally be spent on the pokies has not been spent on the pokies.

\$42 million spent in Tasmania could create:

⁴ Author's calculations using total losses from 2018/19 outlined in Tasmanian Liquor and Gaming Commission: Tasmanian Liquor and Gaming Commission (2019) *Annual report 2018–19*, <https://www.treasury.tas.gov.au/Documents/2018-19%20TLGC%20Annual%20Report.PDF>; numbers also sourced from Webb (2020) *Pokies*, <https://megwebb.com.au/pokies/>

⁵ Gladstone (2020) *Pokie turnover higher in first week after lockdown than before COVID-19*, <https://www.smh.com.au/national/nsw/pokie-turnover-higher-in-first-week-after-lockdown-than-before-covid-19-20200610-p5515s.html>

⁶ Data on employment intensity comes from ABS (2020) *8155.0 - Australian Industry, 2018-19*, <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8155.02018-19>

⁷ ABS (2020) *8155.0 - Australian Industry, 2018-19*, "Australian industry by subdivision" data cube, <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8155.02018-19>

- 398 jobs in Food and Accommodation; or
- 236 jobs in Arts and Recreation; or
- 427 jobs in Health Care and Social Services; or
- 125 Retail Trade jobs; or
- 97 Gambling Activities jobs (all types of gambling, not just poker machines)

Although ABS statistics calculate 2.3 jobs per million dollars spent for Gambling Activities, it is difficult to calculate the number of people employed directly for poker machines rather than other forms of gambling.

A survey of venue operators in 2014 found that of all full-time equivalent employees (“FTEs”), only 19% played a role in the gambling category.⁸

The Fourth Social and Economic Impact Study of Gambling in Tasmania (“Fourth SEIS”), calculated there were 1,135 FTEs across the gaming industry in Tasmania.⁹ Of these, 247 work directly on poker machines in pubs. A further 483 are counted as working in ‘gaming’ in two Casino’s but no breakdown is given as to how many are employed directly for poker machines. This would mean that even if all 483 FTEs worked on poker machines in both casinos and no other form of gaming, the total FTEs for poker machines in Tasmania would be 730.

⁸ ACIL Allen Consulting (2015) *Third Social and Economic Impact Study of Gambling in Tasmania*, volume 1, p 119, <http://www.treasury.tas.gov.au/Documents/20150109SEISVolume1FINAL.PDF>

⁹ ACIL Allen Consulting (2017) *Fourth Social and Economic Impact Study of Gambling in Tasmania*, <https://www.acilallen.com.au/projects/other/fourth-social-and-economic-impact-study-of-gambling-in-tasmania>

Gambling is a net negative for the Tasmanian economy

Tasmania's economic position has changed dramatically since the beginning of the pandemic. In the Tasmania's Economic and Fiscal Update Report May 2020, the Premier announced the state is likely to be facing a deficit of just over \$700 million for the 2019/20 financial year. The state has gone from leading jobs growth in March 2020 to a forecast 27,500 jobs lost by the end of June and an unemployment rate of 12.25 per cent.¹⁰

In the current fragile economic and social context, the re-introduction of poker machines will have a net negative effect on the state. The social costs of EGM-related problem gambling are highly likely to exceed state revenue from EGM-related gambling taxes and fees, and may also exceed the entire estimated benefit of EGM-related gambling in Tasmania.

The government funded, ACIL Allen Consulting authored Fourth Social and Economic Impact Study of Gambling in Tasmania did not "account for the effect on the economy of the negative impacts of gambling due to the lack of adequate data".¹¹

However, the Second Social and Economic Impact Study of Gambling in Tasmania, also authored by Allen Consulting Group (as it was then called) in 2011 applied Productivity Commission survey results to Tasmania to estimate the social costs of gambling.¹²

They considered the costs of problem gambling among moderate-risk and problem (i.e. high-risk) gamblers under three scenarios: where the rate of moderate gamblers experiencing the same costs as high-risk gamblers is 25% (the "narrow application"), where it is 50% (the "moderate application") and where it is 75% (the "broad application").

¹⁰ Gutwein (2020) *Tasmania's Economic and Fiscal Update Report May 2020*, http://www.premier.tas.gov.au/releases/tasmanias_economic_and_fiscal_update_report_may_2020

¹¹ ACIL Allen Consulting (2017) *Fourth Social and Economic Impact Study of Gambling in Tasmania*, volume 1, p 64, <https://www.treasury.tas.gov.au/Documents/Volume%201%20-%20Industry%20Trends%20and%20Impacts.PDF>

¹² The Allen Consulting Group (2011) *Second Social and Economic Impact Study of Gambling in Tasmania*, volume 1, p 129-136, <http://www.treasury.tas.gov.au/Documents/Volume1secondgamblingSEIS.PDF>

Allen Consulting found that in the narrow application, problem gambling costs \$37–\$104 million per year, in the moderate application \$51–\$144 million and in the broad application \$64–\$184 million (all 2011 dollars).

These figures include \$17–\$110.3 million in emotional distress to immediate family and parents, \$3.1–\$16.8 million in emotional cost of divorce and \$10–\$35.7 million in costs of thoughts of suicide and attempted suicide.

Poker machines are responsible for most of these costs: \$30.7 million out of \$37 million in the lowest figure and \$153.3 million out of \$184 million in the highest figure. Explaining the predominance of poker machines, Allen Consulting wrote:

One finding that is consistent across all cost estimates is that the large majority of estimated costs are attributable to Poker machines. This is because the large majority (83 per cent) of total gambling expenditure by moderate risk/problem gamblers is on Poker machines. In comparison, a smaller share (55 per cent) of total gambling expenditure is on Poker machines. In other words, Poker machines tend to be associated with higher participation by problem gamblers and, therefore, higher gambling related social costs.¹³

The same Impact Study found that the estimated benefits of gambling in Tasmania in 2011 were \$174.2–\$221.9 million, of which Poker machines accounted for \$80.7–\$106.9 million. Social costs of problem gambling were not accounted for in these figures, so at the higher range of estimates the social costs of EGM-related problem gambling far exceed the total benefits of EGM-related gambling.

The costs of EGM-related problem gambling (between \$30.7 million and \$86.7 million even in the narrow application, and as high as \$153.3 million in the broad application, in 2011 dollars) in most estimates are much higher than State revenue from EGM-related gambling taxes and fees, which was \$48.7 million in 2019.¹⁴

¹³ The Allen Consulting Group (2011) *Second Social and Economic Impact Study of Gambling in Tasmania*, volume 1, p 135-136, <http://www.treasury.tas.gov.au/Documents/Volume1secondgamblingSEIS.PDF>

¹⁴ Calculated from taxation and fees for gaming machines at hotels and clubs and casinos, plus all licence fees and penalties other than totalizator fees and penalties: Tasmanian Liquor and Gaming Commission (2019) *Annual report 2018–19*, p 16, <https://www.treasury.tas.gov.au/Documents/2018-19%20TLGC%20Annual%20Report.PDF>

Conclusion

The Tasmanian economy and jobs market have been significantly impacted by the COVID-19 pandemic.

During the lockdown, \$42 million that would have otherwise been spent on pokies has been redistributed to either household savings or spending. Spending in the local economy on goods and services other than poker machines returns a higher rate of return for job creation.

Poker machines have a high social and economic cost to the community that could negate contributions to the Tasmanian economy.