

The Economic Impact of Fixed Odds Betting Terminals

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Executive Summary

Landman Economics was commissioned by the Campaign for Fairer Gambling to conduct a research project on the economic impact of Fixed Odds Betting Terminals (FOBTs) in betting shops.

FOBTs only began to be installed in betting shops in the early 2000s but have grown quickly since then as a source of revenue. In 2011/12 FOBT gambling overtook traditional Over-the-Counter (OTC) betting as the main source of revenue from betting shops for the first time. Currently gross revenue from FOBTs is growing at around 7% per year in real terms.

Only a small proportion of the UK population use FOBTs – around 4 percent of adults in the 2010 British Gambling Prevalence Survey (BGPS). However, FOBT users tend to be more frequent gamblers than OTC betting customers. FOBT users are also increasingly likely to be young men (aged under 35), unemployed and/or from low income households. FOBTs are also much more likely to contact gambling helplines due to gambling addiction or other related problems than are OTC betting customers.

The Association of British Bookmakers has claimed that increased regulation of FOBTs would lead to substantial job losses in the betting sector. However, this view does not take account of the *overall* impact of a shift in consumer spending towards FOBTs and away from other goods and services. Each pound which a consumer spends on FOBTs (net of winnings) is by definition a pound which is not spent elsewhere in the economy. This report conducts an analysis of the economic impact of FOBTs by estimating the amount of employment supported by a certain quantity of expenditure on FOBTs compared with the employment supported by the same quantity of consumer expenditure on other goods and services in the economy.

Because expenditure on FOBTs supports relatively little employment compared with consumer expenditure elsewhere in the economy, this report finds that £1bn of “average” consumer expenditure supports around 20,000 jobs across the UK as a whole, whereas £1bn of expenditure on FOBTs supports only 7,000 jobs in the UK gambling sector. This implies that, other things being equal, **an increase of £1bn in consumer spending on FOBTs destroys just over 13,000 jobs in the UK**. The results in this report suggest that, if current rates of growth of FOBT expenditure are maintained:

- Gross industry revenues from FOBTs will double in real terms over the next ten years, resulting in a gain of over 11,000 jobs for the gambling sector by 2023/24 but a reduction of over 22,000 jobs for the economy as a whole. At the end of the period covered by the forthcoming Triennial Review of Gaming Machine Stake and Prize Limits, overall UK employment is forecast to fall by just over 5,000.

- At the end of the ten year period, the total annual wage bill in areas where FOBTs are established will be around £650 million lower (in today's prices) than if FOBT use remained at its 2013 level.
- At the end of the ten year period net tax receipts will also be around £50 million per year less due to the expansion of FOBTs. Revenue from Machine Games Duty is forecast to increase by around £340 million but this is more than offset by reduced receipts from income tax and National Insurance contributions (due to lower employment) and reduced VAT receipts (due to lower consumer spending on other goods and services).

Introduction

Landman Economics has been commissioned by the Campaign for Fairer Gambling to conduct a research project on the economic impact of Fixed Odds Betting Terminals (FOBTs) in betting shops. FOBTs – also known as “B2 gaming machines”¹ – are electronic terminals situated in betting shops (a maximum of four machines per outlet under current rules).

With the UK Government’s Triennial Review of Gaming Machine Stake and Prize Limits imminent (DCMS, 2013), there is a clear debate to be had about whether the current maximum stake level for FOBTs (£100) and the current level of regulation of FOBT play is appropriate. The Association of British Bookmakers (ABB), which represents the gambling industry, has claimed that increased regulation of FOBTs would lead to substantial job losses in the gambling sector (a recent ABB advertisement in the *Racing Post* claimed that more stringent regulations on FOBTs could cost up to 40,000 jobs). The main aim of this research report is to make a wider assessment of the impact of FOBTs on the UK economy as a whole (rather than just the gambling sector). Looking at the economy as a whole, does an increase in the number of Fixed Odds Betting Terminals in an area create jobs and act as a spur to economic growth? Or does a shift in consumer expenditure from other goods and services to FOBTs tend to siphon resources out of local economies, destroying more jobs than are created?

This report is structured as follows. Section 1 uses statistics from the Gambling Commission and from bookmaking companies’ own annual reports to chart the increase in FOBTs over time and the shift from more traditional “Over the Counter” betting activity to FOBTs in the sector. Section 2 uses recent research on FOBT users to assess the number of people in the adult population using FOBTs, the level of gambling expenditure undertaken by regular users and the extent of “problem” gambling arising from FOBT use. Section 3 assesses the impact of FOBTs on local economies by comparing the number of jobs and the amount of economic output supported by a given amount of expenditure on FOBTs with the number of jobs and the amount of economic output supported by other types of consumer expenditure. This section also looks at the overall impact of increased FOBTs on tax revenues and the public finances. Section 4 assesses the limitations of the analysis and asks whether a more in-depth treatment of certain aspects of the impact of FOBTs might affect the results, and if so, in what way. Section 5 offers conclusions.

¹ Gaming machines are classified into a number of categories according to the maximum stake and maximum winnings legally allowed in each category. See Gambling Commission (2012) Appendix 3.

1 The shift from Over The Counter betting to FOBTs in betting shops

Fixed Odds Betting Terminals only began to be installed in betting shops in the early 2000s but the growth in the number of FOBTs and the revenue from them has been very substantial since then, to the extent that FOBTs have now overtaken more traditional Over The Counter (OTC) betting activities (such as bets on horseracing, etc.) as the main source of revenue generation for bookmakers.

Industry statistics from the Gambling Commission show that in the three years between 2008/09 and 2011/12, the number of FOBTs in betting shops in the UK² increased from 31,484 to 33,345 – a rate of growth of around 2% per year. Meanwhile, the Gross Gambling Yield³ (GGY) from FOBTs increased from £1,051 million to £1,430 million – a rate of growth of around 11% per year (around 7% per year in real terms). (This implies that each machine is being played more intensively even as the number of machines increases.)

At the same time, the number of people employed in the bookmaking industry fell from 60,247 to 54,449 (a rate of decline of just over 3 percent per year.)

In the financial year 2009/10, Gross Gambling Yield from OTC betting was £1.46bn whereas Gross Gambling Yield from FOBTs was £1.19bn. By 2011/12, the equivalent figures were £1.39bn for OTC and £1.45bn for FOBTs. 2011/12 was the year in which machine gambling overtook OTC betting as the main source of revenue for the (off-line) betting sector for the first time.

The high rate of growth in revenue from FOBTs is reflected in the annual reports of the leading bookmaking firms. For example, accounts information from William Hill plc indicates that its revenue from FOBTs is growing at an annual rate of around 14%; the equivalent figure for Ladbrokes is just over 10%.⁴

At the same time the overall number of betting shops in the UK has been growing – despite a rapid decline in OTC betting volumes. Between March 2010 and March 2012 the number of outlets grew from 8,822 to 9,128 – an increase of just under 4 percent (Gambling Commission, 2012). Given that FOBTs are the only part of the betting shop operation which is currently growing in terms of revenues, it is likely that the increase in the number of betting shops is being driven by the restriction of maximum 4 FOBTs per outlet.

² Include footnote explaining what the classifications of gambling machines are in terms of maximum stakes.

³ Gross Gambling Yield is defined by Gambling Commission (2012) as “the amount retained by operators after the payment of winnings but before the deduction of the costs of the operation.”

⁴ See Gambling Data (2012).

2 FOBT users, expenditure on gambling and problem gamblers

Number and frequency of gamblers

The 2010 British Gambling Prevalence Survey (BGPS) is the most recent detailed study of gambling behaviour in the UK to date. 4 percent of adults surveyed in the 2010 BGPS had played Fixed Odds Betting Terminals at some point in the year prior to the survey. Analysis of frequency of participation by gambling product shows that more than 50% of adults who used FOBTs use the machines more than once a month. In general the frequency of use of OTC betting products was much lower (for example, for horserace betting the equivalent figure is 25%).

Data from the bookmakers William Hill reported by the market research group Gambling Data (2012) suggests that FOBT users are a minority of customers in betting shops, with OTC customers outnumbering FOBT users by around 4 to 1.

Characteristics of FOBT users

Research published in March 2013 by the National Centre for Social Research (NatCen, 2013) uses the two most recent waves of the British Gambling Prevalence Survey (in 2007 and 2010) to examine the characteristics of FOBT users compared with other gamblers as well as the general population. The results from the research show several particular trends:

- There was an increase in the prevalence of FOBT use between 2007 and 2010⁵ but this was entirely due to increased use of FOBTs by men. Male FOBT use increased from 4% of the adult population in 2007 to 6% in 2010; for women, FOBT use was constant at 1%.
- Increased FOBT use between 2007 and 2010 was focused on young men. Among men aged between 16 and 34, past-year prevalence rates for machine gambling increased from 9% in 2007 to 14% in 2010.
- There was an increase between 2007 and 2010 in the proportion of FOBT users from low-income households and also an increase in players from households where the survey respondent was unemployed or in full-time education.

⁵ The NatCen research also looks at the earliest wave of the BGPS in 1999, but FOBTs had not been introduced into UK bookmaker outlets at this point and so the 1999 wave contains no information relevant to the current project.

- In both years, a high proportion of FOBT users were very regular gamblers, gambling on their most frequent activity at least once a week. (This proportion increased from 68% in 2007 to 73% in 2010.)

Expenditure on Gambling

Data from the 2010 British Gambling Prevalence Survey suggests that average spend per regular gambler (defined as people who gamble with a frequency of once per month or more) is around three times higher for gamblers using FOBTs (£1,208 per year) than for OTC gamblers (£427 per year).

Landman Economics's own analysis of data from the Expenditure and Food Survey (EFS - the main source of household-level survey data on expenditure in the UK) suggests that between 2005-06 and 2009-10, betting expenditure (including expenditure on gaming machines) by the ten percent of households with any gambling expenditure whose weekly expenditure on gambling was largest, increased from 66% of total gambling expenditure to 81% of total gambling expenditure. In other words the heaviest gamblers have become responsible for a greater proportion of total gambling expenditure in recent years. At the same time the proportion of households in the EFS with any gambling expenditure at all reduced from 14% to 10% of the population. The data suggest that a hard core of heavy gamblers is becoming responsible for a larger and larger proportion of industry revenues.

Problem gamblers and helplines

Statistics from the gambling helpline www.gamcare.org.uk show that in the 2011/12 financial year, 28 percent of calls to the helpline were from gamblers who were experiencing problems as a result of FOBTs or roulette machines. This compared with around 34 percent of callers who were experiencing problems as a result of betting (including online betting and racecourse betting as well as OTC betting at betting shops). This means that FOBT users were much more likely to call the helpline than people involved in other forms of gambling were. In terms of the location which helpline callers were doing their gambling from, betting shops were the most common gambling location for callers in 2011/12 (46% of callers), followed by the internet (34% of callers).

3 The economic impact of increased expenditure on FOBTs

This section estimates the overall economic impact of increased expenditure on FOBTs on economic conditions in the localities where the FOBTs are located.

The impact on jobs and economic output

As Section 1 of this report showed, with OTC betting in decline, Fixed Odds Betting Terminals are currently the only real growth area for the betting sector. The growth in FOBTs business has led industry representatives to lobby against greater controls on FOBTs (for example, a reduction in the maximum stake, currently £100 for B2 machines) on the grounds that restrictions on FOBTs would reduce growth and lead to job losses in the industry.

However, it makes no sense, economically speaking, to consider the impact of increased expenditure on FOBTs on the betting sector in isolation from the rest of the economy. Each pound which a consumer spends on FOBTs (net of winnings) is, by definition a pound which is not spent elsewhere in the economy. Hence the question of whether increased expenditure on FOBTs generate increased economic activity or not is really a question about whether each pound spent on FOBTs supports more economic activity than a pound spent elsewhere in the economy.

The basic approach taken in this report to calculating the impact of FOBTs on the economy is to estimate the amount of employment supported by a certain quantity of consumer expenditure on FOBTs compared with the employment supported by the same quantity of consumer expenditure on a weighted basket of other goods and other services in the economy. Thus, rather than asking the question “how much economic activity is created by Fixed Odds Betting Terminals?” the analysis here asks, “what is the change in economic activity if consumer expenditure shifts from other goods and services to FOBTs?” In terms of the aggregate economic impacts of FOBTs on the UK economy, the latter question is much more appropriate than the former.

Note that the focus here is explicitly on *local* economies; the analysis draws a distinction between expenditure on wages, which (if betting shop employees live reasonably locally) is likely to be “re-circulated” into the local economy via consumers spending a proportion of what they earn, and profits for the betting industry, which (given that most betting shops are owned by large-scale national chains) are not likely to be re-spent in the local economy.

The analysis in this section proceeds by attempting to calculate what proportion of Gross Value Added (GVA - a measure of economic output used by the UK Office for

National Statistics – essentially equal to net industry revenue after subtracting costs of production) from FOBTs is accounted for by wage costs. This “share of wages in GVA for FOBTs” is compared with the proportion of GVA from consumer expenditure in the UK economy as a whole which is accounted for by wage costs (the “share of wages in GVA for overall consumer expenditure”). To the extent that £1 of expenditure on FOBTs supports fewer jobs than the “average” £1 of consumer expenditure, an increase in spending on FOBTs *will reduce overall employment and economic activity*.

The following assumptions are made about the amount of employment supported by Fixed Odds Betting Terminals:

- It is assumed that each set of 4 FOBTs supports one full-time job at the average hourly wage rate for people working in the gambling industry on an hourly rate (rather than a salaried basis). According to the 2012 Labour Force Survey⁶, the average hourly wage rate for these employees is £7.25 per hour – above the National Minimum Wage but not by much. In practice, it is likely that FOBTs, as a completely automated gambling format, support less employment than this, but given that there is a maximum of 4 FOBTs per betting shop it seemed reasonable to apportion at least some cleaning and maintenance time for each shop to maintain the FOBTs and the environment around them, as well as allowing for some of the tasks undertaken by counter staff in betting shops to support FOBT play (e.g. use of debit cards rather than cash to fund play, “selling” the machines to customers by offering free play sessions and tournaments as marketing tools, and so on.)
- Gross Value Added from FOBTs is estimated by taking measured GVA for the entire gambling industry (including bookmaking, casinos, betting and online gambling) from the Office for National Statistics’ Annual Business Survey dataset (ONS, 2012) and apportioning GVA in line with the share of total gross revenue from FOBTs as a share of total industry revenue⁷.

Table 1 shows the calculation of the share of wages in Gross Value Added for the Fixed Odds Betting Terminals industry and compares this with the share of wages in GVA across UK private sector industries as a whole⁸.

⁶ The Labour Force Survey is the most comprehensive source of data on wages in the UK, based on a survey of around 60,000 households per year.

⁷ Statistics from Gambling Commission (2012) show that FOBTs account for approximately 52% of total gross revenue for the gambling industry.

⁸ The UK public sector – principally health and education – has been excluded from the analysis because most of what the sector produces is not sold at market prices and hence is not an relevant destination for consumer expenditure.

Table 1. Share of wages in Gross Value Added for FOBTs compared with average across UK private sector industries

Industrial sector	Gross Value Added (£bn)	Employment costs (£bn)	Share of wages in GVA (%)
FOBTs	1.224	0.126	10.3
Entire UK private sector	920.009	450.199	48.9

Notes:

FOBTs GVA calculation based on 2011 Annual Business Survey estimate of GVA for the gambling industry (SIC2007 code 92), allocated pro-rata to FOBTs on the basis of data from Gambling Commission (2012) showing that betting shop activities (including OTC betting and FOBTs but excluding online betting) and account for approximately 52% of total gross revenue for the gambling industry, while FOBTs account for 51% of gross revenue from betting shops. Employment costs for FOBTs calculated assuming one full-time employee per set of 4 FOBTs at annual wage of £15,080.

Entire UK private sector GVA and employment costs calculations calculation based on data from 2011 ONS Annual Business Survey for SIC2007 industries B (mining), C (manufacturing), D (electricity and gas), E (water), F (construction), G (wholesale and retail trade), H (transport and storage), I (accommodation and food services), J (information and communication), K (finance and insurance), L (real estate), M (professional services), N (administration) and R (arts and entertainment) summed together.

Table 1 shows that the total share of wages in Gross Value Added for Fixed Odds Betting Terminals, under our assumptions, is around 10 percent – much lower than the share of wages in Gross Value Added for the UK private sector overall, which is approximately 49 percent. The implication of these figures is that consumer expenditure on FOBTs supports very little employment compared with an average basket of consumer spending on goods and services. If one pound of consumer spending is diverted from other goods and services to FOBTs, it is likely to support only one-fifth as much employment as it would have done, on average, if that pound had been used to buy other goods and services. The corollary of this finding is that FOBTs deliver particularly high profits for bookmaking firms because wage costs required to support FOBTs are so low relative to the amount of revenue that they generate.

In terms of overall employment generation, what is the impact on local economies of a shift of consumer spending into FOBTs? Taking into account average wages in the gambling industry compared to average wages across the UK private sector, this analysis finds that £1bn of “average” consumer expenditure supports around 20,000 jobs across the UK as a whole, whereas £1bn of expenditure on FOBTs supports only around 7,000 jobs in the UK betting sector. This implies that, other things being equal, **an increase of £1bn in consumer spending on FOBTs destroys just over**

13,000 jobs in the UK. Furthermore, the jobs created in the UK betting sector are on average lower paid (average full-time annual salary around £15,000) than jobs created by consumer expenditure on other goods and services (average full-time annual salary around £25,000).

This is important in terms of the likely expansion of the FOBTs industry over the period covered by the Triennial Review, if rules governing maximum stakes stay as they currently are. Table 2 extrapolates the trend in Gross Gambling Yield from the period 2008/09 to 2011/12 to provide estimates of total gambling yield from FOBTs in 2013/14 (at the start of the Triennial Review period), by 2016/17 (the end of the current Triennial Review period) and 2023/24 (ten years from now). The Table shows the implied growth in GGY from 2013/14 onwards, and the implied loss of jobs across the economy as a whole resulting from this expansion of FOBTs in the betting sector.

Table 2. Implied growth in FOBTs business and economic impact at current rates of growth

Year	Total annual GGY from FOBTs (£bn)	Growth since 2013/14 (£bn)	Number of extra jobs in betting sector	Number of jobs lost in other sectors	Overall jobs impact (UK economy)
2013/14	1.7				
2016/17	2.1	0.4	2,700	-7,900	-5,200
2023/24	3.4	1.7	11,400	-33,700	-22,300

Notes: all figures at April 2013 prices.

Source: author's own calculations

Table 2 suggests that Gross Gambling Yield from FOBTs will double in real terms over the next ten years, resulting in a gain of over 11,000 jobs in the betting sector but a loss of almost 34,000 jobs elsewhere in the economy, leading to an overall net reduction of just over 22,000 jobs for the economy as a whole by 2023/24. By the end of the three year period covered by the Triennial Review, Gross Gambling Yield is forecast to expand by £400 million, leading to a gain of just under 3,000 jobs for the betting sector but a loss of almost 8,000 jobs elsewhere in the economy, leading to an overall net reduction of just over 5,000 jobs for the UK as a whole.

Over the ten year period, the impact of the expansion of FOBTs in terms of reduced wage payments to people working in the local economies where FOBTs are established is to reduce the total wage bill in these areas by around £650 million by 2023/24. This is due to a combination of two factors: (a) the reduction in the total number of jobs supported by consumer spending as a result of switching spending

from other goods and services into FOBTs, and (b) the fact that jobs arising as a result of the expansion of FOBTs are relatively low-wage compared with jobs supported by other types of consumer spending.

Impact of increased FOBTs on tax receipts

One important aspect of the economic impact of increased numbers of FOBTs is their impact on tax receipts. This report models three main revenue impacts of a shift in consumer expenditure towards FOBTs:

- (1) Increased receipts of Machine Games Duty (MGD) – this is paid at a rate of 20% on gross revenues from category B2 gaming machines.
- (2) Reductions in VAT receipts arising from reduced consumption on goods and services elsewhere in the economy, the majority of which attracts VAT at the standard rate of 20%⁹.
- (3) Reductions in income tax and National Insurance Contributions (NICs) arising from reduced overall employment in the UK economy (as explained above), meaning that there are fewer people in work to pay income tax and NICs to the UK Exchequer.

Table 3 adds these tax revenue impacts together to calculate the total impact of the expansion of FOBTs on tax revenue over the 3-year period of the Triennial Review (up to 2016/17) and over a 10-year period (up to 2023/24).

Table 3. Impact of increase in FOBTs on per-year tax revenues over a 3-year and 10-year period

Change in tax revenue	2016/17 (£m)	2023/24 (£m)
Machine Games Duty	+78	+336
Income tax and NICs	-49	-210
VAT	-41	-175
Total	-12	-50

Notes: Machine Games Duty revenues calculated as 20% of the increase in Gross Gambling Yield over 3 and 10 years using GGY figures in Table 2.

Income tax and NICs revenues calculated assuming that the average wage of additional workers taken on in the betting sector is £15,000 per year, whereas the average wage of workers made redundant in other sectors of the economy is £25,000 per year.

Reduced VAT revenue calculated on the basis that 52 percent of consumer expenditure shifted from other goods and services to VAT would have attracted VAT at the standard rate of 20% (House of Commons Library, 2012).

⁹ The House of Commons Library (2012) reports that approximately 52 percent of overall consumer expenditure is subject to the standard rate of VAT of 20%. This assumption has been used in the calculations in Table 3. Note that gambling expenditure on FOBTs does not attract VAT as it is subject to Machine Games Duty instead.

Table 3 shows that although the expansion in FOBTs over the period covered by the Triennial Review is estimated to lead to increased revenue of around £80m, this is accompanied by a reduction in income tax and NICs revenue of around £50m and reduced VAT revenue of around £40m, meaning that total tax revenue decreases by £12m. By 2023/24, further expansion of FOBTs in line with current trends is projected to lead to a £50 million net loss for the Exchequer.

4 Limitations of the analysis

The analysis of the economic impact of FOBTs presented in this paper has not attempted to capture every aspect of the impacts because of the inherent difficulties of modelling some aspects of the economic impacts. This final section discusses how the results might change if it were possible to take account of some of these other aspects of the economic impacts of FOBTs.

Impact of increased profits

The economic analysis in this report has only looked in detail at the consequences of lower levels of wages supported by gamblers' spending on Fixed Odds Betting Terminals compared with consumer spending on most other goods and services. The corollary of this is that profits derived from FOBTs in the betting sector tend to be higher (for a given amount of gambling spend) than for most other consumer goods and services industries. If these increased gambling profits were recycled into the local economy then this might create additional employment through another route. However, in practice it is unlikely that this will happen. To the extent that profits are distributed to shareholders as dividends, the shareholders are mainly likely to be large institutional investors (some of which will not be based in the UK) or high net-worth individuals. Neither of these groups is likely to reinvest significant amounts in the local economies where FOBTs have become established in high street bookmakers' over the last decades, because they are unlikely to be based in these local areas.

Other local spending by businesses

Some businesses contribute to the local economy through their supply chain – the goods and services which they purchase. A good example of this would be if a supermarket or grocery store sells products sourced from local suppliers – an increase in retail sales of these items would then lead to an additional positive “multiplier” effect on the local economy as demand for local products would increase in turn.

For betting shops, this kind of multiplier effect is likely to be very limited – indeed close to non-existent – as the amount of products purchased from local suppliers is minimal. The large bookmaking firms which control the vast majority of the betting shop sector source most of the materials used in the shops centrally including cleaning materials, shop display materials, and the equipment used in the shop (the

FOBT machines are primarily supplied by companies owned by SG Gaming, a US-based company). Thus to the extent that growth in FOBTs displaces other economic activity which is based on “buying local”, it is likely that growth in FOBTs in the betting sector is likely to have an even more negative impact on the local economy than we have forecast earlier in this section. However, these local supply chain effects are difficult to model with any accuracy¹⁰, which is why this analysis has focused on the employment impacts, which are more straightforward to model.

The cost of treatment for problem gambling

One of the key external costs arising from gambling activity is the cost of treating gambling addicts and other problem gamblers¹¹. This is a key topic for further research. Given that the proportion of problem gamblers among FOBT users appears to be higher than for other forms of gambling, any expansion in the number of FOBTs in the UK betting sector is likely to lead to an increased incidence of problem gambling. Because of the limited UK research on the costs which problem gambling imposes on the NHS, local authorities, and on the problem gamblers themselves and their families, this study has not attempted to include these “negative externalities” arising from increased use of FOBTs in the calculations of the economic impact of FOBTs. However, if it were possible to include these additional costs the result would be that increased FOBT activity would have even more of a negative impact than the results in this study indicate.

Potential links between gambling behaviour and criminal activity

The potential links between gambling behaviour and criminal activity is an under-researched area in the UK¹² and so this report has not attempted to include any estimate of the costs of criminal activity in the analysis. However, some indicative evidence is available from police statistics obtained by the BBC’s current affairs programme *Panorama* in November 2012 under the Freedom of Information Act. The police statistics show that between 2008 and 2011, violent crime in betting shops rose by 9%. Betting shop managers told *Panorama* that they believed one cause of the rise in violent crime was FOBTs due to the relatively high stakes involved.

¹⁰ See new economics foundation (2002) for an example of modelling local supply chain effects.

¹¹ There have been previous attempts to estimate the cost of treatment for problem gamblers in the United States: see for example Thompson and Quinn (1999). In the UK the evidence base on the costs of problem gambling is thinner.

¹² There is some research in the United States, for example Kindt (2003).

5 Conclusions

This research project has attempted to estimate the economic impact of future growth in the number of Fixed Odds Betting Terminals (FOBTs) in use in betting shops in the UK over the period covered by DCMS's Triennial Review, as well as longer-term impacts over the next decade.

The report first established that gambling industry revenue from FOBTs is growing at a rapid pace – around 7 percent per year in real terms, adjusting for inflation. There is also a slight upward trend in the number of people using FOBTs (which is entirely accounted for by increased numbers of men rather than women). FOBT users are currently a minority of customers in betting shops but they are much more likely to be frequent and heavy gamblers than is the case for traditional “Over the Counter” bettors. FOBT users are also more likely to experience symptoms associated with “problem” gambling (e.g. gambling addiction) than OTC betting shop customers.

The most important finding from this report is that increases in spending on FOBTs are likely to *destroy* jobs in the UK economy rather than creating them. For every additional £1 billion spent on FOBTs, an estimated 7,000 jobs are created in the betting sector. However, at the same time consumer spending on other goods and services falls by £1 billion, which reduces employment in other industries by around 20,000. The reason for this is that FOBTs are a very “labour-unintensive” form of consumer spending. The fact that the machines are automated means that FOBTs support very few jobs compared with expenditure on other goods and services. Furthermore, a shift of consumer spending from other goods and services into FOBTs reduces overall tax revenue accruing to the Exchequer. Revenue from Machine Games Duty increases but not by enough to offset falls in revenue from income tax, National Insurance contributions, and VAT.

The implication of this analysis is that while relaxing the restrictions on maximum gambling stakes and maximum number of machines per betting shop would be good for the betting sector (in terms of increased revenue and some increase in employment) it would be bad for the rest of the economy (because many more jobs would be lost elsewhere in the economy than would be created in the betting sector). Even if current restrictions are not relaxed and the current rate of growth in FOBTs continues over the next decade this is likely to lead to a net loss of over 20,000 jobs across the UK. The clear implication for policymakers is that *increasing* restrictions on FOBTs – for example, reducing the maximum stake down from £100 to a lower figure – would help increase UK employment because it would result in a shrinkage of the number of FOBTs in use in betting shops and divert consumer spending into other areas of the economy which are more conducive to employment growth.

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