

The gambling industry: Raising the stakes

Katherine Marshall

Since *Perspectives* first examined the gambling industry two years ago (Marshall, 1996), growth in this field has continued to outstrip that of most other industries. Gambling has brought both increased revenue and fuller employment to many areas – the result of an ever-increasing number of lottery games, casinos and video lottery terminals (VLTs) in most provinces. And while not every community has embraced the arrival of casinos and VLTs – choosing instead to hold referendums, plebiscites or moratoriums on the issue – most households in Canada participate in and spend money on some form of gambling activity (see *Definitions* and *Industry information*).

This article presents an updated statistical portrait of the gambling industry in Canada. It examines economic output, jobs and government revenue, and provides provincial comparisons.

The “wheeling dealing” 1990s

Gambling has been legal for three decades, but only in the 1990s has it undergone a major surge in growth. Although some provinces² have granted charity casino licences for some time, it was not until the eve of 1990 that the first government casino opened in Winnipeg, followed by one in Montréal three years later. By 1997, with the exception of Newfoundland, Prince Edward Island and New Brunswick, all provinces had legalized permanent charity and/or commercial casinos. This expansion is one reason that one in five households reported spending some money at a casino in 1996.

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Definitions

Gambling operation: Any establishment primarily engaged in legal gambling operations, such as casinos, lotteries and bingos. Horse racing is classified as a commercial spectator sport.

Video lottery terminal (VLT): A coin-operated, free-standing electronic game of chance. Winnings are paid out through a computer-receipt system, as opposed to cash payments from slot machines. Such terminals are regulated by provincial lottery corporations.

Government casino: A government-regulated commercial casino. Permits, licences and regulations for casinos, both charity and government, vary by province. Government casinos, now permitted in several provinces, also vary by the degree of public and private involvement in their operations and

management. Some government casinos are run entirely as crown corporations, while others contract out certain operations – for example, construction, management or services – to the private sector.¹

Gambling revenue: Consists of all revenue from provincial and territorial government-run lotteries, casinos and VLTs, less prizes and winnings. Gambling revenue generated by and for charities, and on Indian reserves, is excluded.

Gambling profit: The net income from provincial and territorial government-run lotteries, casinos and VLTs, after deducting prizes and winnings, operating expenses including wages and salaries, payments to the federal government and other overhead costs.

The first legal VLTs began operating in New Brunswick in 1990. By 1993, every province except Ontario and British Columbia had either open (non-liquor licensed/non-age controlled locations) or restricted access to VLTs.

Canadians like to play games

Even though the odds of winning are low, most Canadians, to judge from the participation rates, appear to enjoy risking a little money on the chance of winning prizes or jackpots. According to the 1996 Family Expenditure Survey³ (FAMEX), 82% of households spent some money on at least one gaming activity: the average annual gaming expenditure for participating households was \$423 (Table 1). Among the four gambling activities for which households were asked to report their spending, government lotteries were the most popular (74%), followed by non-government lotteries

and raffles (39%), casinos and slot machines (17%) and bingos (12%). Average expenditures, however, were somewhat the reverse.⁴ Among participating households, the highest average expenditure was on bingo (\$677); the lowest, on non-government lotteries and raffles (\$70).

Men living alone were more likely than women on their own to spend money on those activities (75%, compared with 69%), and spent more on average (\$416, compared with \$270). As well, men had higher participation rates than women in every game except bingo (4%, compared with women's 12%). Also among one-person households, those with a university degree reported the lowest participation rate (62%) and the lowest average expenditure (\$245). Those with a non-university certificate or diploma had the highest rate (79%) and those with less than a high school education had the highest average expenditure (\$410).

Table 1
Household expenditure on gaming activities

	At least one activity	Gov-ernment lotteries	Other lotteries/ raffles	Casinos and slot machines	Bingos
%					
Proportion of households with gaming expenditures					
All households	82	74	39	17	12
Income group (\$)					
Less than 20,000	67	59	18	8	13
20,000 to 39,999	81	73	32	15	14
40,000 to 59,999	87	78	46	19	12
60,000 to 79,999	88	81	53	19	13
80,000 and over	87	78	54	24	9
One-person households *	71	62	25	13	9
Sex					
Men	75	65	26	14	4
Women	69	60	25	11	12
Education					
Less than high school	68	58	18	10	13
High school graduation**	76	69	29	12	8
Postsecondary certificate or diploma	79	68	37	15	--
University degree	62	50	29	16	--
\$					
Average expenditure per spending household					
All households	423	239	70	359	677
Income group (\$)					
Less than 20,000	296	159	39	456	479
20,000 to 39,999	370	216	57	247	623
40,000 to 59,999	444	264	63	315	758
60,000 to 79,999	484	266	72	467	641
80,000 and over	536	285	101	391	1,045
One-person households *	334	193	61	451	526
Sex					
Men	416	264	79	710	464
Women	270	138	47	217	540
Education					
Less than high school	410	208	55	648	643
High school graduation**	319	216	65	375	332
Postsecondary certificate or diploma	257	156	63	275	--
University degree	245	126	59	398	--

Source: Family Expenditure Survey, 1996

* Using one-person households allows examination of individual characteristics. Persons 18 and over were selected as this is the legal gambling age in most provinces.

** May include postsecondary education not completed.

The participation rate for gambling increased with household income until the \$40,000 or more range, where it levelled off to just under 90%. The trend held for the purchase of government and non-government lottery and raffle tickets, and for spending at casinos or slot machines. For example, 18% of households with an average income of less than \$20,000 spent money on non-government lotteries and 8%, on casinos or slot machines. Three times the proportion of households with \$80,000 or more did so: 54% and 24%, respectively. Playing bingo was the only activity to have a negative correlation with income. This percentage decreased as household income increased: 13% of households with less than \$20,000 spent money on bingo in 1996, compared with 9% of households with \$80,000 or more.

Household expenditure on gambling also increased with household income, although participants with higher incomes spent proportionally less than those with lower incomes. For example, among game-playing households, those with incomes of less than \$20,000 spent an annual average of \$296 on these pursuits, representing 2.2% of total household income, while those with \$80,000 or more spent \$536, only 0.5% of total income.

Revenue, GDP and jobs have grown

For 20 years lotteries were the sole source of legal gaming in Canada,⁵ bringing in close to \$2 billion in total revenue by the late 1980s. Growth in lottery revenue levelled off in the early 1990s and then declined, shifting to casinos and VLTs. From 1992 to 1997, total revenue from gambling went from \$2.7 billion to \$6.8 billion. Casinos and VLTs represented 10% of all gambling revenue at the beginning of the period, but accounted for a full 59% of it by 1997 (Chart A). As revenue increased, so too did profits to provincial governments – rising from \$1.7 billion in 1992 to \$3.8 billion in 1997.

The growth in gambling revenue is reflected in the steep increase in economic output and employment in the industry. Between 1992 and 1997, GDP⁶ in the gambling industry increased by 125%, compared with just 14% in all other industries (Chart B). Although this industry still represents a small proportion of the overall economic activity in Canada (0.1% of GDP in 1997), its representation has been increasing. For example, gambling activity accounted for 0.5% of the total increase in GDP between 1992 and 1997.

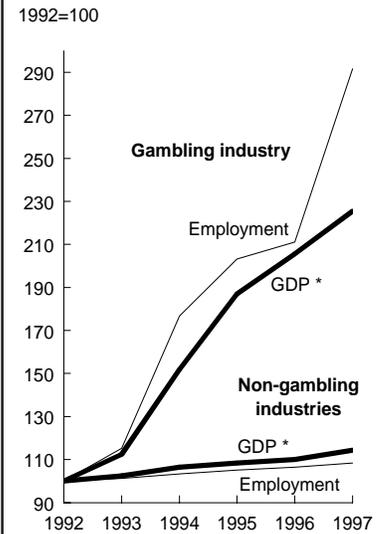
During the same period, employment in this industry increased by almost 200%, up from 12,000 jobs to 35,000 (Chart B). By contrast, a further one million jobs in all other industries between 1992 and 1997 represented just an 8% increase. And although gambling-related jobs represented only 0.3% of all jobs in 1997, their net increase since 1992 (23,000) accounted for 2% of all employment

growth in the five-year period. Furthermore, the growth between 1996 and 1997 (10,000 jobs) accounted for 4% of all job growth that year.

Most are hourly paid, permanent jobs

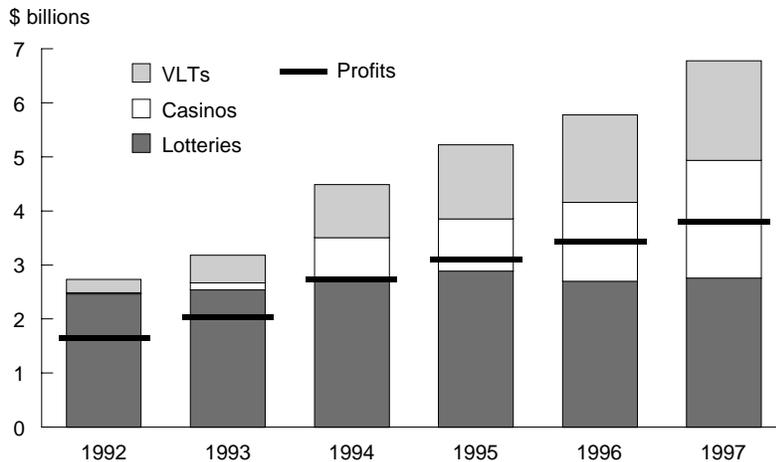
The majority of workers in the gambling industry in 1997 were women (55%), persons under 35 (61%), and those with high school graduation or less (57%) – groups whose representation in non-gambling industries was lower (Table 2). Full-time employment increased from 69% in 1995 to 77% in 1997, slightly less than the rate in non-gambling industries (81%). And 50% of jobs in this industry were in Ontario, which in 1997 accounted for 39% of all jobs in Canada. This over-representation owes much to the three large government casinos operating in the province, as well as to its 300 roving Monte Carlo charity casinos.⁷

**Chart B
Gambling outpaced other industries.**



Sources: Labour Force Survey; National Accounts
* The price, at factor cost, of the goods and services produced.

**Chart A
Gambling revenue* and government profits** more than doubled between 1992 and 1997.**



Source: National Accounts
* Refers to total wagers on lotteries, casinos and VLTs, minus prizes and winnings.
** Refers to net income of provincial governments from total gambling revenue, less operating and other expenses (see Definitions).

Most workers in the gambling industry were paid employees (98%), as opposed to owners of such operations. This compared with 82% of workers in other industries. Some 28% were unionized and 92% were in permanent jobs, compared with 34% and 89%, respectively, for those in non-gambling industries. A full 28% said they usually received tips, whereas only 7% of workers in other industries did so. This reflects the service orientation of most jobs in gambling. Even with tips included, the average hourly wage rate of full-time workers was less than that in other industries. For example, men in full-time gambling jobs earned on average \$13.75 an hour while women earned \$12.87. Workers in non-gambling industries earned \$17.83 and \$14.77, respectively. The wages

Table 2
Characteristics of workers
and jobs in gambling and
non-gambling industries, 1997

	Gam- bling	Non- gambling
	%	
Sex		
Men	45	55
Women	55	45
Age		
15 to 34	61	40
35 and over	39	60
Education		
High school graduation or less *	57	48
Postsecondary certificate or diploma	35	33
University degree	8	19
Work status		
Full-time	77	81
Part-time	23	19
Province/region		
Atlantic provinces	5	7
Quebec	18	23
Ontario	50	39
Prairie provinces	16	18
British Columbia	10	13
Class of worker		
Self-employed	--	17
Paid employee	98	82
Employees		
Union status		
Unionized **	28	34
Non-unionized	72	66
Job status		
Permanent	92	89
Non-permanent	8	11
Usually receive tips		
Yes	28	7
No	72	93
Paid by the hour		
Yes	78	61
No	22	39
Average full-time earnings		
	\$/hour	
Men	13.75	17.83
Women	12.87	14.77

Source: Labour Force Survey

* May include postsecondary education not completed.

** Includes both union members and non-union members covered by a collective agreement.

Industry information

The Annual Survey of Arts, Entertainment and Recreation has begun to survey the gambling industry separately. In April 1998, the first survey, whose reference year was 1997, covered a sample of gambling establishments drawn from Statistics Canada's Business Register (BR). The survey collected information on revenue, operating expenses, employment, inventories and other business practices. Preliminary data will be available in early 1999.

The sample for the survey was based on the North American Industrial Classification System (NAICS). This coding system will soon replace the 1980 Standard Industrial Classification (SIC) currently used by Statistics Canada, and

will be implemented in stages throughout the Agency. The BR, as well as the annual business surveys, began converting to NAICS in 1997; most monthly and quarterly surveys will begin in 2000, and the census will incorporate NAICS in 2001. Although NAICS will include the main gambling codes in the SIC, it will also allow for a more detailed analysis of the gambling industry as it is broken out into sub-groups (for example, casinos, lotteries and other gambling). Furthermore, the new coding system will allow for comparisons with the United States. Currently, the SIC system in the United States does not code gambling separately.

in gambling jobs reflect, in part, the lower average age and education levels of workers in the industry.

Provincial profits vary

Profits from gambling increased in every province and territory from 1992 to 1997 (Table 3).⁸ Alberta experienced the largest percentage increase (414%), as gambling profits rose from \$125 million to \$643 million; Saskatchewan posted the second highest percentage increase (up 253%). Ontario had the largest dollar increase (\$712 million), from \$530 million in 1992 to \$1.2 billion in 1997. Quebec also experienced a gain of more than half a billion dollars in five years (\$581 million). At 10%, British Columbia had the smallest percentage increase in provincial gambling profits since 1992, largely because this province, along with the two Territories, still had not permitted government casinos and VLTs by 1997.

Furthermore, with the exception of British Columbia, gambling profits as a proportion of all government revenue increased across the country. In 1992, gambling profits represented

less than 3% of total government revenue in all provinces. By 1997, half of all provinces had reached at least 3%, two having surpassed 4% (Alberta and Manitoba).

As both gambling revenue and profits have increased, so too has the annual average expenditure⁹ on gambling in all provinces except British Columbia. Quebec adults spent more, on average, than those in other provinces in 1997 (\$348). Prince Edward Island had the second highest average (\$340), followed by New Brunswick and Alberta (both at \$328). Alberta had the largest increase (from \$99 in 1992 to \$328 in 1997), whereas British Columbia experienced the only decline, from \$157 to \$153.

Summary

A previous article in *Perspectives* showed that with the legalization of gambling and the introduction of government lotteries, this industry registered steady growth throughout the 1970s and 1980s. This update demonstrates that even steeper gains in employment, revenue and profits have occurred since the advent of casinos and VLTs in the 1990s. □

Table 3
Provincial profits* from gambling

	Availability in 1997				Expenditure per capita (18** and over)		Gambling profits				
	Lotteries	Government casinos	Other casinos	VLTs			Total			Share of total revenue†	
					1992	1997	1992	1997	Change	1992	1997
					\$		\$ millions		%		%
Nfld.	✓			✓	151	243	43	75	74	2.3	3.6
P.E.I.	✓			✓	236	340	8	13	63	1.8	2.4
N.S.	✓	✓		✓	200	296	69	102	48	2.6	3.4
N.B.	✓			✓	224	328	48	68	42	1.9	2.1
Que.	✓	✓		✓	134	348	473	1,054	123	1.6	3.0
Ont.	✓	✓			109	300	530	1,242	134	1.3	2.6
Man.	✓	✓		✓	126	310	105	211	101	2.4	4.1
Sask.	✓	✓		✓	76	275	40	141	253	1.0	2.7
Alta.	✓			✓	99	328	125	643	414	1.1	4.2
B.C.	✓		✓		157	153	239	262	10	1.6	1.2
Y.T./N.W.T.	✓				72	75	-	1	100	-	0.3

Sources: National Accounts; Public Institutions (Financial management statistics); post-censal population estimates

* Total gambling revenue less operating and other expenses (see Definitions).

** Persons 18 and over were selected as the denominator as this is the legal age of gambling in most provinces; the numerator is total gambling revenue.

† Refers to the fiscal year, and excludes transfer payments from the federal and local governments.

Notes

1 For more information on the ownership and operations of casinos, see Eadington (1994).

2 Since an agreement was signed in 1979 between the federal government and the provinces, legal gambling has been provincially controlled and regulated.

3 Starting in 1996, FAMEX introduced four additional questions to its gaming activity section, which already included a question on government-run lotteries. Annual data on household expenditure will now be available for casinos and slot machines, bingos, non-government lotteries and raffles, and winnings from games of chance. For a more detailed analysis of the 1996 data see Marshall (1998).

4 For whatever reason, households consistently under-report the amount of money they spend on government lottery tickets per year. For example, according to the 1995-96 annual reports produced by provincial and regional lottery corporations, sales figures for all government lottery tickets equalled \$5.5 billion for this period. This total is almost triple the \$1.9 billion reported by all households on lottery ticket expenditures in 1996. However, FAMEX excludes lottery spending by residents of institutions, reserves, prisons, and the two Territories, as well as

from businesses and tourists, although it does include money spent by Canadians outside the country. In any case, the gap still shows a considerable under-reportage.

5 Besides the specified lottery schemes listed in the criminal code, horse racing is the only other legal form of gambling in the country. Revenue from this government-regulated activity peaked in 1989 at \$563 million, and has fallen steadily since, reaching an 18-year low of \$348 million in 1997.

6 Gross domestic product (GDP) for the gambling industry refers strictly to wagering activities, such as lottery ticket sales, VLT receipt sales and betting at casinos. Other economic spin-offs related to the industry, such as hotel and restaurant business, security services, or building and equipment maintenance, are not included.

7 In the spring of 1998 Ontario stopped allowing roving charity casinos as the government took steps to permit and license up to 44 permanent charity casinos in the province.

8 Although the apportioning of gambling profits varies, most provinces report spending millions on, for example, hospitals, voluntary social service organizations, and/or sport, recreational and cultural projects.

9 The average gambling expenditure per adult 18 years or over by province includes money spent by tourists living outside the

host province; conversely, this calculation does not include money spent on gambling activities outside a province.

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