

# REMOTE GAMBLING

## LEGALIZATION OF ONLINE GAMBLING IN EUROPE: DEVELOPMENTS IN GAMBLING PARTICIPATION AND ADDICTION

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### SAMENVATTING

CVO was commissioned by the Ministry of Justice and Security (WODC) to conduct a study of the legalization of online gambling in Europe. The research is both a survey of the extent to which European countries have moved towards legalization and to what extent these countries are comparable with the Netherlands regarding legislation and regulation, prevention, and gaming culture. Furthermore, the study considers how - in the most comparable countries - policies are developed to prevent or overcome gambling addiction and which developments have occurred in the prevalence of gambling addiction since the legalization of online gambling.

#### ***Remote gambling in Europe***

The comparative research of the countries was conducted by reviewing literature and research sources. It is an inventory of the laws and regulations for remote gambling in 29 European countries. In these countries, gambling culture was also analyzed to gain an impression of (1) the gaming availability, (2) the proportion of the population that participates and (3) the financial product of the gaming industry. Of the 29 European countries surveyed, 23 have proceeded to legalize remote gambling. One conclusion that can be drawn from the results of the survey is that, concerning legislation and regulation, on a greater scale, the countries have many similarities. However, more diversity is visible in the details of implementation of gaming policy. This is revealed in the types of gambling which may or may not be legal in the countries and in the attitude that is taken with respect to new gambling providers, including foreign gambling providers. Regarding gambling culture within Europe, significant differences are apparent in the participation in, the supply of, and the spending on (online) gaming.

#### ***In-depth study***

Based on a multi-criteria analysis, a selection was made of four countries in which relevant legislation and regulation and gambling culture are most similar to the Netherlands and the proposed Dutch policy on remote gambling. Because data on the prevalence of gambling addiction is often unavailable, scarce or fragmented, the availability of these and other information was also taken as a criterion in the selection of four countries for in-depth study. Based on results of the multi-criteria analysis, it was decided to carry out an in-depth study of Italy, Norway, the United Kingdom and Denmark. In these countries, the advancing development of the regulation of online gambling and the participation and spending on online gambling were compared with trends in the prevalence of problem gambling. Since prevalence research and studies are often set up and carried out in differing ways - for example, with regard to the measurement instrument used or the manner of collection - a standardized procedure developed by the Canadian research team of Williams, Volberg and Stevens was used.

### ***Limitations***

It is important to note here that the present study has some limitations. The four countries chosen for comparison are not fully comparable with the Netherlands, and the data collected in order to draw conclusions about the prevalence, participation and spending on gambling has limited availability and may be fragmented. Often, no distinction in the collected data is made between legal and illegal gambling opportunities. Additionally, the developments in the field of gambling occur in contexts in which factors other than gambling policy may also change – which may affect the outcomes of this study. On the basis of this research it is therefore not possible - and not the goal - to make statements about possible causal relationships between legalization of online gambling and the levels of gambling addiction. What the report can - and does - investigate is the question of how probable it is that the legalization of online gambling is causally related to the prevalence of gambling addiction. Alternative explanations are presented for the fluctuations observed in the prevalence of problem gambling. Due to the fact that the findings are surrounded with uncertainty, conclusions that are drawn are of a hypothetical nature.

### ***Focus on prevention***

All four countries which were investigated in greater detail in the in-depth phase of this study actively focus on the prevention of problem gambling. In all four countries, a players' gaming account is mandatory. Norway and Italy require setting personal player limits (for example, on deposits, frequency or time) as an entry requirement for participation in online gaming offered by licensed providers. The proposed Dutch policy also makes this mandatory. Denmark and the United Kingdom facilitate the option of personal player limits, but do not include the obligation to do so.

In all four countries there is some form of attention for the obligation of the licensee to inform players about the risks of gambling and/or problem gambling. Norway requires the licensee to take on a more active role than the other three countries: by means of a monitoring tool a player is warned when possible problem gambling behavior occurs. The Netherlands also have a similar system, but go beyond this by assigning an active care duty to the licensee, whereby the licensee must intervene in problem gambling situations.

The possibility of voluntary exclusion from participation in all online gaming, both temporarily and permanently, is present in all four countries. Additionally, the Netherlands plan to authorize the Gaming Authority to exclude players involuntarily. In countries where multiple gaming and betting providers are permitted - such as the proposed Dutch policy - exclusions are generally recorded in a central register operated by the gaming authority. The United Kingdom, which has no central register, is an exception to this.

It may be concluded that the proposed Dutch policy is in some respects more stringent than the gambling policies of the four comparable countries. Unique herein is the active care duty for licensees and the possibility of involuntary exclusion.

### ***Trends in the prevalence of problem gambling since legalization of remote gambling***

#### ***Italy***

Since 2003 there has been a marked increase in the participation in- and spending on land-based gambling in Italy. Gross game proceeds have tripled in ten years. For remote gambling, 2010 shows a growth of the gross gaming revenue (GGR) compared to 2009, but in the years after that, the GGR of the online gaming market seems to be stabilizing. Spending on regulated online gambling is relatively low compared to the land-based sector.

Given the increase in participation and spending on gambling in Italy it comes as no surprise that the prevalence of problem gambling has increased. In particular in 2012, the prevalence of problem gambling as determined by population screening reached a peak. The increase in gambling addiction is reflected in an increased number of people seeking help related to gambling problems.

The question is how this increase in the prevalence of gambling addiction in Italy can be explained. The development of the prevalence of problem gambling does not synchronize with the participation in and spending on remote gambling. It is therefore unlikely that the legalization of online gambling in Italy is related to the prevalence of problem gambling. A possible explanation for the increase in prevalence of problem gambling is the strong emergence of land-based gambling, especially of gaming machines, in the preceding period.

The collected data does not permit definite conclusions on the relationship between the legalization of remote gambling, and the prevalence of gambling addiction in Italy. Given the relatively small share of online gaming compared to the available land-based opportunities, the influence of the legalization of online gambling should be estimated as limited.

#### *Norway*

Although only fragmented data are available about the participation of the Norwegians in online gambling, it is suspected that the number of people participating in online gambling has increased over the years. When we look at the prevalence of gambling addiction in Norway there are two evident peaks, seen in 2005 and 2010. In particular, the declines in the prevalence of gambling addiction do not synchronize with the increased participation in online gambling.

An alternative explanation for the increase in prevalence in 2005 may be the growing popularity of gaming machines in the preceding period. The subsequent decline may be due to a number of restrictive policy interventions by the Norwegian government. In 2007, a total ban on the traditional slot machines was enforced. In the period after the ban, we see a sharp decline in the prevalence of gambling addiction.

In 2010, the prevalence of gambling addiction in Norway shows a slight increase, which is followed by a decrease in 2013. It is unclear what the cause or causes of these developments are. In Norway as well does the decline in gambling addiction in 2013 does not synchronize with the actually increased participation in online gambling. Taking all this into consideration, it seems unlikely that the legalization of remote gambling in Norway has led to a change in the number of gambling addicts.

#### *United Kingdom*

Spending on online gambling in the UK nearly doubled during the period of 2009-2013. The participation in online gambling, as determined by population screening, also showed an increase, although the last measurement in 2012 deviates from this trend. This can possibly be attributed to a different method of measurement. It could be that fewer people are investing more money in online gambling, but it seems more likely that the participation in and spending on online gambling has continued to increase, or has not dropped. The prevalence of gambling addiction in the United Kingdom shows a peak in 2010. The increase in the participation in and spending on online gambling seem to explain this peak. The decline in the gambling addiction in 2012, however, does not synchronize with the actually increased spending on online gambling.

The UK has seen a decrease in the prevalence of gambling addiction, despite growing gross game proceeds from remote gambling. While noting that mediating influences cannot be excluded, the legalization of remote gambling therefore appears not to have had a negative influence on the prevalence of gambling addiction.

#### *Denmark*

In Denmark about three-quarters of the population participate in gambling. Participation figures for remote gambling are significantly lower, but do show an increase from 11% in 2005 to 19% in 2014. Sales revenue from the regulated gaming industry shows a steady growth in spending on gambling. Figures on the prevalence of gambling addiction paint a different picture. The most recent population survey from Denmark shows that gambling addiction has increased significantly. Healthcare organizations also indicate that gambling addiction is

increasing. The increase in the number of players seeking support appears to be primarily caused by players who (also) participate in online gambling.

The increase in gambling addiction in Denmark synchronizes with the increased participation in online gambling. On these grounds, it cannot be ruled out that the legalization and increased participation in online gambling has led to more gambling addiction.

The increase in gambling addiction raises the question, also in Denmark, of whether this can be related to the legalization of remote gambling. While it is possible that the legalization has been of influence on the number of gambling addicts, it is not possible to arrive at this conclusion solely based on the data from this study. The Danish Minister of Finance has announced the intention to carry out research in the near future, which will provide this knowledge. It is recommended to await the findings of that investigation.

### ***In conclusion***

In the countries that have been reviewed in the context of this study, participation in online gambling has increased, or the gross game proceeds of regulated online gambling have increased. Only Italy seems to be an exception to the trend of an increase in the number of players participating in remote gambling. In all four countries included in the detailed review, the regulated online gaming market is a relatively small part of the total participation and spending on gambling. It is possible that the availability of online gambling may influence the prevalence of problem gambling, but it is likely that this influence can also be attributed to land-based gambling opportunities.

When we reconsider the prevalence data from the four nations most comparable with the Netherlands we see that -with the exception of Denmark - there appears to be no evidence of a continuous upward or downward trend. The figures have certain peaks but then fall again. Especially the declines in the prevalence of gambling addiction run asynchronously to the legalization of online gambling and the related increased participation and spending.

Fluctuations in prevalence levels in three of the four countries can possibly be explained by other factors. In Italy, Norway, and the United Kingdom, peaks in prevalence levels appear to be mainly related to participation in, and spending on gaming machines (EGMs and AWP) or other land-based gambling, such as betting or casino games. Policy interventions that reduce the availability of these gaming machines, or facilitate the introduction of gaming options less sensitive to gambling addiction, seem to have a positive effect and have led to a decrease in gambling addiction.

A more theoretical explanation for fluctuations in the prevalence of gambling addiction is described by the concepts of exposure and adaptation. Exposure to an expanding range of (new) games of chance can initially lead to more problem gambling, but, supported by an active prevention policy, may over time also lead to a reduction of gambling addiction. Through awareness and information, people adapt in the course of time. With greater risk awareness, participants learn to adapt to games of chance, and are therefore less susceptible and sensitive. Because of this adaptability, people can exercise better control over their gambling behavior, which can lead to lower gambling addiction rates. The increases and decreases in prevalence rates in the four countries studied in depth could be explained on the basis of these two processes.

With the important reservation that the available data cannot be checked for the impact of mediating variables, this research does not suggest that there is a structural positive or negative relationship between the legalization of online gambling and gambling addiction rates. Legalization can mean that problem gambling initially becomes more visible. Where previously an active prevention policy was lacking, participants were fully exposed to risks. By providing an active prevention policy, players can sooner be informed of the risks involved, and of the possibilities to receive counseling with regard to problem gambling.