



Weekly Briefing

North Macedonia social briefing:

Gambling in (spite of) times of coronavirus: the social cost of profit

Adela Gjorgjioska

Gambling in (spite of) times of coronavirus: the social cost of profit

In addition to its numerous negative consequences to health, society and the economy, the coronavirus pandemic has also led to the temporary suspension of some 'normalized' negative behaviours. For instance, it has been reported that crime and pollution have dropped around the world amid stringent coronavirus measures. In the macedonian case, the disruption of the widespread practice of 'gambling' can be considered to be another example of a break from 'normalized' negative behaviours disrupted by the coronavirus pandemic. However, this effect is likely to be short-lived, as the government introduces new measures likely to breathe new air ensuring the survival of the 'toxic' gambling industry.

The Macedonian gambling industry has seen an exponential rise in recent years. The capital accumulated by gambling businesses has been accompanied by a simultaneous dispossession of the local and regional population, resulting in numerous socio-psychological consequences. The state and its institutions have played a crucial role in the process of stimulating the industry, firstly in the normalisation of gambling and secondly in creating a social and spatial environment where gambling can achieve its full revenue generating potential. As a result of the continuous growth, the sector now contributes with around 4% of GDP. In 2018, 253 million euros were paid in taxes by betting shops and casinos. According to the Association of sports betting shops (ASOM): "Out of the total sum, direct revenue accounts for 135 million of euros in 2018, which is a 12% increase compared to 2017. On the other hand, indirect revenue (from VAT, local tax, salary tax and contributions, as well as property tax) accounted with 118 million euros, which is an increase of 41% compared to 2017."¹ The four largest betting shops (Sport life, Zlatna Kopacka, BetCity Balkan and Bet Pro Bill Hill) earned an income of 140 million euros and a profit of 4,3 million euros in 2017. The biggest sports betting shop "Sport Life Trade" had a turn around of 71 million euros in 2017 and a profit of 3,5 million euros. For comparison, it had a larger turn around than other large companies such as "Vero supermarkets" or "Brewery Skopje".

ASOM lists employment generation as one of the biggest benefits of the sector's growth. It claims that there are around 7,700 directly employed in the industry, earning an average of

¹ "Betting shops and casinos have brought 253 million euros to the budget in 2018" available at: <https://sportmanija.mk/od-oblozhuvalnitsite-i-kazinata-vo-budhetot-na-rm-zavrshile-duri-253-milioni-evra-za-2018-godina/>

19,000 denars (300 euros per month) and according to the Association another 54,000 jobs are supported in related economic sectors. In 2017, Sport Life employed 511 people, which is larger than the number of workers in Johnson Matthey- the largest foreign direct investment in the country. Although economic factors such as those described above have been presented to be the biggest benefits of the gambling industry in the country, a closer inspection reveals a toxic industry, which thrives on the further impoverishing of the people, with numerous adverse economic, social and psychological consequences.

The Normalisation of Gambling

The extension of neoliberal values in the Macedonian capitalist periphery has meant the elevation of quick profit to the level of the highest social and personal goals. At the same time, the diffusion of unemployment and poverty, combined with the absence of any state support or social security framework for attaining economic prosperity and security, has created a fertile ground for the reliance on quick options for success. As a result the offer presented by the gambling industries has become increasingly attractive for people (especially men) on the lookout for options for quick profit. Simultaneously, the supply of gambling has been greatly assisted by the favorable legislation implemented by the State. Today the gambling industry in the country is regulated by the Law on Games of Chance and Entertainment Games, which came into effect in 2011 and regulates the licensing on forecasts of sporting events, lotteries, casino games, slot machines, Lotto and instant lotteries. The Law represented a part of the wider framework policy for attracting Foreign Direct Investments of the former VMRO-DPMNE and DUI Coalition Government. As a result of the favourable legislation, 23 companies now hold licences for slot machine clubs, five companies are licensed for casinos and 8 companies are licensed as betting shops.² Today, Austrian companies and companies from countries with tax incentives, which are known as offshore financial centers, are the biggest players in the Macedonian market of games of chance.³ Whilst in most countries the number of casinos is limited and they are located outside the cities, this is not the case for Macedonian casinos.⁴ Casinos and betting shops occupy central locations in Skopje as well as other cities across the country. Slot machine casinos are intensively opened, which attract the attention of passers-by with their spectacular lights that focus on the jackpot available. For example, the biggest betting

² "Betting shops and casinos empty the pockets of citizens across the country" available at <https://inbox7.mk/archives/6130>

³ "Macedonia becomes Balkan Las Vegas" available at: <https://en.scoop.mk/macedonia-becomes-balkan-las-vegas-low-standards-and-too-much-gambling/>

⁴ For example, throughout Greece there are only a few casinos. In Thessaloniki there is only one. As a result of this difference, the city of Gevgelija has become a real gambling centre frequented by Greeks. It has 4 gambling facilities and an entire local economy has been built around gambling in this location.

chain in the country (which is only one in 8 licences betting chains) Sport Life has over 150 shops across the country, most of which occupy the best locations in city centers. In the city of Tetovo, there are 30 casinos and 140 betting shops.⁵ Other cities are similarly saturated with betting shops and casinos, which often take up the space of former cultural centers or other types of old state properties from socialist Yugoslavia. The local population often complains because betting shops and casinos are being opened in the very centres of the cities, even near primary and secondary schools, thus attracting under-age users and causing addictions from an early age. Unsurprisingly, the over-saturation and proximity of gambling options has meant that it has become widely used. According to the statistics, about 72% of the adult male population in Macedonia under the age of 25 place bets on sporting events on a regular basis.⁶ According to a survey, 73.5% of the citizens with income lower than the Macedonian average place bets at the bookmakers.⁷

The huge revenues collected each year by a handful of betting shops and casinos, is at the same time the loss suffered by users/participants in betting shops and other games of fortune. In 2017, the population was impoverished by around 400 million euros as a result of their losses due to participating in the gambling industry.⁸ Of course, in addition to the economic losses there is also the social cost which cannot be quantified and includes the rise in alcoholism, drug addiction, domestic violence and crime. These negative externalities of gambling suggest that the consequences far exceed the financial benefit that the society and the state gain from taxing the industry or from charging for licenses.

The coronavirus restrictions- only a temporary relief from gambling?

Since the state of emergency has been in place in mid-March all casinos and betting shops across the country have been closed. These restrictions provided relief from the negative consequences attached to the gambling practice. However, on the 24th of April the Government brought a legally binding ordinance on the implementation of the ‘Law on Games on Chance and Entertainment Games’ allowing the ‘economic operators that organize such games of chance to conduct activities online’. The government further added that the decision will allow the conditions for keeping 7500 jobs in this industry. In its justification the decision states: “This ordinance provides for the possibility for the Government to collect tax revenue, which

⁵ “The religious communities want the betting shops to be closed” available at: <https://a1on.mk/macedonia/verskite-zaednici-sakaat-zatvoranje-kockarnici-za-drugi-da-otvorat-novi/>

⁶ <https://neonslots.com/macedonia>

⁷ <https://www.ceeol.com/search/gray-literature-detail?id=513365>

⁸ <https://inbox7.mk/archives/6130>

until now we were not able to do because of the measures introduced against the spread of coronavirus. Bookmakers, slot machines clubs and casinos ceased to bring tax revenues as of March 15, 2020, when the organizers of these services closed all the business premises where they organize games of chance.”⁹

It remains to be seen whether and to what extent ‘gambling customers’ will switch to online gambling. However, amidst the coronavirus, the industry has seen its further liberalisation into the online sphere, which opens the space for further increases of the practice in the future. Unable to play a developmental role and to stimulate the economy through the generation of productive and sustainable jobs, the state has once again, during the coronavirus state of emergency, fallen back on supporting the gambling industry in spite of its negative social and psychological externalities.

⁹ <https://vlada.mk/node/21166>