



Center for Research and Policy Making

Sports Betting as a Social Phenomenon in Macedonia

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1. Introduction

In the Republic of Macedonia the bookmakers specialized in sport events came into existence for the first time in 1999. In 2005 there were 79 bookmakers licensed by the Ministry of Finance and the estimate is that at the moment there are around one hundred in the whole country.¹ The interest for the bookmakers increases every year and the number of people who place bets also rises, 37% of the citizens in Macedonia “place bets” thus taking this phenomenal occurrence to the level of euphoria.² The sports betting as a term is “a general activity of foreseeing sports results by placing bets on a particular sporting event”.

The difference between the sports betting, commonly called in Macedonia just “betting,” and the other games of chance is the illusion for the probability of gain. The people who bet believe that they have bigger chances to win because they themselves choose the sporting events on which they will place their bets and make the possible combinations within the framework of the rules that are generally accepted by all the betting places. Often, the odds are different at different bookmakers and the citizens choose where to bet. Another difference between the bookmakers is that some offer better conditions in the sense of offering better comfort in the process of betting, the possibility to follow the results live, etc. Taking into consideration the great competition the conditions for betting at the bookmakers in Macedonia are similar.

The phenomenon of sports betting is characteristic not only for the Republic of Macedonia, but also for all the other post-communist countries or countries in transition, such as Albania, Serbia, Montenegro, Croatia, Bulgaria. One and a half decade after the fall of the socialist regime and the attempts to implement capitalism, we are witnessing the results of the change of one system with its opposite. On one side, a system of a very low economic efficiency, but with a sense of social security goes in history and on the other side, a system with very high economic efficiency, but with considerable shortcomings in the area of social security takes its place.

This transitional period in Macedonia created a category of people who are susceptible to the socio-economic uncertainty and exclusion, a big category of socially endangered citizens and a big percentage of unemployment. Some of these people see the bookmakers as an opportunity to win money and cover their expenses and pay taxes, which in many cases for the Macedonian citizen are a difficult burden. They saw their chance in the

¹ Data from the Ministry of Finance of the Republic of Macedonia.

² A survey conducted by CRPM (Center for Research and Policy Making) on a representative sample, during the World Cup from 9 June to 9 July 2006.

bookmakers specialized in sport events because with the minimal bet of 50 denars (about one US dollar) they could expect a win up to 300 thousand denars (depending on the combination they have played). According to the survey conducted by the Center for Research and Policy Making, 73.5%³ of the citizens with income lower than the Macedonian average place bets at the bookmakers.

The economic dimensions of the legal industry of sports betting and the factors that influence it are the following:

- *Suppliers - motivated to maximize the profit (the owners of the bookmakers)*
- *Policy makers - the government and the other stakeholders that are responsible for the definition of the legal parameters, which will govern the organization of the games of chance*
- *Regulations - the legal framework respected by the suppliers and consumers*
- *Consumers - motivated to obtain additional income by betting on sports events*
- *General public - it can be influential with its opinions (positive or negative)*

2. Methodological Aspects

In an attempt to explore the phenomenon of sports betting and the reasons it rose to such an extent in the Republic of Macedonia, the Center for Research and Policy Making made use of the following methodology:

- A poll based on a representative sample in the whole of Macedonia was conducted over the telephone. This poll consisted of one question- whether the people place bets at the bookmakers specialized in sport events. The results showed that 37% of the citizens in the Republic of Macedonia are prone to betting.⁴
- A poll that addressed only the citizens who bet and that was conceived to discover the reasons why so many people bet.
- The monthly income, the time dedicated to the process of betting, the social and economical status of the citizens and the profile of the people who bet (age, level of education, gender and nationality) were also researched⁵

³ According to the CRPM poll, 28.5% of the people who place bets are without income, 16% have monthly income up to 6000 denars and 28.7% have monthly income between 6001-11000 denars.

⁴ The results of the poll are available on the web page of the Center for Research and Policy Making (www.crpm.org.mk)

⁵ See the web page of the Center for Research and Policy Making (www.crpm.org.mk)

- The minimal monthly turnover of the bookmakers, was approximately calculated⁶
- Comparative analysis - an analysis of the Law on Lottery and Games of Chance of the Republic of Macedonia and some other neighboring countries and an analysis of other researches that were carried out about the reasons for betting and gambling were conducted.

3. Analysis of the Law on Lottery and Games of Chance

The type, the conditions, the organization and the arrangement of the lottery and the games of chance in Macedonia are governed by the Amendment to the Law on Lottery and Games of Chance.⁷ The Amendments introduced European standards concerning various technical issues and issues regarding the rights and protection of the players. The new law increased both the security of the participants and the income in the budget of Macedonia. However, the ordinance that regulates the organization of games of chance by issuing licenses is a major exemption. A number of matters that justify this law are regulated with the system of issuing licenses. Firstly, the existence of permanent and temporary licenses (for example: betting on sport events) for different games of chance prevents monopoly in any area, thus creating an open and liberal market. These licenses, in exceptional cases also obtained by the state, are obtained by various associations and foreign legal entities.⁸ Also, there is a possibility to obtain temporary licenses. The temporary licenses (valid from 9 months to 1 year) serve as protection against unfair competition, preventing the same subjects to stay on the market for too long. With the ordinance "Organization of Lotteries and Games of Chance"⁹ the time validity of the license and the procedure for obtaining a license are established. The new law protects the interest of the players who have winning stakes.

One of the prerequisites for this Law was the technological development, prescribing the use of modern technology in the organization of lotteries and games of chance. The income in the budget of Macedonia that comes from the organization of lotteries and games of chance, especially from betting on sport events, is another issue that is regulated by the new law.

⁶ In May 2006, while all the national football championships were still in progress, which automatically means higher interest and attendance in the bookmakers, CRPM tried to make an approximation of the money that flow in the bookmakers on a monthly basis. The method was the following: at the end of the working hours of the bookmakers a bet was placed. The ordinal number of the ticket received revealed the number of bets placed during the day (the ordering being 1,2,3, etc on the tickets) with that cashier. This number multiplied by the minimal bet of 50 denars, by the number of cash registries and the 30 (days in one month) gives the approximate minimal amount of money that flows in a single betting house/sport bookmaker on a monthly basis.

⁷ Published in the Official Gazette of the Republic of Macedonia, number 13, on 21 February 2001.

⁸ "A foreign legal entity can organize special games of chance at the bookmakers if during one year makes an investment in the country of at least 1 000 000 EUR and employs at least ten persons, citizens of Macedonia." Official Gazette of the Republic of Macedonia, number 13 from 21 February 2001 / Organization of Lotteries and Games of Chance

⁹ Official Gazette of the Republic of Macedonia, number 13 from 21 February 2001 / Organization of Lotteries and Games of Chance

Apart from the license, which costs 2 000 000 denars (about 40,000 US dollars), the form of paying tax is also clearly regulated. It amounts to 18% of the profit and 19% of the income above 10 000 denars. The deposit that serves as a warranty for the players is 1 000 000 denars.

4. Sports Betting as a Social Phenomenon (*reasons*)

In the countries with higher living standards the bookmakers are places where people have a drink and occasionally place a small bet on their favorite teams in order to watch the game with more passion. Fun is the main reason why people place bets in the economically powerful countries.¹⁰ In Macedonia the reasons are diametrically opposite, the possibility of gain in connection with the low economic and social status and the low living standard of the citizens is the main reasons why so many people bet (37% of the citizens place bets). The bookmakers specialized in sport events in Macedonia are stuck in the “transitional poetry of poverty.” Of the people who bet, 71.5% do so because of the economic reasons, hoping to win and gain material means. The citizens of all categories bet because of the same reasons, Macedonians, Albanians, Serbs, Turks, Roms, the less educated, the more educated, citizens with higher or lower income, citizens living alone or with a family, the employed and the unemployed etc.¹¹

The bookmakers are places where you can find people from all the layers of the Macedonian society, but especially from the lower ones. The unemployment rate in Macedonia is around 30%, the economic power of the citizens is on the constant decrease, the taxes are getting higher, the electricity, water, heating and telephone bills and the gasoline are going up while the salaries in the last fifteen years have only insignificantly increased.¹² Many in Macedonia see a chance for success in life in the betting on sport events.

All these factors influence the profile of the typical Macedonian citizen who places bets- 39.5% place less than 1000 denars per month, 33.2% place bets between 1001 and 5000 denars per month and only 3.2% place bets of more

¹⁰ Researches conducted in Texas (USA) by Lynn S. Wallisch, M.A. “*Gambling in Texas: 1995 Surveys of adult and adolescent gambling behavior under the patronage of the Texas Addiction Commission*, showed that 50% of the people bet for fun and only 28% bet in order to win money. The researches in Massachusetts and California conducted by the Center for Political Analysis in Massachusetts (*Gaming behavior survey: Rhode Island and Massachusetts; Clyde W. Barrow, Ph.D., Political Science*), showed that 65% of the surveyed “bet for fun” while 12% bet for economic reasons. The researches in Canada (*Considering the Impact of Gambling* by Jason J. Azmier, Senior Policy Analyst Robin Kelley, Policy analyst Peter Todosichuk, Intern AUGUST 2001) conducted on the basis of the stakes showed that the people who bet for fun place 2.7 to 4.5 billion US dollars per year, which represents 74% of the financial resources. Only 26% bet for other reasons.

¹¹ See the poll available on the web-page of the Center for Research and Policy Making

(www.crpm.org.mk)

¹² See European Bank for Reconstruction and Development, Transition Report Update, 2006, p. 45.

than 13 000 denars, which according to the Macedonian living standards is considered a high stake because it equals the average monthly salary. Almost half of the citizens younger than 25 place bets (48%), similar are the numbers for those aged between 26 and 40 (49%). The percentage of young men who bet is very high, 72% of those younger than 25 and 71% of those aged between 26 and 40.

It is interesting to note that in this vicious circle of sports betting comprised of the suppliers (the owners of the bookmakers), the consumers (the citizens) and the state, everybody seems to be content. The state is interested in having more bookmakers because of its impact on the state budget - 2 000 000 denars every 9 months plus the gains from taxes on income, and VAT,. The owners of the bookmakers are content with the profit per annum. Finally, many citizens are also content. Yet their happiness is short-lived and selective.

All cannot win. If one day a few citizens win, they enjoy the money placed by many others. This circle of betting and winning is continuous. The turnover amounts to approximately 150 000 to 200 000 EUR per month only in five bookmakers in the capital.¹³ This is a process where the citizens can only hope to win. Understandably, the owners and the state make profit and this profit is made at the expense of the citizens. Yet it is the citizen who does not have a choice or has few alternatives to satisfy his or her existential needs living only on his or her salary. It is the citizens who bet in such large numbers. This leads to opening of new bookmakers every year. The citizens made the sports betting a phenomenon in Macedonia.

Types of influence of the betting process from an economic perspective:

- Positive influences;
 - Increase of the employment - new jobs in the bookmakers
 - Increase and development of the business sector
 - Investments in the infrastructure (the bookmakers)
 - Increase of the material goods

- Negative influences;
 - Unemployment (losing jobs)¹⁴
 - Poverty (losing material goods)
 - Negative psychological influence on the family¹⁵
 - Bankruptcy

¹³ Data from the research conducted by CRPM in May 2006 with the methodology described in footnote 6.

¹⁴ According to the survey conducted by CRPM, 19.5% of the polled spend more than 10 hours a week on the betting process, 18.6% spend 7 to 10 hours, 24.9% spend 4 to 6 hours, 23.1% spend 2 to 3 hours and only 9% spend less than one hour. All this can have a negative impact on the professional life of the citizen in a sense that he or she spends more time on the betting process than on his or her professional development.

¹⁵ According to the poll conducted by CRPM, 85.3% of the people who bet live with their families. The long absence from home or the excessive dedication of the male (most often) member of the family influences the harmony of the family relations.

5. Conclusion and Recommendations

The phenomenon of sports betting is widely spread in Macedonia. 37% of the citizens and 61% of the male population place bets. They spend quite a bit of their time in the process as they follow the results, read the bulletins, discuss their successes and failures. According to the results of the poll, the people who bet spend a lot of time on the betting process per week - up to 1 hour (12% of the polled), 2 to 3 hours (23%), 4 to 6 hours (23%), 7 to 10 hours (18%), more than 10 hours (19%). A huge majority of the people who bet live together with their families (85%). Almost three fourths of the people who bet have income lower than the average. The young, especially the male population, are most addicted to betting.

In fact, the typical profile of a person who bets is a **young man, with a degree from high school and low income**. The right of the individual to bet is legal and the state cannot influence it. But the state has the legitimate interest to protect the interests of all the citizens, including the interests of the other members of the family. Since it is evident that in Macedonia many neglect the family because of the betting, the state and the civil sector can help in various ways that the Center for Research and Policy Making recommends.

The least that the state can do is the constant monitoring of and reporting about the state of affairs in this sphere of living. The monitoring system would help by creating a database that would be available to the public and that would be used for taking measures or creating public policies. Additionally, influence can be exerted by public awareness campaigns, the educational system, and the mass media and through the specialized institutions (Agency for Young and Sports). The civil and state institutions that deal with addiction problems can have consulting and preventive functions, especially with the young population.

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