



March 2009  
Gambling inquiry  
Productivity Commission  
Locked Bag 2, Collins St. East,  
Melbourne, VIC 8003 Australia

To The Productivity Commission,

**A Submission by The Smith Family in response to the Productivity Commission's 'Inquiry into Gambling'**

The Smith Family<sup>1</sup> welcomes the opportunity to make this submission to the Productivity Commission's 'Inquiry into Gambling'. The evidence shows that contemporary changes in family structure, the workplace, and across society at large are impacting negatively on children's wellbeing and future participation as adults. After a long period of economic prosperity and security, Australia is now feeling the impact of the global financial crisis that is testing the financial viability of business, Government and non-profit organisations. Last month's unemployment rate increased from 4.8 per cent to a 32 month high of 5.2 per cent,<sup>2</sup> indicating that individuals and families are also facing greater risk of financial hardship. With a growing number of disadvantaged families 'falling between the cracks' in difficult financial times, greater numbers of our parents and children are being left behind. Without an integrated network of support from birth through to adult learning, of which appropriate support for disadvantaged families is a crucial element, this cycle of disadvantage is likely to continue across generations.

**Response to the Inquiry into Gambling**

The Smith Family recognises the Committee's overarching objective to help shape government action to tackle problem gambling and inform policy responses to minimise the prevalence of problem gambling in Australia.<sup>3</sup> To this end, we commend the Australian Government for taking the opportunity to investigate the social impact of problem gambling and we support any attempts to reduce the incidence of problem gambling in Australian communities.

Based on our own experiences providing opportunities for disadvantaged young people and their families to build their capacities to participate socially and economically, we would like to raise the following points for consideration:

- The vulnerability and risk of problem gambling for low income families;
- Prevention through financial education;
- The Smith Family's recommendations for the Australian Government strategy on problem gambling.

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<sup>1</sup> See Appendix I.

<sup>2</sup> ABS (2009) *Labour Force, Australia, February 2009*. ABS data viewed 19/03/09 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6202.0>

<sup>3</sup> Productivity Commission (2008) *Productivity Commission Issues Paper – Gambling*. Australian Government, Canberra p 7.

## The Vulnerability and Risk of Problem Gambling for Low Income Families

Research has shown that around 70–90 per cent of Australian adults gamble at least once per year,<sup>4</sup> with lotteries having the highest participation rate of all forms of gambling. While gambling is a pleasurable recreational pursuit for many gamblers, for some it gives rise to significant problems and harm. Such people typically spend increasing amounts of time and money on gambling, may deceive people about their gambling, find it difficult to control the impulse to gamble, and can engage in socially destructive behaviour as a consequence.<sup>5</sup>

Problem gambling can be characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.<sup>6</sup> According to the Productivity Commission's (1999) report 15 per cent of gamblers are problem gamblers, representing 2.1 per cent of Australians. Problem gamblers lose more than 18 and a half times as much money in one year than other gamblers. According to the Productivity Commission's findings, the costs include financial and emotional impacts on the gamblers and on others, with on average at least five other people affected to varying degrees.

Further to these findings, the Productivity Commission inquiry also found evidence that low income people on average spend a higher proportion of their incomes on poker/gaming machines. Given that the primary impact of gambling is financial losses; those with relatively low household income and by implication relatively lower disposable income are much less able to afford to gamble. The Smith Family is particularly concerned that in the current economic climate high unemployment rates and rising costs of living will increase the risk of financial crisis thereby raising the incidence of problem gambling.

In 2003-04 the Australian Bureau of Statistics reported over one million (14 per cent) of Australian households were considered to be low economic resourced, managing their household budgets on a mean weekly equivalised disposable income of \$262.35. In fact, one out of every five children aged 0–14 years (822,000 children) lived in a low economic resources household.<sup>7</sup> Low economic resources households tend to also be unemployed, relying heavily on government pensions and allowances.

## Prevention Through Financial Education

The evidence has shown that in a 21st century knowledge society financial literacy can be a key to closing the gap between those who participate in many ways in society and those who have been excluded. Improving financial literacy is beneficial not only for individuals, but also for facilitating relationships within and between social groups, enhancing social capital, and ultimately flowing through to an increase in productivity and the economy at large by effectively contributing to a more self-sufficient, employable and resilient community.

Without adequate financial literacy, the intricacy of the vast array of financial products and choices may see the disadvantaged making poor, uninformed choices, adversely affecting their financial situation and negatively influencing other related outcomes including increasing risk of problem gambling behaviour. Research on financial capability is increasingly showing that such initiatives need to take into consideration attitudinal and behavioural aspects of personal money management and provide a range of self management and critical thinking skills that underpin positive financial behaviours.<sup>8</sup> Such financial literacy education needs to involve more than awareness and quality information.

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<sup>4</sup> Gambling Research Australia (2008) *A Review of Australian Gambling Research*. Ministerial Council on Gambling, Australia. Viewed 30/03/09 [www.gamblingresearch.org.au](http://www.gamblingresearch.org.au).

<sup>5</sup> Productivity Commission (2008) *Productivity Commission Issues Paper – Gambling*. Australian Government, Canberra.

<sup>6</sup> Gambling Research Australia (2005) *Problem Gambling and Harm: Towards a National Definition*. Viewed 23/03/09 [http://www.gamblingresearch.org.au/CA256902000FE154/Lookup/GRA\\_Reports\\_Files1/\\$file/NatDefs\\_ExecSum.pdf](http://www.gamblingresearch.org.au/CA256902000FE154/Lookup/GRA_Reports_Files1/$file/NatDefs_ExecSum.pdf).

<sup>7</sup> ABS (2007) *Australian Social Trends 2007: Low income low wealth Households*. Canberra.

<sup>8</sup> Financial Services Authority (2008) *Financial Capability: A Behavioural Economics Perspective*. Prepared for the Financial Services Authority by David de Meza, Bernd Irlenbusch, Diane Reyniers, London School of Economics; Australian Government (2007) *Financial literacy: Australians understanding money*. Financial Literacy Foundation, Canberra.

The following program case study offers an example of how financial literacy education has had a positive impact on participant's ability to save and effectively manage their money.

### *MoneyMinded and The Smith Family's financial literacy course*

*MoneyMinded* is a financial education program which assists people to make effective decisions and informed judgements about the use and management of their money. It consists of two adult financial education programs developed to help people build their financial skills, knowledge and confidence.

The original *MoneyMinded* program was developed in conjunction with a number of community organisations<sup>9</sup> and launched in October 2004. The program drew on a range of expertise during development. It was written by the Centre for Learning Innovation in the New South Wales Department of Education and Training, with contributions from an advisory committee featuring nominees from the Australian Financial Counselling and Credit Reform Association and Financial Counsellors' Association of NSW Inc. The advisory committee also included representatives from the Australian Securities and Investments Commission and the ANZ Bank.

In 2005, ANZ invited The Smith Family in 2005 to deliver *MoneyMinded*. As a suite of financial education resources, we were able to tailor *MoneyMinded* to the particular needs of our families around the country. This has allowed us to provide a comprehensive financial literacy program with technical and practical steps for managing money and making the most of limited resources. A distinguishing feature of the way we deliver this course is our focus on changing participants' behaviour towards money, and allowing them to explore and understand the habits that will lead to greater financial literacy.

Importantly, our delivery of the *MoneyMinded* suite of resources reflects the centrality of behavioural change in creating intergenerational impact.<sup>10</sup> This has been further enhanced by the skills of The Smith Family's facilitators, who have been specifically trained to support participants in acquiring the habit of making well-informed decisions about finances on their own, rather than relying on another entity to do this on their behalf. In turn, their efforts are also complemented by staff from the Australian Securities and Investment Commission who volunteer to assist in explaining financial concepts, such as superannuation, to the participants.

In October 2006, The Smith Family undertook its own evaluation of the financial literacy course we had run using the *MoneyMinded* resources, over late 2005 / early 2006. This evaluation was purposefully scheduled to encompass the Christmas and New Year period, one of the most financially challenging times for disadvantaged families in managing income, expenditure and saving. The findings indicated that participation in *MoneyMinded* had helped participants change their behaviour and take greater control of their finances and effectively of their future.<sup>11</sup>

The success of the program has also been formally recognised, when in 2005, it received a 'Highly Commended' rating at The Queensland Government's *Consumer Protection Awards – Consumer Advocacy* division. The *MoneyMinded* program was also a National Winner in the 2006 Prime Minister's Award for Excellence in Community Business Partnerships the following year. The Smith Family's goal is to deliver elements of the *MoneyMinded* financial literacy resources to 3000 participants over 2008-09, and to increase the total number by 50 per cent, for each of the next two financial years, bringing the numbers respectively to 4,500 and 6,750.

Providing opportunities through financial literacy for our families to change their behaviours to better plan for and manage their circumstances is thus an important element of any coherent preventative strategy to address problem gambling.

<sup>9</sup> In addition to The Smith Family, other organisations working with ANZ in the development and implementation of *MoneyMinded* include The Benevolent Society, The Salvation Army, Mission Australia, Anglicare, The Brotherhood of St Laurence, Kildonan Child and Family Services and Berry Street Victoria; see: *MoneyMinded*, [www.moneyminded.com.au](http://www.moneyminded.com.au), accessed 27/03/2009.

<sup>10</sup> See: *The Economist* (April, 2008, pp. 76-78) where the increasing relevance of behavioural economics is recognised as an important resource in the building of money management skills.

<sup>11</sup> For further information see RMIT, 2005, *Evaluation of MoneyMinded: An Adult Financial Education Program*, RMIT and The Smith Family, 'Beyond Budgeting to Financial Literacy An evaluation of The Smith Family's *MoneyMinded* program', The Smith Family, 2006.

### The Smith Family's Recommendations for the Australian Government's Strategy on Problem Gambling

The complexity of disadvantage in today's knowledge era has made clear the need for closer collaboration between Government and non-profit sectors. Intractable social issues require long-term, innovative solutions that draw on the respective strengths and resources of multiple sectors: Government, non-profit, corporate and academic.<sup>12</sup> To effectively address the more intractable forms of disadvantage, such as the issue of problem gambling, strategies need to involve a whole-of-government and whole-of-community response including prevention and early intervention support.

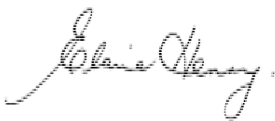
During this time of economic uncertainty, Government policy has an important role in protecting the most vulnerable and preventing further disadvantage. Based on a place-centric approach to supporting individuals, The Smith Family proposes the following recommendations for consideration:

- that reforms to Gambling policy and legislation directly or indirectly contribute to a more equitable and inclusive system in which all Australians and their families may participate fully;
- that comprehensive financial education programs be developed to build financial capability thereby facilitating more positive relationships with money, particularly in vulnerable communities;
- that flexible models of support and intervention also address the behavioural aspects of money management and decision making;
- that the Australian Government identify suitable research partners to update and increase knowledge of risk factors associated with problem gambling in Australia, particularly focusing on vulnerable communities.

We also urge that continuous and systematic evaluation mechanisms regarding policy and program outcomes be applied in relation to problem gamblers and their families to further facilitate the development of best practice programs.

For more information regarding any of the points raised in this submission, please do not hesitate to contact Dr. Rob Simons, Head of Research & Evaluation at 02 9085 7128 or [rob.simons@thesmithfamily.com.au](mailto:rob.simons@thesmithfamily.com.au).

Yours sincerely



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<sup>12</sup> For more information on innovation, please see The Smith Family (2008) *85<sup>th</sup> Birthday Special Report Series – Innovation Relationships* [http://www.thesmithfamily.com.au/webdata/resources/files/85th\\_birthday\\_Innovation\\_Relationships.pdf](http://www.thesmithfamily.com.au/webdata/resources/files/85th_birthday_Innovation_Relationships.pdf).

## APPENDIX I

### The Smith Family

The Smith Family is a national, independent social enterprise that provides opportunities for disadvantaged Australian families and communities to create a better future through education. The purpose of The Smith Family's *Learning for Life* suite of inter-connecting programs is twofold: on the one hand, it works to increase the **participation** in society of disadvantaged children and their families through the provision of educational opportunities across the life course (increasing *human* capital); while on the other, it works to increase the **engagement** of those with the time, talent or dollars to support them (increasing *social* capital).

All of the programs within our *Learning for Life* suite are built around facilitating these relationships between disadvantaged children and those in their wider community with the capacity to assist them. Such sound connections are crucial, not only to ensure that disadvantaged children are ready and able to progress through key transition points in their lives where they are most vulnerable (e.g. moving from home to school, from school to work), but also to build capacity in the wider community to be receptive to and supportive of their participation.

Through these relationships, which are built around sponsorship, tutoring, coaching or mentoring by adults or even their peers, disadvantaged children and young people are able to develop their academic, socio-emotional and vocational skills to achieve their full potential. This includes support for essential comprehension, emotional, digital and financial literacies to ensure that students are fully equipped to participate in the 21<sup>st</sup> century knowledge society.