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NATIONAL INSTITUTE OF JUSTICE

Research in Brief

Charles B. DeWitt, Director

August 1991

Private Security: Patterns and Trends

by William C. Cunningham, John J. Strauchs, and Clifford W. Van Meter

In 1980, the National Institute of Justice commissioned Hallcrest Systems, Inc., to conduct a comprehensive study of the private security industry in the United States. This *Research In Brief* is based on Hallcrest's update and review of private security in 1990.

Private security is now clearly the Nation's primary protective resource, outspending public law enforcement by 73 percent and employing 2½ times the workforce, according to a new National Institute of Justice (NIJ) study of the private security industry. Currently, annual spending for

private security is \$52 billion, and private security agencies employ 1.5 million persons. Public law enforcement spends \$30 billion a year and has a workforce of approximately 600,000.

In 1980, NIJ research revealed that the private security industry had annual expenditures 57 percent larger than public law enforcement.¹ In 1990, a new NIJ-sponsored descriptive study of 1970 through 2000 confirmed the trends noted earlier and forecast that the trends would continue at least another decade.²

Private security executives perceive their industry's role as a supplementary one, protecting property and assets in ways that exceed the resources of public law enforce-

ment. Crimes against business that are commonly investigated by private security personnel, but seldom by law enforcement, include many computer crimes, fraud, and industrial espionage.

According to one definition, private security includes "those individuals, organizations, and services other than public law enforcement and regulatory agencies that are engaged primarily in the prevention and investigation of crime, loss, or harm to specific individuals, organizations, or facilities."³ That definition, however, excludes the fastest growing segment of private security—the manufacture, distribution, and installation of security equipment and technology.

From the Director

Public safety demands that the police concentrate on crime prevention and criminal apprehension. While priorities compel State and local agencies to focus on enforcing the law, they must also provide other public services that do not necessarily warrant the attention of sworn law enforcement personnel.

Because of this gap in public services delivery, private security forces have evolved to the point that they now routinely perform some of the tasks traditionally performed by law enforcement, such as guard, patrol, and investigative services. Indeed, the private security industry has grown to where it now dwarfs public law enforcement; it employs 2½ times the personnel of public agencies and outspends them by 73 percent.

But where is the line to be drawn between the responsibilities of law enforcement and the opportunities for private security agen-

cies? Will private security and public law enforcement work together effectively for the public good?

This *Research In Brief* provides some answers to these and other questions about the emerging role of the private security industry. It is the result of a new (1990) National Institute of Justice (NIJ) study, which reviewed and updated earlier NIJ-sponsored research. The new results show private security growth continuing at a more rapid pace than that of public law enforcement.

NIJ commissioned a study in 1980 to examine the growth and development of the private security industry across the Nation. Some of the results were startling; for instance, research revealed that private security had outstripped public law enforcement in annual spending and was growing far faster than public enforcement.

Private security agencies now investigate crimes against business as a matter of course. These crimes include computer offenses, copyright and trademark infringements, industrial espionage, and even fraud and embezzlement.

Serious and violent crime, on the other hand, is undeniably within the purview of the public sector. Rape, murder, drug trafficking must be dealt with by public law enforcement agencies. Consequently, NIJ's research is intended to explore areas in which private security can assume some of the burden now borne by overworked public law enforcement agencies, thereby freeing them to concentrate their efforts in areas where their involvement is essential.

Charles B. DeWitt
Director
National Institute of Justice

For the purposes of the 1990 study, researchers identified nine categories as part of the private security industry:

- Proprietary (in-house) security.
- Guard and patrol services.
- Alarm services.
- Private investigations.
- Armored car services.
- Manufacturers of security equipment.
- Locksmiths.
- Security consultants and engineers.

How market and employment statistics were derived

Little has changed about private security data since the original study in 1980: there still is a paucity of information based on rigorous empirical research.

To determine what data would be used in the 1990 study, researchers first asked whether the information was corroborated by a reliable source (preferably two) and whether those sources appeared to be independent of each other. Next, did the data fall within an acceptable cluster range?

When presented information about gross revenues, number of employees, and number of companies, the research staff applied such logical tests as calculating revenues per company, revenues per employee, and the ratio of payroll to gross revenues. (These analyses did not necessarily confirm the data, but readily identified flawed data.)

As a final step in their analyses, researchers asked industry experts whether the resulting data seemed reasonable.

In addition to the market analysis described, research included a literature review, interviews with security and law enforcement personnel in 12 metropolitan areas, focus group discussions, and interviews with representatives of appropriate national associations.

- "Other," which includes categories such as guard dogs, drug testing, forensic analysis, and honesty testing.

The *Sourcebook of Criminal Justice Statistics 1981*⁴ estimated the cost of police protection—Federal State, and local—at \$13.8 billion for 1979. The Key Market Coverage, 1981, for *Security World* magazine listed private protection costs for 1980 at \$21.7 billion.

Conservative methods of extrapolation from the current (1990) figures yield the growth pattern shown in exhibit 1.

While public expenditures for law enforcement will reach \$44 billion by the year 2000, they will be dwarfed by private security expenditures, which will reach \$104 billion. The average annual rate of growth in private security will be 8 percent, or double that of public law enforcement.

Security/police cooperation

NIJ-sponsored research in the early 1980's revealed few collaborative efforts between police and private security groups, with the exception of crime prevention programs. Public law enforcement officials described their relationship with private security managers as fair to good at best. Few police chiefs and sheriffs even had lists of the names of security managers at area companies or contract security firms. Security personnel, on the other hand, said they had excellent working relations with police.

In the 1980's, however, the International Association of Chiefs of Police, the National Sheriffs' Association, and the American Society for Industrial Security began joint meetings to foster better cooperation between the public and private sectors. In 1986, with funding from the National Institute of Justice, these organizations set up the Joint Council of Law Enforcement and Private Security Associations. A number of local and regional groups also set up cooperative programs involving the police and private security.

Police/private security issues

Many in both law enforcement and private security consider privatization, false alarms, police moonlighting, and "private justice" to be the key issues that must be

addressed in building improved relationships between the two sectors.

Privatization

As an indication of the growing interdependence of the public and private sectors, State and local government spending for a wide variety of private sector services has increased dramatically over the past 15 years, from \$27 billion in 1975 to \$81 billion in 1982 and an estimated \$100 billion by 1988. Federal expenditures for all types of private sector services were \$197 billion in 1987.⁵

Crime-related services provided by public law enforcement are rooted in constitutional responsibilities and perhaps should never be contracted away. Law enforcement officials, however, might welcome a fuller partnership with private security if contracting out some support services would free up their officers for basic crimefighting.

Services frequently identified as candidates for privatization are public building security, parking enforcement, patrolling of public parks, animal control, special event security, funeral escorts, court security, prisoner transport, and public housing development patrol. Private security executives report they already perform a number of these police support activities. And while such privatization is occurring slowly, the study found that at least 18 States practice some form of it.

False alarms. The smaller the law enforcement department, the greater its interest in transferring authority to private security for all tasks except responding to burglar alarms. Large police departments, nearly 70 percent of them, were most interested in transferring responsibility for responding to burglar alarms to private security.

Residential use of burglar alarms, already found at most businesses, is on the rise. False alarms from security systems are a common police complaint. Police studies consistently show that 95 to 99 percent of alarm calls are false, and that alarm responses account for 10 to 30 percent of all calls for police service.

In the early 1980's only 2 to 5 percent of residences had alarm systems. By the end

of the decade, this figure was up to 10 percent. As alarm systems become less expensive and more readily available, residential alarm systems could double in number by the year 2000. Can the police, the alarm industry, and the public tolerate twice the number of false and nuisance alarms?

Interviews reveal that some law enforcement officials view alarm response, especially at residential sites, as a special consideration for the few citizens who can afford alarm systems rather than as a communitywide police function. Others see alarm response as a free service for the alarm companies, who profit at police expense. Meanwhile, 8 out of 10 local managers of guard and patrol services reported they would be willing to take over alarm response on a contract basis.

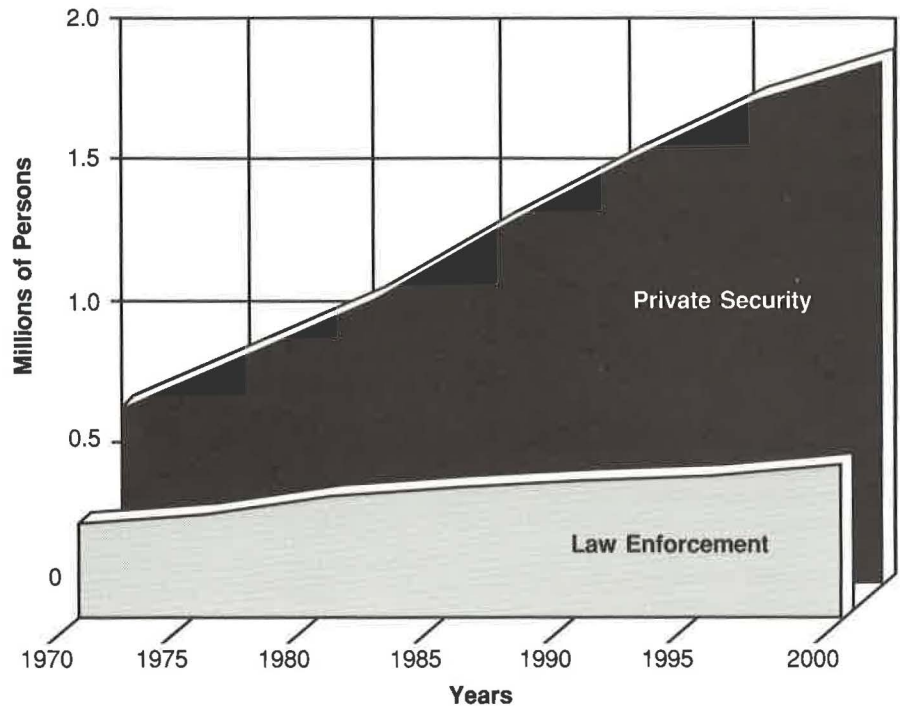
The National Burglar and Fire Alarm Association estimates that more than 2,000 communities have alarm ordinances. These typically involve alarm system permits, allow three to five false alarms per system per year, and levy fines for excessive false alarms. Under some ordinances, police can refuse to respond to alarms at problem locations. Some manufacturers and vendors have taken significant steps to reduce the number of false alarms through improved design and user training for customers.

Moonlighting. Businesses frequently hire offduty law enforcement officers for guard and patrol duties, traffic direction, crowd control, and other security functions. For more than 15 years, contract security company owners have objected to this as unfair competition.⁶ Although 15 to 20 percent of U.S. police departments prohibit or severely restrict such activity,⁷ law enforcement administrators estimate that about 20 percent of their personnel supplement their police salaries with regular outside security employment. This means that some 150,000 local police officers perform regular offduty private security work.

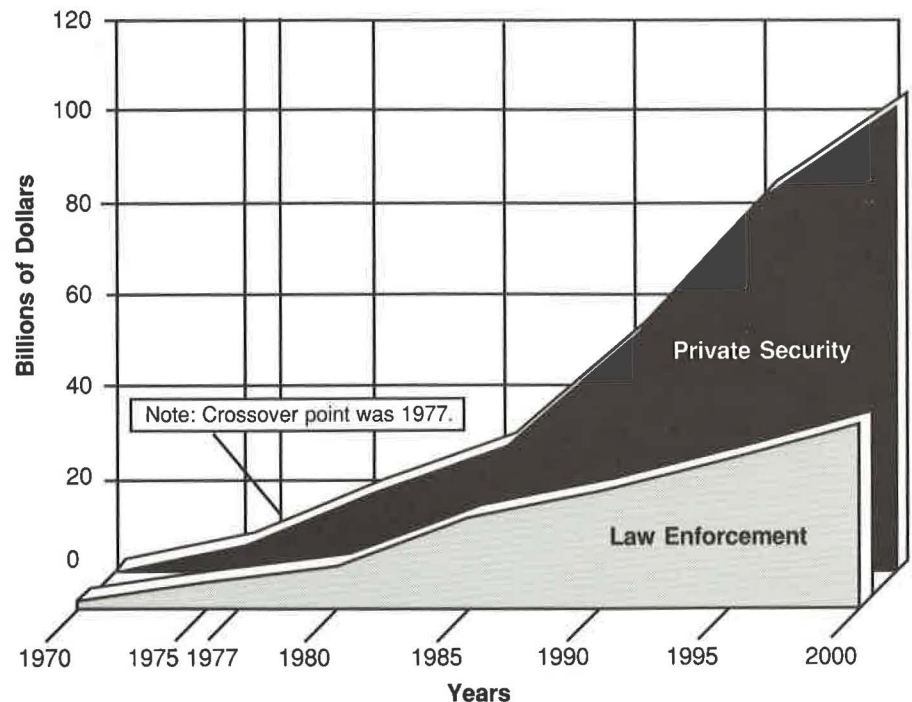
Three-quarters of the police departments that permit the practice allow officers to wear their uniforms while employed outside. Many also permit offduty use of other department equipment, including radios and vehicles.

Exhibit 1

Private Security and Law Enforcement Employment



Private Security and Law Enforcement Spending



Opponents of police moonlighting say that despite putting more police on the street at no additional public cost, such private financial arrangements with employees of public agencies raise questions of liability and conflict of interest. And, they maintain, in the long run the practice undermines the notion of equal protection for all. However, proponents of the practice argue that police officers are better trained than private security personnel and possess greater inherent authority.

Private justice. Interviews both in 1980 and 1990 confirmed that much economic crime is disposed of privately instead of through the public criminal justice system. As the Task Force on Private Security⁸ observed in 1976:

It would appear that a large percentage of criminal violators known to private security personnel are not referred to the criminal justice system. A logical conclusion would be that there is a "private" criminal justice system where employer reprimands, restrictions, suspensions, demotions, job transfers, or employment terminations take the place of censure by the public system.

Both the 1980 and the 1990 NIJ studies indicated that the workplace crimes most frequently reported to law enforcement are Uniform Crime Report "index crimes" such as arson, burglary, and robbery.

Employee crimes such as fraud, employee theft, and computer crime typically are resolved internally by firing the employee, obtaining restitution, or absorbing the loss. Businesses may report employee crime directly to the prosecutor, not to the police first. Both security executives and business officials may be unwilling to report employee crimes out of concern for the negative publicity that such events might generate.

Of course, little is known about the fairness, structure, or dynamics of these practices. But when the offenders are not publicly identified or prosecuted, there may be no record of their criminal activity to which others should be alerted.

Standards and training

The five-volume 1971 RAND Corporation study of the security industry⁹ described "the typical private guard" in terms recalling the negative stereotype of the night watchman that still exists among some segments of the law enforcement community and the public:

... an aging white male who is poorly educated and poorly paid ... between 40 [and] 55; he has little education beyond the ninth grade; he has had a few years of experience in private security; he earns a marginal wage ... some have retired from a low-level civil service or military career ...

By 1989, however, the first issue of *Security Journal* could report the education and experience characteristics for one proprietary security organization that approached those of the public police. The private security organization also employed more female officers, and the staff had a greater diversity of ethnic backgrounds than found in the local police department.¹⁰

The 1980 NIJ survey found the turnover rate for contract guards ranged between 100 percent and 300 percent. (Proprietary guard turnover is lower, although no figures are available.) However, it is believed that until significant advances are made in training, salary, promotional opportunities, and personnel supervision, this high attrition rate will continue, undermining efforts to upgrade private security.

Firearms/training

A study conducted 20 years ago¹¹ found that 50 percent of both contract and proprietary guards carried firearms at least a quarter of the time. The 1980 NIJ study found that only 10 percent of the guards were armed, and the rise in insurance premiums and liability litigation suggests that by the year 2000 perhaps only 5 percent will be armed.

In 1976 the Task Force on Private Security recommended that private security personnel receive 24 hours of firearms training, including 3 hours' instruction on legal and policy restraints, before assignment. Fewer

than 10 States have such stringent requirements. However, 23 States mandate some firearms training for armed guards; only 14 require training for unarmed guards. Surveys and interviews indicate that the typical uniformed guard receives an estimated 4 to 6 hours of training before assignment.

In 1976 the Task Force found that five colleges offered a bachelor's degree and no master's programs were available. By 1990, according to the *Journal of Security Administration*, 46 institutions offered bachelor's degrees in private security; 14 offered a master's.

Recommendations

The 1990 NIJ study recommended that all security employers have access to criminal history records to screen applicants for guard jobs. The study also recommended more effective licensing through State, not local, regulation and licensing reciprocity between States.

As a step toward upgrading security training and advancement opportunity, the 1990 report recommended that the private security industry consider setting its own national standards, similar to those adopted by the British Security Industry Association. The report also suggested that the industry promote professional accreditation as does the Commission on Accreditation for Law Enforcement Agencies.

Forecasts

Economic crime. More sophisticated and technical white-collar crimes will emerge in the 1990's, with higher dollar losses than before. Computer crime will rise, but by the mid-1990's most networks and systems should be protected, making computer threats a diminishing concern by the year 2000.

Size of industry. The rapid growth of closed-circuit television, sophisticated alarm systems, access control, and other technology will not necessarily mean a reduction in the number of security personnel, but may change the functions they perform. By the year 2000, there will be an estimated 750,000 contract guards and 410,000 proprietary security personnel, of which 280,000 will be guards.

otes

1. William C. Cunningham and Todd H. Taylor, "The Growing Role of Private Security," National Institute of Justice *Research in Brief*, 1984, NCJ 94703; Cunningham and Taylor, *Private Security and Police in America*, Chancellor Press, 1985. (Also called Hallcrest I.)
2. Cunningham, Strauchs, and Van Meter, *Private Security Trends 1970 to 2000*, final report of National Institute of Justice, grant number 89-IJ-CX-0002, July 1990; and *Private Security Trends (1970 to 2000)*. *The Hallcrest Report II*, Stoneham, Massachusetts, Butterworth-Heinemann, 1990.
3. Gion Green, *Introduction to Security*, third edition, Stoneham, Massachusetts, Butterworth, 1981: 25.
4. Bureau of Justice Statistics, 1982.
5. Bureau of Justice Statistics, *Report to the Nation on Crime and Justice*, second edition, Washington, D.C., 1988: 118. Promotion material for *Partnership Focus* 1 (1990). "Private Delivery of Public Services," *The Lipman Report*, 1989.
6. Albert J. Reiss, Jr., generally favors the practice in *Private Employment of Public Police*, Washington, D.C., *Issues and Practices*, National Institute of Justice, February 1988 (a *Research in Brief* with the same title appeared in December 1988).

For an opposite view, see Private Security Advisory Council, *Law Enforcement and Private Security Sources and Areas of Conflict and Strategies for Conflict Resolution*, Law Enforcement Assistance Administration, 1977; National Advisory Committee on Criminal Justice Standards and Goals, *Report of the Task Force on Private Security*, 1976; and "Private Delivery of Public Service," *The Lipman Report*, 1989: 1-4.

7. Reiss (in no. 6 above) notes that the largest department, New York, permits no uniformed outside employment.

8. No. 6 above.

9. James Kakalik and Sorrell Wildhorn, *Private Police in the United States*, five volumes, Washington, D.C., National Institute of Justice, 1971. Specifically, Vol. 2, *The Private Police Industry: Its Nature and Extent*: 133, 135, 137.

10. William Walsh, "Private/Public Police Stereotypes: A Different Perspective," *Security Journal* 1(1989): 21-27. Dr. Walsh's colleague, Edwin Donovan (with William White) reported the survey more fully in *An Evaluation of Starrett City Security Services*, Pennsylvania State University, 1986.

11. Kakalik and Wildhorn (in no. 9 above).

To obtain copies of the full reports of the studies on which this *Research In Brief* is based (*The Hallcrest Report I: Private Security and Police in America* [1985], and *The Hallcrest Report II: Private Security Trends 1970-2000* [1990]), contact Butterworth-Heinemann, 80 Montvale Avenue, Stoneham, MA 02180, 1-800-366-BOOK. Copies are available for review in the library of the National Criminal Justice Reference Service, 1600 Research Boulevard, Box 6000, Rockville, MD 20850, 301-251-5500.

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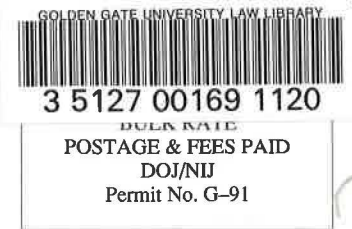
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