

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is a darker shade of blue. The hourglass is centered on the page.

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*The U.S. Security Guard Industry: An Introduction to
Services and Firms*

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August 13, 2004

Abstract. The use of contract guards for public security may raise policy issues related to training and conduct; accountability; foreign control; and cost-effectiveness. This report provides background information concerning the nature of contract guard services and the workforce that provides them. It characterizes those services, and profiles the major guard contractors currently operating in the United States.

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The U.S. Contract Security Guard Industry: an Introduction to Services and Firms

August 13, 2004

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The U.S. Contract Security Guard Industry: an Introduction to Services and Firms

Summary

Private security guards have long supplemented public law enforcement in the United States; however they face new requirements since the terror attacks of September 11, 2001. The 9/11 Commission report has noted: “homeland security and national preparedness ... often begins with the private sector.” The use of contract guards for public security raises policy issues related to capabilities, oversight, and cost-effectiveness. To assist Congress in addressing these issues, this report provides background information concerning the contract guard industry.

According to the Bureau of Labor Statistics (BLS), in 2003 there were approximately 960,000 private security guards employed in the United States — compared to 650,000 U.S. police officers working that year. Security guard employment in the United States declined over the last five years, notwithstanding the nation’s heightened terrorism concerns since 2001. Overall, the number of private guards fell by approximately 124,000 (11%) between 1999 and 2003, while the number of police increased by approximately 34,000 (6%) during the same period. According to the BLS, approximately 533,000, or 55%, of private security guards in the United States were employed by contract guard companies in 2003.

According to the BLS, contract guards earned average salaries below \$19,400 per year in 2003, less than half the average salary for police. Many contract guard companies have no specific educational requirements, although they prefer high school graduation or equivalent certification for armed employees. Most states require guards to be licensed by the state, which typically requires a guard to be over 18 years old, pass background and drug checks, and complete classroom training in property rights, emergency procedures, and criminal detention. The amount of additional training guards receive depends upon their assignments.

Contract guard services is one of the largest segments of the broader security industry, with U.S. revenues of approximately \$11 billion in 2003. The contract guard industry is somewhat fragmented, however, with several large national companies and thousands of smaller regional and local companies. The four largest contractors in the United States, Securitas, Wackenhut, Allied/Barton, and Akal Security, collectively account for 50% of industry revenues and 35% of contract employees. The two largest contractors are foreign-owned.

In its terrorism alert of August 1, 2004, the Department of Homeland Security (DHS) revealed that surveillance by terrorists included the deployment, armament, and activity of private guards at key financial institutions. This alert demonstrated that, in addition to their traditional roles, private security guards could be the first line of defense against future terrorist attacks in the United States.

This report will not be updated.

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The U.S. Contract Security Guard Industry: an Introduction to Services and Firms

Introduction

The United States depends heavily upon private guards to meet its public security needs. According to the Bureau of Labor Statistics (BLS), there were approximately 960,000 private security guards employed in the United States in 2003 — compared to 650,000 U.S. police officers working that year.¹ While private guards have long supplemented public law enforcement, they face new requirements and greater scrutiny since the terror attacks of September 11, 2001. As the 9/11 Commission report noted, “homeland security and national preparedness . . . often begins with the private sector.”²

According to the BLS, in 2003 approximately 533,000, or 55%, of private security guards in the United States were employed by contract guard companies.³ The remaining non-contract (“staff”) guards are employed directly by institutions—especially schools, hospitals, restaurants, taverns, hotels, department stores, manufacturing firms, real estate management firms, and governments. Although this report focuses on contract guards, both contract and staff guards have similar responsibilities and face similar challenges.

The use of contract guards for public security may raise policy issues related to training and conduct; accountability; foreign control; and cost-effectiveness. This report provides background information concerning the nature of contract guard services and the workforce that provides them. It characterizes those services, and profiles the major guard contractors currently operating in the United States.

¹ Bureau of Labor Statistics (BLS). “National employment and wage data from the Occupational Employment Statistics survey by occupation, May 2003.” Table 1. and U.S. Census Bureau. *Statistics of U.S. Businesses: 2001*. “Armored car services.” Note that “security guards” includes approximately 32,000 armored transport guards and excludes private investigation, private corrections, airport screening, and gaming surveillance workers. “Police” includes bailiffs, fish and game wardens, parking enforcement workers, police and sheriff’s patrol officers, and transit and railroad police.

² 9/11 Commission. *Final Report of the National Commission on Terrorist Attacks Upon the United States*. U.S. Government Printing Office. July 22, 2004. P 398.

³ Bureau of Labor Statistics (BLS). *Occupational Employment and Wages, May 2003*. Table 33–9032. “Security guards.” 2003.

Contract Guarding in the United States

Contract guards generally monitor, patrol, and inspect property to protect against fire, theft, vandalism, and other illegal activity. They may enforce laws on their employer's property, conduct incident interviews, prepare incident reports, and provide legal testimony. Guards may work at one location, or may patrol among multiple locations to conduct security checks. Contract guards typically use radios and telephones to call for assistance from police, fire, or other emergency services as required. They may be armed.

Specific contract guard responsibilities vary depending upon the nature of the employer. In retail stores, for example, guards protect customers, records, merchandise, money, and equipment. They may work with store detectives to prevent merchandise losses and apprehend shoplifting suspects before police arrive. By comparison, guards in factories, laboratories, or government buildings may protect information, products, computer codes, and government secrets. They may also check the credentials of individuals and vehicles entering and leaving the premises.⁴

Since September 11, 2001, contract guards are increasingly viewed by many as a first line of protection against possible terrorist attacks. Many contend that they are particularly important in protecting critical infrastructure, since 85% of U.S. critical infrastructure and key assets are privately owned and operated.⁵ Security guards are viewed by many as a necessary supplement to public law enforcement agencies which deal with limited resources and broad responsibilities.⁶ This increased counter terrorism role for security guards has become apparent in private sector security plans. In the refinery industry, for example, security guidelines during a Department of Homeland Security (DHS) "orange" alert call for engaging a "trained and knowledgeable" security workforce, increasing patrols, inspecting vehicles, and other security activities that may rely on contract guards.⁷

Employment Trends for Guards

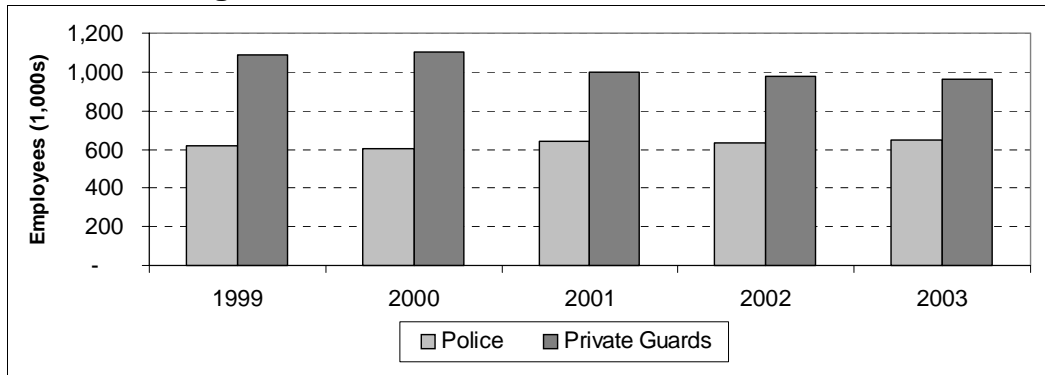
Security guard employment in the United States declined over the last five years, notwithstanding the nation's heightened terrorism concerns since 2001. **Figure 1** shows total police and private security guard employment from 1999 to 2003. As the figure shows, the number of private guards fell by approximately 124,000 (11%) between 1999 and 2003, while the number of police increased by approximately 34,000 (6%) during the same period.

⁴ BLS. *Occupational Outlook Handbook 2004-05 Edition*. "Security Guards and Gaming Surveillance Officers." 2004.

⁵ Office of the President. *The Physical Protection of Critical Infrastructure and Key Assets*. Washington, DC. February, 2003. P.8.

⁶ Walker, Don W., Chairman, Securitas Security Services USA, Inc. Testimony before the House Judiciary Committee; Crime, Terrorism, and Homeland Security Subcommittee. Washington, DC. March 30, 2004.

⁷ American Petroleum Institute (API). *Security Guidance for the Petroleum Industry*. 1st Edition. Washington, DC. March 2002. P.21.

Figure 1: Total U.S. Police and Private Guards

Source: Bureau of Labor Statistics (BLS). National Occupational Employment and Wage Estimates (1999-2003). "Protective Service Occupations." Published annually, 2000-2004.

Total employment figures for contract guards, specifically, are not readily available prior to 2003. Industry reports indicate, however, that contract guarding firms overall have not been experiencing a sustained increase in U.S. guarding requirements. As one major guard contractor noted in a recent investor publication,

"Following September 11, 2001, there was a sharp increase in demand for security, particularly in the USA . . . Most of this additional demand has proved to be short-term. . . Total market growth in 2003 was around zero percent."⁸

According to the BLS, over 14% of all security guards work part-time. A significant number of part-time guards are off-duty police officers supplementing their incomes.⁹ The number of part-time employees is higher among contract guards than among staff guards. According to a 2002 survey of major contractors, 20% to 30% of contract guards worked part-time.¹⁰ Security guard employers also experience high employee turnover. A recent labor union report estimated that 35% of security guards had been working as guards for less than one year.¹¹

Pay, Qualifications and Training

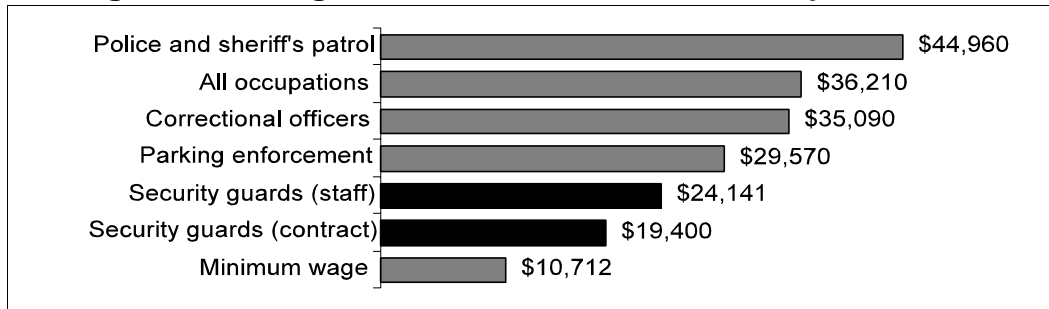
Security guards are relatively low paid workers. As **Figure 2** shows, contract guard salaries averaged below \$19,400 per year in 2003, less than half of the average salary for police and well below the average U.S. salary for all occupations. Staff guards earned nearly 25% more than contract guards in 2003, but still over \$20,000 less than police officers.

⁸ Securitas, Inc. "The Security Industry - The Security Market." Company Web page. [http://www.securitasgroup.com]. 2004.

⁹ BLS. *Occupational Outlook Handbook 2004-05 Edition*. "Security Guards and Gaming Surveillance Officers." 2004.

¹⁰ *Security Magazine*. "Security's Top Guarding Companies." January, 2004.

¹¹ Service Employees International Union (SEIU). "Building a Security Workforce for the New Security Environment." Washington, DC. 2002. P.3.

Figure 2: Average Annual Salaries for U.S. Occupations, 2003

Source: Bureau of Labor Statistics (BLS). *May 2003 National Occupational Employment and Wage Estimates*. "All Occupations" and "Protective Service Occupations." 2004.

According to the BLS, many contract guard companies have no specific educational requirements, although they prefer high school graduation or equivalent certification for armed employees. Most states require guards to be licensed, which typically requires a guard to be over 18 years old, pass background and drug checks, and complete classroom training in property rights, emergency procedures, and criminal detention. Armed guards must be licensed by appropriate government authorities and may receive special police certification allowing them to make some types of arrests. The amount of additional training guards receive depends upon their assignments. Nuclear power plant guards, for example, are required to receive several months of training in areas such as firearms, first aid, alarms, and electronic security systems.¹²

Union Membership

Labor unions represent a significant number of security guards, although there are no published statistics detailing overall union membership. Three of the largest guard unions are Service Employees International Union, AFL/CIO (SEIU), which claims over 50,000 guards; Security, Police and Fire Professionals of America (SPFPA), which claims over 20,000 guards; and United Government Security Officers of America (UGSOA), which claims 8,000 guards.¹³ (These membership estimates may include law enforcement and corrections employees.) In recent years there has been competition and conflict among the SEIU, SPFPA, and UGSOA, including local union defections and legal action, so their membership levels have fluctuated.¹⁴ In addition to the nationwide unions, there are many smaller

¹² BLS. *Occupational Outlook Handbook 2004-05 Edition*. "Security Guards and Gaming Surveillance Officers." 2004.

¹³ Service Employees International Union (SEIU) Local 82. Web page. [<http://www.seiu82.org/security/index.cfm>]. (Includes Canada); Security, Police and Fire Professionals of America (SPFPA). "SPFPA Leads Battle to Protect Security Unions and Members!" Press release. July 25, 2003; and, United Government Security Officers of America (UGSOA). Web page. [<http://www.ugsoa.com>]. 2004.

¹⁴ Gallagher, John. "GM, Delphi Security Guards' Union Could Face Labor Turf War." (continued...)

independent unions, such as the International Guards Union of America (IGUA) and the Minnesota Court Security Officers Association (MCSOA) representing subsegments of the contract guard population.

Major U.S. Contract Guard Companies

As a business, contract guard services is one of the largest segments of the broader security industry in the United States; its revenues of approximately \$11 billion accounted for 30% of total security industry revenues in 2003.¹⁵ Contract guarding is a somewhat fragmented industry, however, with several large national companies and thousands of smaller regional and local companies.¹⁶ **Table 1** summarizes 2003 operating statistics for the largest U.S. guard contractors. As Table 1 shows, the four largest contractors account for 50% of industry revenues and 35% of contract employees. These four contractors are listed among the companies profiled below.

Table 1: U.S. Private Guard Contractor Key Operating Statistics 2003

Company (Parent)	Revenues (\$ million)	Market Share (%)	Employees (1,000)	Owner Country
Securitas U.S.A. (Securitas)	2,608	23.7	100	Sweden
Wackenhut (Group 4 Securicor)*	1,489	13.5	38	U.K.
Allied / Barton	900	8.2	36	U.S.
Akal Security*	500	4.5	8	U.S.
Guardsmark	465	4.2	18	U.S.
TransNational Security Grp.	386	4.0	15	U.S.
U.S. Security Associates	375	3.5	17	U.S.
Initial (Rentokil-Initial)*	293	3.4	14	U.K.
ABM Security Services	250	2.7	12	U.S.
Cognisa (Group 4 Securicor)	146	1.3	6	U.K.
Other Guard Contractors	3,610	32.8	258	U.S.
U.S. Total	11,022	100.0	522	--

* Statistics include North American guard operations outside the United States.

Sources: Regulatory filings, annual reports, Web pages, press reports (see Appendix for details). Financial reporting period may vary by company due to differing accounting practices.

¹⁴ (...continued)

Detroit Free Press. Nov. 2, 2002.

¹⁵ Freedomia Group, Inc. *Private Security Services*. Study # 1773. Marketing materials. Cleveland, OH. March, 2004. P.1. Guarding revenues adjusted by CRS to exclude corrections services based on reported revenues of major U.S. corrections contractors.

¹⁶ U.S. Census Bureau. *Statistics of U.S. Businesses:2001*. "Security guards & patrol services." 2004.

Securitas Security Services USA. Securitas Security Services USA (Securitas USA) is the U.S. subsidiary of the Swedish company Securitas AB, the world's second largest security services provider. In addition to its U.S. guarding business, Securitas AB provides guarding, alarm systems and cash handling services to more than 20 countries, primarily in Europe and the Americas. The U.S. guard business operates nationwide from 650 branch offices and serves a wide range of customers including government agencies and energy companies.¹⁷ Securitas USA established its leading U.S. guard market position by acquiring Pinkerton's in 1999 and Burns International Services in 2000, as well as other, smaller guard contractors.¹⁸

Wackenhut Corp. Wackenhut is a U.S. subsidiary of the U.K.-based Group 4 Securicor. This is the world's largest security company providing manned security, security systems, cash management and corrections services in 100 countries worldwide.¹⁹ Wackenhut's U.S. security services include contract security guards, investigations, background checks, emergency protection, and security audits and assessments. Other U.S. services include facility operations and management, fire suppression and prevention, and airport crash fire and rescue. Wackenhut provides nationwide services with offices throughout the United States. The company provides contract guard services to "major corporations, government agencies, and a wide range of industrial and commercial customers."²⁰ The company is reportedly the largest U.S. nuclear security provider in the country, with guards at 30 of the nation's 103 nuclear power plants and 7 Department of Energy facilities.²¹

Wackenhut's sister subsidiary, Cognisa Security, Inc., (formerly known as Argenbright Security) was responsible for screening passengers on two of the flights in the September 11 terror attacks. Cognisa exited the airport screening business when that activity was federalized. The company currently "provides security officers, concierge attendants, valet services and shuttle bus transportation at businesses, colleges, airports and office parks."²²

Allied/Barton. Upon completion of their merger in 2004, Allied Security and Barton Protective Services will be the largest contract guard company based in the United States. The companies have served 100 of the nation's largest companies, specializing in office buildings, corporate complexes, high-tech facilities, regional

¹⁷ Securitas AB. *Annual Report 2003*. March, 22, 2004. P.3.

¹⁸ *Security Director's Report*. "What Does Industry Consolidation Mean for Your Company?" August, 2004. P.6.

¹⁹ Group 4 Securicor. "Group 4 Securicor First Day of Dealings." Company press release. London, England. July 20, 2004.

²⁰ Wackenhut Corp. "About Wackenhut." Company website. [<http://www.wackenhut.com/object.php?obj=b000c>].

²¹ Rose, T.J. "Private Security Protects Sensitive Sites." United Press Int. April 9, 2004. P.1.

²² Cognisa Security, Inc. "About Us." Company Web page. Atlanta, Ga. [<http://www.cognisa.com/about.asp>].

shopping malls, hospitals, other commercial facilities and toll booth operations.²³ The companies' primary business line has been contract guards, although they also offer other security services including alarm systems, security systems, and remote monitoring.²⁴

Akal Security. A privately owned company based in New Mexico, Akal security provides nationwide contract guard services. Akal serves primarily government agencies, guarding facilities for the U.S. Marshals Service, the U.S. Army, and the Department of Homeland Security, as well as transportation terminals, harbors, and some corporate facilities.²⁵ Akal provides guarding services (except passenger screening) to the Baltimore-Washington International Airport and other airports. In Los Angeles, Tucson and Albuquerque, Akal workers guard city buildings, water utilities, parks, and other facilities.²⁶ Approximately 1,700 Akal guards provide access control services at eight U.S. Army bases including Fort Hood (TX), Fort Riley (KS) and three army weapons depots.²⁷

Conclusion

On August 1, 2004, the Department of Homeland Security (DHS) issued a terrorism alert for financial institutions in New York and Washington, DC, and Newark, NJ. Press reports noted that these institutions employed private security guards, and that surveillance by terrorists included the deployment, armament, and activity of those guards.²⁸ This alert demonstrated that, in addition to their traditional roles, private security guards may well be the first line of defense against future terrorist attacks. As noted earlier in this report, dependence on contract guards for public security may raise policy concerns about their capabilities, oversight and cost-effectiveness. Because more than half of private security guards in the United States are employed by contract guard companies, it may be important for policy makers to understand the key characteristics of the contract guard industry when considering security policy. In addition, these issues may be addressed as Congress reviews the recommendations of the 9/11 Commission report.

²³ Barton Protective Services Inc. "Allied Security and Barton Protective Services Agree to Merge." Company press release. King of Prussia, PA. May 24, 2004.

²⁴ Allied Security. "About Allied Security." Company website. [<http://www.alliedsecurity.com/pages.html>].

²⁵ Akal Security. *Capability Statement*. Albuquerque, NM. 2004. P.2.

²⁶ Salem, N. "Akal Wins \$100 Million Security Pact." *Albuquerque Tribune*. March 11, 2004.

²⁷ Akal Security. *Akal Security Newslines*. "Akal 'Scores High' with Army." Company newsletter. Spring 2004. P.4. and Salem, N. Op. Cit., March 11, 2004.

²⁸ Eggen, D. and Mintz, J. "Washington and N.Y. Put on Alert." *Washington Post*. August 2, 2004. P. A1.

Appendix: References for Contractor Operating Statistics

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Group 4 Falck and Securicor. "Group 4 Falck and Securicor Announce Merger to Create a Global Leader in Security Services." Joint press release. No. 04/04 February 24, 2004. Revenues converted from British pounds using U.S. Federal Reserve 2003 average daily foreign currency exchange rate (\$1.635/£1.0). Employee data from company Web page: [http://www.wackenhut.com/object.php?obj=b000c].

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Allied Security company web page. [http://www.alliedsecurity.com/pages.html]; Barton Protective Services. "Allied Security and Barton Protective Services Agree to Merge." Press release. May 24, 2004. [http://www.bartonsolutions.com/news.htm].
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Cognisa (Group 4 Securicor)

Group 4 Falck and Securicor. “Group 4 Falck and Securicor Announce Merger to Create a Global Leader in Security Services.” Joint press release. No. 04/04 February 24, 2004. Revenues converted from British pounds using U.S. Federal Reserve 2003 average daily foreign currency exchange rate (\$1.635/£1.0). Employee data from company Web page: [<http://www.cognisa.com/about.asp>].