Occupational licensing in the UK:
The case of the private security industry

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Background to licensing in the private security industry in the UK

In July 1996 Paul Steele was seriously assaulted by an unregistered door supervisor outside a club in Cheltenham. Although he was only punched the once, he sustained permanent brain damage. The door supervisor concerned had a string of previous criminal convictions for violence, including one for causing grievous bodily harm, one for causing actual bodily harm, and even one for manslaughter, where he killed his 70-year-old landlord. He had apparently already been refused registration by his local council on two previous occasions because of these convictions, but the premises that employed him as a head-doorman were unaware, and so he continued to work there. The company that provided all the door supervisors to the venue said that they did not know that he had any previous convictions, and that they had no legal way of checking whether any of their staff had relevant convictions.

In *Bouncers*, Hobbs et al (2002) outline how the mix of rapid industrial closure and deregulation of the liquor industry, together with a poorly regulated private security sector with much bouncer violence and illegal activity in pubs and clubs, have all contributed to the startling rise of a problematic and sodden night time economy in many British cities. They expressed particular concern at how the growth and concentration of night time leisure had created an army of private security staff who had virtually taken over the roles of the public police force. At weekends in the centre of Manchester, they noted, up to 100,000 people are controlled by approximately 1,000 untrained bouncers and only 30-40 police officers (Hobbs et al 2002: 43).

During the months of March to June 2003 there were 15 articles in the national and regional press concerning criminal activity by door supervisors (ranging from murder convictions to drug dealing) and 11 articles about unscrupulous wheel clamping companies. In addition Home Office Ministers received many letters of concern from Members of Parliament and members of the public about the shady goings-on in the nighttime economy.

A second, growing cause for concern in the 80s and 90s was the increasingly large role played by the private security industry in public life. Although discussions had commenced as early as the 1960s between the Home Office, police and security providers with regard to police worries about the threat to their monopoly control of security provision, the first call for the regulation of the private security industry generally (and not
just door supervisors) was by the MP Norman Fowler – who was also at the time on the Board of Group 4 (White 2009). In July 1973 he introduced the first 10-minute rule Bill, which though not successful, did, for the first time, emphasise the role that private security could play in a new, regulated sector. Labour MP for Walsall South, Bruce George, had also actively campaigned for the regulation of the industry since 1977. He wanted to see some form of statutory regulation introduced to improve the industry which he described as 'totally unregulated, unaccountable, part-criminal, low wage, low esteem, and grossly inefficient'. Mr. George introduced five Private Members Bills on the subject. Wide-ranging calls for the regulation of the whole of the private security industry also came from the Association of Chief Police Officers (ACPO), the Police Federation, the British insurance industry and the British Security Industry Association (BSIA).

On 22 September 1989, an IRA bomb went off at the Royal Marine barracks in Deal, instantly killing ten marines and seriously wounding another twenty-three (one of whom later died from his injuries). In January 1988, the responsibility for guarding the barracks had been transferred from the Marines to a relatively large private security company, Reliance Security Systems. This immediately initiated a highly public debate in both parliament and the press about the inadequacies of private security companies in performing their state-contracted guarding functions. The wholesale process of contracting out during the 80s meant that the state was often dependent on a few, large private security firms who would need to be brought in line, especially when press stories of losing prisoners blossomed in the 90s – although Group 4 were quick to point out that they were, in fact, more efficient than the public sector, who managed to lose 12 prisoners per week compared to Group 4’s mere three in 7 weeks (White 2009).

New Labour was therefore committed to statutory regulation of the industry, and, in addition, through its ‘partnership approach’ to crime control, it set down a political programme which aimed to both reform and re-legitimise. On 15 July 1997, just a few weeks after the general election, the new Home Secretary Jack Straw communicated the new policy in a speech at the BSIA annual luncheon. He emphasised the crucial role that the private security industry would have to play in solving the “chronic problems of neighbourhood disorder” and that, in order to play this role properly, the industry would have to be properly regulated. He was confident that, by ridding the industry of the cowboy operators, the public would come to realise that the private sector had an
important role in the fight against crime. “That is in the public interest as much as it is in the interests of the industry” (BSIA 1997 my italics)

In March 1999, following a lengthy period of public consultation, the government published a White Paper entitled “The Government’s Proposals for Regulation of the Private Security Industry in England and Wales”. This paper reported on the proposals to establish a new Private Security Industry Authority (PSIA), with aims to help protect the rights and safety of the public by ensuring basic standards of probity within the private security industry, and to maintain and raise standards within the industry for the public benefit. Its two main functions would be to:

- license all those who provide security services, including managers and directors of companies
- maintain and improve standards within the industry

The Private Security Industry Act received the royal assent in May 2001. From March 2006, all individuals working in the contract guarding security sector in England and Wales, including employees, managers, supervisors and directors of security companies, would require a licence granted by the newly established Security Industry Authority. Licensing would also apply to door supervisors, both contract and in-house; vehicle immobilisers (both contract and in-house), close protection operatives and key-holders. In order to qualify for licensed status, individuals would have to be engaged in “licensable activity”, which included guarding premises or property, guarding people against harm, guarding cash or other valuables in transit, personal bodyguards, dog handlers, and CCTV monitors. In-house guarding was not to be covered by the Act, but a stipulation was made that this sector should be reviewed after three or four years of operation of the SIA. This non-inclusion of in-house guarding was not a popular move: contract suppliers and the trade association were fearful that this would create a two-tier system, and one of the most vociferous proponents of licensing, Bruce George, almost withdrew his support of the Bill because of this clause.

A new regulatory authority, the SIA, was established by the 2001 Act, with a mission to “help protect society by collaboratively developing and achieving high standards in the private security industry”. It had four main aims:
to increase public trust and confidence in the private security industry by setting and maintaining standards of probity and improving the professionalism and opportunities of all who work in the industry

- encouraging businesses in the industry to improve their standards by creating a framework for developing, promoting and spreading best practice
- creating a security industry centre of knowledge and expertise, which enables and encourages effective industry development and investment
- strengthening the extended policy family by encouraging and supporting further engagement of the private security industry

The Authority aimed to transform the industry from a low-pay, low-skill, perceived cowboy operation often infused with criminality to an innovative industry with best practice and which can offer added value to customers, who traditionally regarded security services as a “grudge” purchase.

To qualify for a licence, an individual must have a criminal record check via the CRB, which includes spent convictions; must provide access to at least 5 years’ verifiable data on employment; and must obtain an appropriate qualification (equivalent to NVQ level 2) from a qualified trainer with certification from a QCA-endorsed body. The maximum penalties for working without a licence are six months’ imprisonment and/or a fine of £5,000. For supplying unlicensed personnel, these same penalties apply if indicted at a magistrates’ court; if indicted at a Crown court an unlimited fine and up to 5 years’ imprisonment can be handed down.

In order to fulfil its aim to implement best practice in the industry, the SIA was mandated to set up an Approved Contractor Scheme (ACS), membership of which would be voluntary, but which was seen as “an essential part of regulation” (SIA 2004). The benefits of regulation to users of security services were said to include an innovative industry with best practice as standard; a stable, well-trained and valued security workforce with career prospects; a new relationship between supplier and buyer of security; peace of mind by procuring from ACS members; and an industry that contributes more coherently to addressing crime and disorder.

With regard to the costs of regulation to individuals, the licence fee was set at £190 for 3 years, with a further £35 for registration. The trade association estimated that
regulation would cost companies approximately £600 per security officer. This figure included licence fee, training, cover for existing officers on training, recruiting new officers to replace those who could not get a licence, increase wage to attract staff of sufficient calibre to get a licence, additional vetting of overseas-born officers and ACS costs yet to be decided.

The rest of this paper will examine the impact that this Act has had on pay, on levels of employment, and on quality in the private security industry, with particular reference to two sectors: door supervisors and security guards. Some use is made of statistical analysis, but this is an industry which is notorious for lack of data, so reliance is also made on interviews with various stakeholders, participant observation and examination of official documents. In particular, we shall try to examine the statement posed by Jack Straw, that licensing is "in the public interest as much as it is in the interests of the industry."

Profile of the private security industry in the UK

The private security industry in the UK is dominated by huge, multinational corporations such as G4S, who employ 50,000 globally in the security field and who have won many large military, police and public sector contracts. The 550 members of the British Security Industry Association (BSIA), the industry’s trade body whose members account for 70% of the total employment in this sector, had a total combined turnover in 2006 of £4.45 billion, £1.7bn of which was security guarding turnover. Total member employees were 124,000, 79,500 of whom were employed by security guarding companies. At the other end of the spectrum, there are a host of small, non-BSIA members, often fewer than 10-man businesses, providing security services to smaller and more local clients and more likely to be located north of the M25. The Annual Business Inquiry for 2008 gives 5,683 as the number of enterprises engaged in private security business, with a turnover of £6.3 billion and total employment of 185,000m, but it remains almost impossible to estimate the exact numbers of security companies as many are registered as facilities or general management service providers.

The following examples give a flavour of the type of work involved in the industry:
Door supervisors – Pre licensing there were 31,500 door supervisors registered with local authority schemes. However, 35% of local authorities did not register door supervisors under any scheme and an estimated 30% of registered door supervisors were registered with more than one local authority. The Home Office estimated 95,000 door supervisors were working immediately pre licensing. 850-900 door companies exist today. Both in-house and contract must be licensed. Staff turnover is very high, with a typical stay of 6 months or less. Number of licenses currently held is 160,151.

Security Guarding - The largest of all sectors, employing an estimated 150,000 people. Firms range from one man and his dog to G4S, who employ 18,500 in UK. In-house security personnel are exempt from the licensing requirement. Current number of licenses held is 111,360.

CCTV - There are 4.25 million cameras in Britain. £150-300 million a year is spent on the surveillance industry and it is estimated that this spend grows by 20% annually. This sector has been mandatorily licensed since March 06 and the current number of licenses held is 23,103.

Cash and Valuables in Transit - 10,000 operatives across mainly 7 companies in UK. This sector is declining in importance in our cashless society. Currently 10,434 licenses are held.

Vehicle immobilisation - 60 wheel clamping companies. Number of licenses currently held is 2,128. With regard to the clampers, primary legislation is to be announced in November 2009 in the Police, Crime and Private Security Bill and the SIA anticipates being asked to operate a compulsory scheme to allay concerns about the activities of some vehicle immobilisers; obscuring signs, imposing excessive fees, and using intimidating behaviour. For the first time, businesses will be licensed in addition to individuals.

In addition, there are several non- licensable areas of the industry, including human identity and biometrics, access control, alarm systems, cash and property marking, security equipment distributors and manufacturers. In private investigation there are approximately 10,200, who are to be licensed in the near future. Community wardens currently number 1,500, locksmithing 2,000 and information destruction 1,147 companies.
In total, Skills for Security, the sector skills body, estimate that 500,000 people may be employed in the licensable part of the industry, compared with only 265,000 police officers.

**Estimating the numbers employed from official datasets**

It is extremely difficult to accurately gauge the numbers of people employed in the UK private security industry. The Labour Force Survey (LFS) uses SIC 74.6 which has two sub classes: investigation and security and related activities. According to this, 148,217 were employed in 2006. But SIC is not always accurate in describing the type of work people do; it describes the employing organisation in terms of its main industrial activity and broad classifications are often vague.

Also according to the LFS, SOC 9421 security guards and SOC 9249 elementary security occupations shows 188,289 employed in 2006 in both. 12,135 managers make a total of 200,424. But Skills for Security estimate the number is more like 254,000. However, one cannot get data on the size of individual labour markets associated with each job title, so, for example, SOC 9249 includes such job titles as lollipop person and many others which actually are unrelated to licensable security duties.

Some occupations are not covered by SOC: human identity management biometric security, community wardens, security consultancy, security management, vehicle immobilisation, locksmithing, close protection, information destruction, security systems and CVIT. Skills for Security estimates 66,587 people are in these jobs but not included in SOC. If we add this 66 thousand to the previous 254,843 we get 321,430. SIA add 4,000 yet to be licensed in Scotland and 9,100 in Northern Ireland, bringing the total to 334,530. Some guards are hidden away in other categories, e.g. SOC 6215, rail transport, includes guards plus retail and tickets, platform staff etc. And various SICs in the public defence category include security guards, for example: general public service activity, education agencies, foreign affairs, etc.

The LFS 2006 further shows that 88% of guards are working full time, 83% are white, 84% are male and 84% are between the ages of 25 and 64. Hobbs et al (2007) in their interviews with door staff found that an increasing number of women are taking up the occupation and that they come from a variety of occupational backgrounds (police officer,
kissagram, call centre worker, girls’ school matron), compared to men, who still tend to have backgrounds in traditional, male body-emphasising roles, such as fitness trainer.

Of course, we have to remember those people working in house who are not currently required to be licensed: assuming that 19,000 in house employees are working in just 25 organisations in UK (SIA 2009) we could have as many as 245,478 working in 326 companies. In fact, Skills for Security estimates up to 1.4 million in-house security staff in the UK.

Does it hold in the case of private security that the supply of labour was restricted by the costs of licensing – for example, the costs of the licence and the entry requirement - and therefore wages were driven up? First, let us examine, as far as we can in this difficult industry, the impact on jobs.

Testing economic theories
Impact on jobs

Over the period 2005 to 2006, when licensing was being rolled out in order to comply with the March 2006 start date, ASHE estimates that the number of people employed within the security occupation group increased from 112,000 to 119,000, suggesting there has been no detrimental effect on employment levels. Indeed in the LFS the percentage of respondents employed within the security occupation group remains consistent at 0.3%: given the size of the data set and its coverage it is sensible to assume this is reflective of the national levels.

High turnover has always been a problem in this industry. An SIA survey carried out in Dec 06 which involved 100 suppliers and 400 door supervisors showed that 45% of suppliers felt that recruitment had been made more difficult post-licensing, mainly because of the lack of candidates who were capable of being licensed. In other words, the criminality criteria, possibly more so than the examination challenge, were responsible for depleting the pool. (almost one third of males under the age of 40 in England and Wales have a criminal record (Prime et al 1991) and this figure is very likely higher for door supervisors, who, by their very nature, often attract violent involvement – a sort of catch-22
situation). However, it was also the case that the newly-formed regulatory authority was unable to cope with the processing of licences, leading to short-term shortages of staff. One third of companies employed more staff, but one third fewer, than pre-licensing. Half of new recruits were new to the business. Overall, labour turnover for this sample was 53%.

From the door supervisors’ perspective, 3/5 had paid for their own training, and ¾ had paid for the licence. Not surprisingly, 82% of those who had not paid for their licence had not changed employer since licensing – very often there were tie-in clauses. One-fifth of door supervisors came into the business as a second job. Two-thirds felt the availability of work was greater since licensing, and almost half said that their working environment had improved (SIA 2006). Events and pubs/clubs are the most common sectors requiring door supervisors, and since licensing both sectors have been on the increase. Factors such as the growth of licensed premises and the forthcoming Olympics (an estimate of 15,000 has been made) will also add to the demand for new security personnel.

**Impact on pay**

Various studies (e.g. Anderson et al 2000; Kleiner and Kudrle (2000) have found that licensed practitioners earn higher wages than their non-licensed counterparts, but Kleiner (2000) notes that this does not hold for occupations with low skill levels. Since the 2001 Act, would-be contract security employees have had to take and pass a course which is deemed to be at NVQ level 2, equivalent to GCSE. We are therefore here dealing with an occupation which has more in common with the hairdressers and cosmetologists studied by Kleiner than those professionals such as dentists which are often the subject of studies on occupational licensing.

We have already discussed the problems in estimating accurately the numbers employed in this industry, and so two sources are used: first, the LFS and ASHE which, whilst in no way accurate figures, do present us with the opportunity to test the impact of licensing on earnings and second, data from two surveys carried out by the SIA one year after the act.
According to interviews held with industry representatives, the split between in-house and contracted workers is approximately 30/70, and therefore if 70% of workers gained a licence after March 2006 one would expect any wage effects to impact on the mean change of the whole industry. Indeed, the annual percentage change in wages for those in category 9241 in 2007 was 5.1% (ASHE 2007). Yet this effect clearly cannot be attributed simply to licensing as other factors such as increase in the minimum wage should be considered. Therefore the behaviour of security guards’ pay should be compared with the rest of the 924 category, which is a group of occupations requiring roughly the same qualifications, have the same skill levels and a similar demand and focus. As such it is logical to assume that wages of all occupations in the 924 category will behave similarly. Using ASHE data, we found no evidence to suggest that security guards’ mean percentage change in gross hourly earnings was any different from the rest of the 924 group for either 2005/6 or 2006/7.

To further support the idea that licensing has had no significant effect on gross hourly wages, a wage equation was generated using the 2008 LFS Oct-Dec quarter, which also allows us to control for variables such as trade union membership. It also means that any short term effects resulting from the introduction of licensing should have bedded down. As it is impossible to see from the data sets whether or not a person is licensed, we used as a proxy for licensing whether or not a person had or was working towards NVQ level 2, on the grounds that, if one was not obliged to take this qualification, one would not. 28% of the sample fell into this category. Of course, the results must be treated with extreme caution. Gross hourly pay (response rate 26.3%) ranges from £3.98 an hour to £25.98 with a median of £7.69, which is similar to the figure given in ASHE of £7.89. Licensing was held to have no impact on wages. Indeed, the only significant variable to impact upon pay was trade union x public sector, which raised wages by 37p an hour, a not inconsiderable sum in this highly competitive industry.

Impact on quality of provision
The SIA view of quality

With entry to the licensed parts of the security occupations now restricted to those who can pass an exam and show themselves to be of greater moral character (Kleiner 2006, p49, and in this case literally true), one would expect that the quality of service provided by those accepted would surpass that of their predecessors, or of themselves
before training. Kleiner also notes that, with this presumed enhancement in quality, the use of services would also increase as perceived quality of the service grows among customers. This is exactly the aim of the trade association and regulatory body: to educate customers into the necessity of providing high quality security services that can allegedly only be provided by companies employing licensed staff. But they have their work cut out.

The licensing authority’s definitions of quality lie in two areas: (i) the numbers of licenses refused or revoked, and (ii) the new training requirement. At 2 November 2009, 406,869 licenses had been granted in total. 12% of door supervisors and 11% of security guards had their licences either revoked or refused. It was not possible to gain information on the reasons for revocation/refusal, nor to tell if any type of company were disproportionately represented. It would be interesting, for example, to compare ACS versus non approved companies to see whether ACS companies were more stringent in their vetting procedures thus leading to fewer revocations. There is no legal responsibility for the SIA to carry out right to work checks, but since July 2007 they have been working with the Borders Agency to check all non-EEA applicants. Customers should ensure that their suppliers have complied with s. 8 of the Asylum and Immigration Act 1996.

By way of comparison, the British Standard 7858, Security Screening of Individuals Employed in a Security Environment, which is used by many security companies, and whose predecessor was used by reputable companies prior to licensing, has a 35% failure rate. This process includes a 10 year employment check as a minimum, compared to the SIA standard of 5, one of the reasons given by some security suppliers in support of their arguments for the dilution of standards brought about by licensing.

**Training**

If security provision is usually deemed to be a ‘grudge purchase’ (i.e. consumers seek to find lowest cost provider, with little value placed on quality of service), then theory says that these consumers will be disadvantaged by licensing as all security firms will have to raise their prices somewhat to accommodate the licensing criteria and their employees will be trained to a standard that exceeds, consumers’ requirements (Shapiro 1986). First of all, most suppliers claim that they have been unable to pass on the cost of licensing to
their customers, and second, it is certainly not the case that the standard of training exceeds consumers’ requirements.

One door supervisor had this to say of the door supervisor training course:

“It’s impossible to fail: I could send my dog on it and it would pass” (Hobbs et al 2002 p 183)

The two-day SITO training course that was popular before licensing has been subsumed into a new, 30 hours over 4 day course, with two components: roles and responsibilities of door supervisors and communication and conflict management. These are followed by two hours of multiple choice tests. Topics covered include health and safety, drugs awareness, personal qualities of a door supervisor, searching, and equal opportunities. Almost everybody passes – typically, national pass rates are not available, but one trainer I spoke to said he had encountered two failures in 25 years of training! Costs are in the area of £200, but free courses are often available to those aged 19+ and who have been unemployed for over six months.

The SIA does not approve or vet training providers directly: instead, they define the skills and knowledge necessary for an individual to work in a particular sector and then endorse awarding bodies, who then approve the providers. In England, the QCA accredits qualifications within the National Qualifications Framework; awarding bodies develop the curriculum in accordance with SIA specifications and approve training bodies; and training providers actually deliver the programmes. Employers in the security industry have commented that skills are lacking in the following areas: communication, customer service, written and oral communication, problem solving. Generally speaking, occupations with easily assessable skills are more suited to a policy of occupational licensing; those that are subjectively assessed are harder to test for and therefore to include in the licensing requirement (Frontier Economics 2003).

Lister et al (2001) doubt the relevance of training to the routine experience of door supervisors. They say:

Current provisions are overly generic, do not affect the pragmatics learnt within the workplace and fail to penetrate the tight subcultural norms and values generated by workplace processes of socialization. Research into police training stresses the presence of a profound gap
between the taught and lived reality of the role...within the context of bouncer training we found less a gap, more an aching chasm." (p374)

In order to investigate this proposal, I undertook the door supervisor training course. Six highly educated but teetotal men and I delighted in the discussion on the nature of hearsay but failed dismally when it came to the drunken scenario sessions, whilst the other course participant, an existing door supervisor, whilst finding reading and writing a little challenging, excelled at conflict management. Needless to say, we all passed the exam.

One result of the introduction of licensing has been the ballooning of training courses, some of which have been found to be of dubious (or even illegal) quality. A recent count finds some 130 approved trainers in the London area alone on the SIA web site. If we assume an organisation trains 5 people per week, and that two are paying the going rate, say £200, and the other three are funded by the government at a cost of around £1,000 per person, then this is not a bad return for a small organisation who simply needs to find a classroom to deliver training.

Impact on quality of provision

Door supervisors

The SIA definition of quality emphasises inputs, not outputs. The applicant is judged fit and proper for the job if s/he passes a test and the relevant criminal record and identity checks. But as Kleiner (2006) points out, licensing tests measure competence, not performance, and we have no way of knowing whether the test will correlate with subsequent performance. We also have anecdotal evidence that many security guards, who would have failed the licensing requirement (either the test or the criminal check), were taken on in house by companies to which they had been contracted, because their performance on the job had been excellent. Many of these worked in the public sector.

Since reducing the levels of criminality in the business was one of the aims of licensing I attempted to find statistics on crimes committed by occupation. As this was not available, I approached the licensing sergeants in two London boroughs with a high proportion of door supervisors to ask for their thoughts on the impact of licensing on bouncers’ criminal behaviours.
Both officers concerned had been in the force for more than 20 years. Each had 4 people in his section to cover approximately 1,000 licensed premises, a number which had almost doubled in the last five years. The premises were mainly clubs but also included petrol stations and late night shops. No statistics were held by the police on complaints received from public about disorder resulting from relaxed licensing laws, but both said the later the licence, the more complaints received. And, of course, it takes a particularly determined, brave and sobered-up person to make a complaint about door supervisors.

The 2003 Licensing Act came into force 2005 – transferring the responsibility for licensing from justices to councils - and many licensees were grandfathered with no real scrutiny. The officers were not in favour of new licensing laws and did not agree with the rationale for relaxed licensing hours, viz the staggering of departure times. They pointed out that revellers still tend to leave in their droves, but at a much later hour. Last year approximately 2% of the boroughs’ clubs/bars were closed by the licensing officers. Apart from closure, the licensing officer has a variety of methods to deal with problems e.g. by reducing opening hours, or asking the club to reduce noise levels. Most licensees are compliant with police orders, which could include, for example, imposing conditions such as determining numbers of door staff, or insisting on having a woman door supervisor present. They have powers to demand a club change its supervisors, either individually or the whole company, in order to remain open.

Both officers felt that the average quality of door staff had improved since licensing. One believed that the incentive to improve behaviour is the threat of losing one’s licence but his colleague was disappointed by the SIA’s lack of teeth. In his visits to licensed premises with SIA employees, the SIA reps have merely given warnings when faced with non-compliance, for example, not wearing a badge. In his experience, no door staff have lost their licence or even been fined for anything – warnings have been the order of the day. So, although he was in favour of regulation, he was not in favour of a system which has no bite. By contrast, he gave the example of a barman selling alcohol to an underage person. The barman would probably get a fixed penalty ticket but the license holder would get a large fine e.g. £900 first offence. Although in theory such a situation exists with the security industry, in practice large fines are rare.

One officer had carried out 2 visits accompanied by SIA employees. During the course of our conversation it became clear that he knew nothing about security licensing
procedure, and asked me various questions about it, for example, is a course necessary? What are they taught on this course? Does the SIA have authority to prosecute? I thought this a little worrying coming from a man who deals daily with the licensed workers in question, and was further evidence of the inability of the SIA to promote itself to society generally.

I asked the officers to try to measure the behaviour of door staff in terms of customers lying in a pool of blood after a bouncer attack, or of drug related offences. Both said that there are definitely fewer of these cases – but could offer no statistics to back up their views. However, door staff themselves are now more likely to be threatened by gangs, and alcohol-fuelled attacks on door staff more frequent. CCTV has helped to identify attacks both by bouncers and on bouncers, and indeed this was held by both officers to be the prime reason for improved behaviour.

Both officers felt that the image of the door supervisor had been overhauled, with the emphasis on customer service now taking over from the bullying, loutish behaviour of the past. However, one felt that the “best” staff in terms of professional behaviour were to be found in the swankier night spots of central London, leaving the less good staff to the slightly seedier venues of inner London boroughs. Both agreed that continuity of door staff was important, and felt that turnover of staff had maybe gone down a little since licensing. When I put to them the comment I had heard at one club that legitimate staff may be put on the door, leaving the heavies to operate out back, they had to admit that this may well be true. But with a budget of £600 p.a. and a small staff it is very difficult to keep tabs on all establishments - until things go wrong.

From the point of view of door supervisors themselves, however, the picture is rather more positive. SIA research carried out with door supervisors in December 2006 shows that 37% thought that the treatment they received from the customers and public had improved and almost half said they were treated better by the police. 61% said that training had improved their ability to do the job, half thought their confidence had increased and 75% thought their pay and conditions would improve in the long term due to licensing. The licence badge was seen as a symbol of state-sanctioned assurance in the quality of the door supervisor as a professional employee. Indeed, Hobbs et al (2002) noted the increasing emphasis on professionalism – including attire, demeanour and an increase in the employment of women bouncers – and it is this aspiration of
“professionalism” which is most commonly cited by suppliers and security staff themselves when asked for their views on the benefits of licensing.

**Security guards**

In-house security guards are exempt from the licensing requirement. It would therefore seem sensible to compare the performance of in-house versus contracted guards in similar environments. We therefore contacted the Association of University Chief Security Officers, with 114 members, with a view to collecting data on their in-house and contract staff. [unfortunately results are not available for this conference]. Pilot interviews with university security officers show a degree of discontent with contract staff, who tend to be deployed in areas such as libraries and residences yet are often as costly as in-house. Main areas of concern are the low level of training of SIA-licensed contract guards versus the highly specific training offered to in-house employees; the general tendency for contract guards to be guilty of negligence, e.g. falling asleep on the job, rather more often than in-house; and because of factors such as these the inability to transfer the risk and therefore increased monitoring time taken by the security manager.

**Problems with the Licensing Authority**

The 2001 Act established the Security Industry Authority to oversee the licensing process and to set up an approved contractor scheme (ACS). According to the NAO, the police, security suppliers and customers, this body and its constitution have, in many ways, hampered the smooth and effective process of the introduction of licenses and have no “teeth” in terms of enforcement.

In October 2008 the NAO report “Regulating the security industry” presented a somewhat critical review of the private security industry regulation process. The pre-licensing estimate of the licensable population was too low (not surprisingly as it was based on dubious data), the time profile of applications was not accurately forecasted, and the computer system was just not up to it.

The cost of running the SIA was seriously underestimated. The total cost of operating the licensing system, including wages, was forecast at £1.7 million. In 2003 the partial regulatory impact assessment expected the licence fee to be £150 – 190 and it was indeed set at £190 from 2004-07. This figure was too low to enable the SIA to break even.
Because the numbers licensed were fewer than forecast owing to computer problems and the running costs so high, the SIA was not able to recover its costs in first four years of operation and from 2003 – 2007 the authority required an additional £17.4 million. In 2004/5 the total costs per application were £676, falling to £228 in 2005/6 but increasing again to £287 in 2007/8. The license fee has been £245 from April 2007. By way of comparison, 200,000 doctors are regulated at a cost of £301 per practitioner, and 660,500 nurses and midwives at £28 each. Interestingly, many of the smaller companies felt that the nurses’ registration scheme would have been a better model of regulation to use in this sector.

Despite having a bulk process where companies can apply on behalf of their employees, and an on line register of licence holders, SIA does not know which business employs which licensed individuals nor how many private security companies there are today. The NAO estimate that the 100 largest guarding companies account for 75% of turnover, but there are at least 2,000 companies many of which employ 10 people or fewer. Lack of information about the industry hampers the SIA in its aim to bring about 100% licensing.

There is no obligation on licensed individuals to inform the SIA where they work, or whether they have left the industry or country, so details can be 3 years out of date. One security provider told us that a major reason that the SIA revoke licenses is because they receive no reply within the statutory 20 days to letters which are sent to out of date address on their database. There is also no obligation upon an individual to inform the SIA if they are convicted in court. One interviewee also maintained that there are plenty of false licenses in circulation which can be obtained for £50. If any false documents are found during the application process, the applicant will not get a licence but are not always prosecuted. (cf FSA which regards false provision as breach of their statutory rules and they prosecute)

It is also rather difficult to report an offence. There is no dedicated phone line: one simply calls the SIA call centre and is put on hold. Then one is told that, in order to report a rogue company, one must phone Crimestoppers.

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Effectiveness of regulation

It is difficult to estimate the level of compliance with the requirement to be licensed but SIA research in March 2008 showed that managers and operatives in security and door supervision believe levels of compliance are more than 90%. Spot checks with the SIA and police also put levels of compliance at over 90%.

8 small compliance teams (54 enforcement staff in total) work with suppliers of security guards and their customers to prevent deployment of unlicensed individuals. The licensing Authority relies on its partners such as the police and the Borders Agency to help it carry out enforcement. In 2007 the SIA provided 450 witness statements to the police on licensing offences, and 100 warnings were issued. But the Authority does not receive feedback on such inspections or results thereof. In 2006 the Better Regulation Executive found that stakeholders thought that insufficient enforcement was being undertaken and that the Authority needed to increase its publicity. All police forces thought that the authority’s problems in processing licenses had damaged its credibility. They also felt the organisation was not well run and lacked street presence. Local authorities had differing views – some had no contact with SIA, and area teams were described as powerless and under-resourced. As at 29 May 2008, 248,400 valid licences had been issued and 9,033 revoked including 729 cases where the applicant was found not to have the right to work in the UK. Very few cases had been taken against individuals – at October 2008 three fines and in one case a fine and a conditional discharge had been levied. Community punishment orders, but no prison sentences, have been handed down. For companies that use unlicensed staff, an Improvement Notice can be given. As at 31 May 2008 the SIA had issued 68. In addition, 20 companies have had approval for the ACS withdrawn. There are currently 652 approved contractors.

The harshest judgment so far was made in November 2008 against Securiplan plc, one of the largest companies. Securiplan continued to employ unlicensed operatives for up to six months after the enforcement date. They were fined £95,000 for 19 offences of supplying unlicensed operatives, plus £550,000 costs.
The Approved Contractor Scheme

In February 2008 the SIA carried out a survey of approved contractors, non-approved contractors (n=301) and buyers of security (n=unknown) to try to assess the benefits of the scheme. 51% of approved and 58% of non-approved contractors said that their turnover had increased over the last year. Most of the approved contractors felt that the scheme brought limited or no benefits. Accreditation increased costs, was time-consuming and brought a higher administrative burden. The scheme had not changed the way they operate as they were already maintaining high quality levels. They believed the public were generally unaware of the scheme, and, most importantly, and which was put to us by all interviewees, most buyers choose on basis of cost. The only advantage of being in the scheme was the ability to deploy security staff whilst their licenses are being processed.

Non-members of the scheme had not pursued accreditation because of financial reasons – the costs were too high with minimal advantages in return. The application fee is up to £2,400 and then a charge of £17 per employee annually is made. It was unanimously believed amongst suppliers that the public has not gained from ACS – there are still companies listed with a poor track record on employment conditions. This was a point made most forcefully in out interviews by one mid-size accredited company who pointed out that, because the ACS scheme is voluntary, there can never be proper quality assurance. A CRB check costs £29. That and the logo is all an approved contractor gets from SIA. Some companies remarked that they no longer benefit from licence dispensation as virtually all applicants now have a licence. They felt that customers cannot rely on the integrity of the “badge” as the SIA have actually diluted standards and have tarnished their reputation by such unfortunate events as the licensing of 11,000 illegal immigrants. The whole point of licensing is to signal quality, but it was felt that the public either know nothing of the existence of this Authority or, where they do, it is difficult for them to have confidence in the standards allegedly being put forward as best practice. This respondent felt that a far better indicator of quality was accreditation by the NSI.

With regard to buyers of security, only 25% stated that they always used approved contractors. Large businesses were more likely to use non-approved contractors. Most believed that reputation, skills, honesty, track record and most importantly price are more important to them than what they saw as “government paperwork”. Many felt that, as long
as the individual operator is licensed, then it really doesn't matter about the status of the company. 36% review their contract every 6 months, and 32% every 7-12 months. (This regularity of contract switch has brought about many TUPE-related problems for the contractors). Non-approved contractors were seen as no worse than approved, but scheme members were more expensive. Some buyers value relationships built up over years with companies who happen to be non-accredited more than take notice of the scheme. Most regard it as a waste of time and money (hard to know – no figures given on responses). In addition, there were complaints about illegal workers, the slowness of the SIA administration and complaints that the system which allows accredited contractors to employ security personnel before they are licensed is being abused.

The NAO also felt that the decision not to regulate companies is out of line with Europe and may be barrier to effective regulation.

**Human resource management practices**

One of the aims of licensing was to finally rid the industry of its image as a low-paid, low-skilled industry dominated by criminals and cowboys, to make the job a matter of choice and not desperation and to educate the buyer of security into the sophisticated world of high-tech, high quality security provision. It does not appear to have worked very well. However, our interviews with security suppliers shows that, instead of licensing, the use of certain human resource practices can lead to gaining custom in a market that is defined by quality, whereas the absence of those practices will be a suitable strategy for those suppliers who still compete on price alone.

Take, for example, recruitment. In 1950 a Mr R D Godfrey, MD of Night Guards, wrote to the Commissioner of the Metropolitan Police to see if they could assist him in his search for ex-CID officers to staff his newly formed Investigations Branch. An expert on the history of this sector, Adam White, (2008) regards this as a direct link to the legitimacy of the police force in the postwar security sector (White 2008), but we can also think of it as a sensible way of buying in ready-trained staff and indeed the emphasis on appropriate recruitment is of course as important today. Three medium-sized companies I interviewed only recruit by word of mouth. At least one personal guarding agency employs only Gurkhas, who have become very fashionable as school escorts in expensive areas of Hampstead. Simon Cowell sacked his personal security guards in favour of ex-
commandos. In the company which trained me, the dynamic young MD had a deliberate policy of training and then recruiting men from a particular nationality, who were recent (and very possibly illegal) immigrants to the UK but who had extremely advanced customer service skills. In many companies, age is seen as a quality indicator: given that one-third of young men have a criminal record, it is seen as only sensible to employ them after their career in crime has ended, rather than whilst it is going on. Women are entering the industry more and more: many companies praise women’s qualities of dealing with conflict in a calm manner, rather than taking an aggressive stand.

Employment status, however, is beginning to be problematic, especially in the close protection sector. All medium sized companies expressed concern at the “rogue” companies which they believe have been able to set up since licensing – in fact, one interviewee said he could think of no reputable companies which have set up recently, the estimated £40k start up fee being seen as impossible for the smaller company. Such “rogue” companies, which he estimated at as much as 30% of the industry today, tend to make their staff self-employed, which is contrary to the legislation. These self-employed security personnel, unless they are designated as proper businesses, will not be able to get adequate insurance. The client, however, does not know this and genuinely believes that they have bought from a company which employs properly licensed and insured people. Close examination of contracts shows that suppliers are increasingly looking for indemnities from their customers, which may sound warning bells in this regard.

Pay and working time continue to present challenges throughout the industry. Whilst the larger companies, who may recognise a trade union, have been able to secure larger, often public sector, contracts paying above the going rate, others are still dependent upon negotiations between supplier and client to determine the wage rate, which is very often the minimum wage. One medium sized company said that they were lucky enough to have some contracts which paid a living wage. In this case, they could keep the employees’ hours down to 48 a week, whereas for those who earn the minimum wage, opportunities to work longer hours were offered. Only one medium-sized BSIA company appears to adhere to the WTD across its whole portfolio – and, as a result, it believes, of its quality stance including favourable employment terms and conditions, has doubled its turnover to £50m this year.
Some companies now offer an impressive array of what might be termed “best practice” human resource tactics: it is now not unusual to see terms such as “work life balance”, “corporate social responsibility” and “environmentally friendly”, even on the websites of small and medium sized companies. Vetting and training is often way above SIA requirements. But there is still a large proportion of security buyers who are not interested in this new quality agenda, and who are simply interested in securing the minimum amount of protection for the least possible price. And in a way this is understandable, since the risks of employing “rogue” companies are not at all clear.

I attempted to quantify just what these risks might be. I was usually given the example of an officer who cannot speak English attempting to evacuate a building, or the dangers of a cheap officer working his 80th hour that week falling asleep on the job. But these factors are not overcome by licensing: it may well be possible to pass the (multiple choice) exam with a poor standard of English, and it may well only be the more through companies who routinely give an English or numeracy test to applicants. Falling asleep on the job, likewise, is the result of competing for contracts on price, which also cannot be affected by the licensing of individual workers.

In the absence of any indicators of quality, I spoke with the Chartered Association of Loss Adjusters to see if they had any data on the involvement of security personnel with disasters. Although they could offer no statistical evidence, various anecdotes were related to me involving moral hazard in security work: apparently, it is not unknown for a bored guard to set a fire, only to recoup the rewards and/or recognition for putting it out. Again, such behaviours will not be prevented by licensing, but more likely by reducing hours worked. However, CCTV is the preferred method – all suppliers noted in our interviews the ease of monitoring guards, and indeed of monitoring the monitors, which they stressed was often unavailable to in-house security departments. Quis custodiet ipsos custodes?

Conclusion

After many years of lobbying by the industry, MPs and private individuals, the private security industry, one which had been characterised by poor human resource management practices and infused with criminal elements, became subject to state regulation in the form of licensing of individuals in 2006. The overall impact of this regulation seems to have been bland: the supply of qualified persons did not fall, wages
did not rise, and any positive impacts on quality for consumers are extremely hard to
gauge. Well-run and good quality organisations that existed pre-licensing continue to
work in the same way, often with standards far above those laid down by the licensing
body. What can probably be said with some certainty is that extremely poor quality
operations at the bottom end of the market were forced out, and that in one sector in
particular, door supervision, standards overall have probably risen. In the largest sector
in the industry, security guarding, it is not clear at all how licensing has solved the
problems of alleged market failure: training levels are perceived to be too low,
employment practices are still dubious at times, and there is scope for non-compliance
with the legislation. There is little evidence that public awareness of the licensing process
or its alleged benefits, something essential for licensing to have any bite, has been
raised. Problems with the operation of the licensing body have led to huge deficits and a
cost per licensed operative being on a par with that for doctors.

On the other hand, what is clear is that the industry is still divided into the high
quality suppliers and the cowboys: but what is not clear is exactly what risk is posed by
the “cowboys”. The simple choice between cost and quality in the provision of security is
still present, and the cost minimisation approach is still the preferred choice for many
buyers. Moral hazard problems are not solved by licensing but by physical monitoring
made possible by ever more sophisticated technology.
References


SIA (2004)


