

Indian security services industry expected to grow from INR 40,000 to 80,000 crore by 2020: FICCI-Grant Thornton report

Expected to generate 50 lakh jobs within the same period, says report

New Delhi, 2 December 2015: The private security industry has assumed an important role in recent years. It was the opportunity and nature of the private security industry which enabled employment to a hitherto large section of the populace, which, if not employed in this industry, may have remained outside the fold of formal employment. It is in this sense that contribution of the private security industry to employment generation in India is unique. The sector is among the fastest growing sectors. With the growth of urbanisation in the country and the changes in the perception of security by governments, business houses and citizens, this industry is poised to register a substantial CAGR in the near future. Particularly important is the Government's focus on development of Smart Cities in the country and the need of more security personnel.

Currently the security services industry provides jobs to nearly 7 million people in India. With a 20 percent growth rate at present, Indian security service business size is expected to increase from INR 40,000 crore (2014) to the level of INR 80,000 crore by the end of year 2020. It is also estimated that the Indian private security industry will generate about 50 lakh additional jobs by 2020.

The demand for private security services is fueled by the increasing rate of terrorism acts, crime, fast urbanization, improving foreign investment activity and growing middle class owning assets they wish to protect. In the year 2014, only 35 percent of the industry was organised which is expected to reach at 50 percent level in next 5 years. Manned Security Service accounts for the largest share of security services market with approximately 75-80 percent share followed by Cash Security Services with 20-25 percent business share.

FICCI and Grant Thornton have jointly prepared a report '**Private Security Services in India**', which was released at the Private Security Industry Conclave 2015' (PSIC) at FICCI today.

As per the report, the global demand for private security services is also likely to increase by 7.4 percent annually and to reach US\$ 244 billion (INR 15.86 lakh crore) in 2016. It is expected that security industry segment will rapidly grow in the developing parts of Asia, Eastern Europe, Africa and the Middle East, where security markets are relatively underdeveloped. In fact, several developing economies including China, India, Mexico, Russia and South Africa are expected to achieve double digit growth through the year 2016.

With the growth of Indian economy in last two decades and increased terror threat perceptions, the need for security has grown manifold. There is a need to safeguard large scale infrastructure projects, industrial complexes, big /small offices, IT parks, metro stations, malls, airports, sports facilities and education institutions etc. Private security service plays highly

significant role to protect property and public life. With fast urbanization in tier II and tier III cities also, there is a significantly incremental demand for private security services now.

The challenges faced by the security industry:

•PSARA 2005 implementation and Licensing related issues

The Private Security Agencies (Regulation) Act 2005 was passed by the parliament. However the states implement this act as per their requirements, based on state-specific guidelines. Regulatory conditions are different in every state thus makes the uniform management practices difficult. Prospective private security agency faces delays in granting license to start a security agency.

For the ease of doing business, there could be one nodal department which the private agencies can contact for the sub-segments.

•Compliance requirements & Labour Laws

Increasing compliance related requirements such as training and minimum wages will lead to escalation of costs. They will also reduce the attractiveness of certain opportunities for leading players, where the unorganised sector, with low compliance costs, will be more cost competitive.

Currently security guards are being classified as semiskilled workers. Whereas, a security guard and supervisors performs skilled jobs at many security sensitive establishments like airports, IT parks, metro stations and luxury hotels etc.

•Ownership and management restrictions

Currently, Foreign Direct Investment is allowed only up to 49 percent in the security services industry. Some of the leading players have suggested to increase the FDI limit, so as to have more funds for their growth plans.

•Workmen related problems

Private security officers are expected to provide similar nature of services to their counterparts in the police forces. However , the salary paid to them is much lower than their counterparts and inadequate social security and training. Despite providing highly skilled services, private security person draws minimum wages for the semi-skilled category. This is needed to be corrected to attract much skilled and experienced workforce for better end results.

Conclusion:

The organized and unorganised sectors of the private security industry is employing an estimated 70 lakh workforce. Sadly, the mechanism for ensuring the transformation from unorganized to organized is very slow. Compliance and training costs have immeasurably scaled for the private security services (PSS), due to mismatch in the increments in service pricing. The

government being a major consumer works with lowest bid tenders, without ensuring the compliance and fair profit margins as safeguarding practices.

The private security services (PSS) are essential to the nation's well-being since it not only contributes in the arrangement of country's internal security but also acts as a leading Service Tax collector, a prominent employer and a labour market differentiator with an impressive 25 percent growth, predicted.

In the current scenario, the Government can help by developing an empowered nodal body comprising members from the Ministry of Home Affairs, Ministry of Labour (EPFO, ESIC etc.), Ministry of Finance, Ministry of Skills, trade associations and the PSS. This empowered nodal body's key responsibility areas would be to meet regularly and coordinate the regulation of the PSAR 2005 Act coupled with a balanced development and growth of the PSS.

Dr. A. Didar Singh, Secretary General, FICCI said, *“Private Security Industry operates in about 550 districts of the country, and is expected to develop more as the fruits of development percolate from the districts to the block and village levels. This is indeed a sunrise sector, with a potential to be the second-largest employment generator in the country and a major source of revenue for the exchequer by way of taxes”.*

The Hon'ble Prime Minister's emphasis on “Make in India” will encourage foreign capital into manufacturing and other such industries. This will not only trigger demand for private security personnel, but will compel industry to adopt processes and practices in sync with international standards. Added to this, the government's emphasis on “Digital India” will introduce new security technology into the industry. This will not only enable entry of technocrats into the sector, but will also provide an opportunity for dispersal of technical knowledge and professional expertise to otherwise not so technical job roles.

FICCI – Grant Thornton report ‘Private Security Services in India’:
<http://ficci.com/publication-page.asp?spid=20673>

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