



**ARROW
SECURITY**

**Cost of Ownership Security:
Contract or In-House Security**



SPECIAL REPORT

Cost of Ownership Security: Contract or In-House Security

Evaluating True Program Costs and Performance

Organizations today face increasing operational, financial, and compliance demands when managing security guard services and programs. Whether utilizing an in-house (proprietary) security model or partnering with a contract security provider, it is critical to understand the true cost of ownership – and the impact on your people, assets, brand and bottom line.

Key Considerations

- In-house programs can carry significant hidden costs, including payroll taxes, insurance, benefits, recruiting, training, and administrative burden.
- Contract security services offer operational flexibility, scalability, professional recruiting and training resources, and full administrative relief.
- Transparency, accountability, and performance measurement (KPIs) are essential to maintaining an effective, compliant security program.



Important Questions to Ask When Using Contract Security Providers

A truly transparent provider ensures that you have clear answers to these critical questions, without having to ask.

- Do you know the true cost of ownership for your security program?
- Are your current bill rates consistent with your contracted terms?
- Are you being billed for services not outlined in your agreement?
- Are officers being compensated as agreed—and treated fairly?
- Are Key Performance Indicators (KPIs) being met and transparently reported?
- Do they track Officer license and certification compliance, and do you have visibility to that information?
- Is your provider meeting with you regularly to review program performance?
- How responsive is your provider's local management team? Do they communicate with you regularly? Do they conduct regular site visits and inspections?
- Are you aware of the happenings or incidents on your site?
- Do they provide you with 24/7/365 support?



Advantages of Contract Security vs. In-House/Proprietary Programs

Contract security services offer a variety of operational and financial advantages over in-house programs, some are more apparent than others.

Operational Advantages of Contract Security

- **Dedicated, Experienced Management:** Contract providers assign professional and experienced managers to oversee staffing, training, supervision, compliance, and client communication.
- **Flexibility and Scalability:** Ability to quickly adjust coverage levels based on operational needs without administrative burden or overtime challenges.
- **Professional Recruiting and Screening:** Rigorous recruiting pipelines and background checks ensure qualified officers are deployed to your site.
- **Training and Compliance Programs:** Ongoing officer training supports site and job specific training, emergency preparedness, customer service excellence, and regulatory compliance and tracking.
- **Technology-Enabled Accountability:** Providers offer tools for real-time reporting, guard tour verification, and KPI tracking.
- **24/7 Operational Support:** Immediate support for coverage needs, emergencies, and escalated incidents.

Financial Advantages of Contract Security

- **Reduction of hidden costs** associated with payroll taxes, insurance, and benefits.
- **Elimination of administrative costs** for recruiting, onboarding, training, supervision and ongoing personnel management.
- **Predictable billing rates** with no unexpected overhead expenses.
- **Significant savings of internal management time and effort** required to operate and supervise an in-house security team.
- **Reduced liability exposure** and associated risk management costs.

Financial Examples to Consider

In-House Payroll Taxes & Fringe Benefits:

Payroll taxes and fringe benefits have skyrocketed to a national average of 48%. This includes FICA, FUTA SUTA, Workers Compensation, Liability Insurance, Medical Benefits, Vacations, Personal Days, Sick Days, Holidays, Bereavement Pay, Overtime Pay, etc. These costs for a wage of \$11.00 could be in excess of \$5.00 per hour per employee.

Let us look at an example of estimated costs for one person.

Payroll taxes & liability insurance costs (estimated 14%)	\$3,220
Medical Benefits (estimated \$250 per month)	\$3,000
Vacations (estimated 2 weeks plus payroll costs)	\$1,000
Overtime Pay (estimated at 3% per year)	\$ 350
Other fringe benefits (paid holidays, personal days, sick days, bereavement pay, dental insurance, life insurance, disability, retirement benefits or 401 k match)	\$1,500

This estimate for in-house payroll taxes and fringe benefits equals approximately \$9,070 per employee per year or \$4.36 per hour ($\$9,070 / 2,080 = \4.36).

Recruiting, Testing, Screening & Hiring:

The costs to recruit, test, screen, and hire a new employee is staggering. First, consider the management time involved in hiring a new employee: How many different individuals are involved in the hiring process? Which departments are affected? How many interviews take place to hire one new in-house Officer? What in-house testing takes place? How much management time is taken in the testing process to administer and evaluate test results? What about the cost of outside psychologists? How much time does management spend on conducting background and reference checks? Below is an example the costs associated with hiring a new Officer.





Human Resources Time

- Create Job Specifications
- Prepare classified ad
- Review resumes from 50 ad responses
- Telephone screen 10 candidates
- Schedule, prepare for and conduct 5 interviews
- Conduct assessment testing for 3 candidates
- Reference check for 3 candidates

Total HR Time (\$ per hour x hours)

**\$45/hr. X 30 hours = \$1,350*

Other Recruitment/Interviewing - Management interview time

\$45/hr. X 6 hours = \$336

Other interviewers' time

\$45/hr. X 9 hours = \$405

Outside psychological testing

\$200 X 3 candidates = \$600

Drug testing

\$50 X 3 candidates = \$150

Training / Orientation

Trainer's time

**\$25/hr. X 24 hours = \$600*

Manager's time

\$45/hr. X 8 hours = \$360

Estimated hiring cost per employee = \$3,850 per employee. For a 336 hour per week program this equals .22 per hour per every new employee hired per year ($\$3,850 / 17,472$ hours per year). If you have 2 vacancies per year, the cost per hour is .44 per hour per year.

Ongoing Training

The cost of ongoing or developmental training also needs to be considered when evaluating the cost of maintaining an in-house security program.

Trainer's time

**\$25/hr. X 24 hours = \$600*

Manager's time

\$45/hr. X 8 hours = \$360

Training materials

\$40

The estimated cost of training per employee = \$1,000 per year, or .48 per hour. This does not take into account the cost to replace an employee who is attending training.

Uniforms / Equipment

The cost of uniforms and equipment is another significant expense to consider when evaluating the cost of an in-house program.

Uniforms & Equipment

**500*

The estimated cost to furnish multiple uniforms and provide the necessary equipment is \$500 per employee or .24 per hour.

** Wage estimates include wage, payroll taxes, benefits, and overhead.*

Liability Risk

As our society becomes more and more litigious, the risk of liability from personnel-related issues is mind-boggling. These areas of risk include Workers Compensation, unemployment, discrimination, sexual harassment, and general liability, just to name a few. One major lawsuit can be crippling. Due to this ever-increasing expense and risk of greater hidden cost, organizations are choosing to protect themselves by outsourcing functions like security at a record pace. Arrow Security maintains ample insurance for liability claims related to our contracted security staff.

Furthermore, as it stands now, when you have a vacancy the post or position is left unattended. With Arrow, you can be assured of knowing that vacancies and call-offs will always be filled greatly reducing your exposure to potential liability.

What is the value of deferring your liability exposure and better protecting your students, staff and visitors? What is the dollar value of knowing that all your positions are filled at all times? These are difficult questions to answer but suffice it to say that it is substantial.

Other Cost Considerations

Here is a list of additional cost considerations that were not mentioned previously:

- Scheduling
- Payroll Processing
- Administration
- Special Events Coverage
- Supervision
- Office Space
- Overtime
- Tuition Reimbursement
- Paid Break Time
- Supervisory Training
- Discipline

Total additional costs are estimated at \$5,000 per year or .29 per hour.

While this exercise is conservative it provides an example of many costs that are not considered when estimating your true costs of maintaining an in-house security team.



Here is a recap of potential costs to consider.

► Payroll Taxes & Fringe benefits	\$4.36 per hour
► Recruiting, Testing, Screening & Hiring	\$.44 per hour
► Training Costs	\$.48 per hour
► Uniforms and Equipment	\$.24 per hour
► Other Cost Considerations	\$.29 per hour
► Risk of Liability (<i>For you to determine</i>)	_____
TOTAL COST (<i>less liability risk factor</i>)	\$5.81 per hour

In-House Cost Comparison Worksheet

Cost of maintaining your own security force

Direct Labor

- A. Average Hourly Pay Rate of All Security Officers Including Supervisors:
\$ _____ x total hours per week _____ = \$ _____
- B. Overtime Rate:
(50% above pay rate) \$ _____ x total overtime hours per week _____ = \$ _____
- C. Total Direct Pay Per Week \$ _____ x 52 wks = \$ _____

Additional Labor Costs (*Estimate on Per Year Basis*)

- D. Training Time and Break-in Costs \$ _____
- E. Vacation Pay \$ _____
- F. Paid Holidays \$ _____
- G. Paid Sick Leave/Personal Days \$ _____
- H. Bereavement/Jury Duty \$ _____
- Total (d-h) \$ _____
- I. **TOTAL LABOR COST PER YEAR** (*add C to the total of d-h*) \$ _____

Taxes, Insurance & Related Expenses: (*Estimated on Per Year Basis*)

- J. Payroll Taxes: Social Security, State & Federal Unemployment, Disability, Workers Compensation
(*Estimate 14% of Total Labor Cost Per Year*) \$ _____
- K. Medical & Dental premiums, life insurance, bonuses, retirement pensions, 401k matching
contributions, etc. (*Estimate 15% of total Labor Cost per year*) \$ _____
- L. Liability and Property Damage Insurance Premiums and Bonding \$ _____
- M. Cost of Uniforms and Equipment
(*Estimate \$500 per Officer x number of Officers*) \$ _____
- N. Recruiting/Testing/Screening/Hiring
(*Estimate \$3,850 per employee hired, per year*) \$ _____
- O. Other costs: scheduling, payroll processing, supervision,
discipline, administration, office space, etc. \$ _____
- P. Unknown Cost of Major Liability Risk \$ _____
- Q. **TOTAL ANNUAL COST** (lines I – P) \$ _____

Summary

Contract security providers deliver clear advantages over maintaining an in-house or proprietary security force. By shifting to a contract model, organizations not only gain greater cost predictability but also eliminate the substantial administrative burden tied to recruiting, managing, and supervising security personnel. The hidden expenses associated with payroll taxes, employee benefits, training, equipment, and liability exposure often make in-house programs significantly more costly than anticipated. A professionally managed contract security program allows organizations to streamline operations, reduce internal management demands, mitigate risk, and refocus leadership time and resources on core business priorities.



However, the success of any outsourced security program depends on selecting the right partner. Not all security providers offer the same level of transparency, accountability, or operational quality. Choosing a provider who is committed to true service excellence is critical to achieving long-term security program success.



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About Arrow Security

Arrow Security specializes in delivering transparent, client-focused, and customized security solutions designed to meet the unique needs of each organization. We recognize that finding the right security partner is critical to the success of your program, and not all providers deliver the level of operational quality and commitment required for long-term results. With a commitment to operational excellence, we partner with clients to implement efficient, sustainable, and fully managed security programs that drive value and performance. Even if you are currently under contract, Arrow Security welcomes the opportunity to review your existing program and present strategic recommendations to enhance service delivery, improve cost efficiency, and reduce risk exposure – providing a seamless path toward a stronger, more accountable security program.

**LEARN MORE ABOUT IMPROVING THE SECURITY
AND SAFETY PROGRAM AT YOUR PROPERTY.**

Visit **ArrowSecurity.com/property-management**

Call us at **844-945-0661**

Email us at **info@ArrowSecurity.com**



ARROW SECURITY

300 W. MAIN STREET, SMITHTOWN, NY 11787
FOR SECURITY SERVICES: 1-844-945-0661
FOR ALL OTHER INQUIRIES: 1-800-924-0318
ARROWSECURITY.COM



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