

## Note Re: Security Sector

### 1. Employers' Arguments

Bidvest and OCS have argued that general economic conditions make the postponement of the ERO a necessity. They don't, however, refer to issues in the sector but make a general argument about the economy as a whole. In doing so they make highly misleading claims.

*'The impact of COVID-19 is being felt by all sectors of the economy, and all economic projections point to our economy heading into a significant and prolonged recession.'*  
(Bidvest)

*'The COVID-19 pandemic has had a serious impact on Ireland's economy and the country is experiencing a significant financial crisis, to the extent that the Minister for Finance has formally announced that the country is entering a severe recession.'*  
(OCS)

While there is no doubting the severe impact the pandemic has had on many sectors, it is important to describe the situation accurately. Both Bidvest and OCS fail in this regard.

#### (a) Economic Projections

First, all economic projections do not point to a significant and prolonged recession. In fact, none do. They point to the opposite.

**The Government's own projections** – the Stability Programme Update<sup>1</sup> – projected recovery would set in later this year and gain momentum in 2021. They project GNI\* to decline by (-15.5 percent) in 2020 but to rebound by 9.6 percent in 2021 – which indicates a recovery in the second half of this year.

**The Central Bank**<sup>2</sup> offered two scenarios – a baseline and a severe scenario. In both scenarios, recovery sets in later this year, gaining momentum next year. While this measures GDP, it can be used as a proxy for GNI\* which mirrors the trajectory of GDP growth.

Central Bank GDP Growth Projections: (%)					
Baseline Scenario			Severe Scenario		
2020	2021	2022	2020	2021	2022
(-9.0)	7.4	4.5	(-13.8)	4.9	5.4

In both scenarios, growth returns to the economy next year, though it is lower under severe conditions.

<sup>1</sup> <https://www.gov.ie/en/publication/43a6dd-stability-programme-update-2020/>

<sup>2</sup> Central Bank: <https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2020/quarterly-bulletin---q3-2020.pdf?sfvrsn=6>

The Irish Fiscal Advisory Council also produced baseline (central) and severe scenarios<sup>3</sup>. They tell a similar story of deep contraction this year with recovery starting later in the year and increasing next year. The Council uses domestic demand projections. Domestic demand comprises consumer spending, investment and public spending on public services. It excludes exports and imports.

Irish Fiscal Advisory Council Domestic Demand Growth Projections: (%)					
Baseline Scenario			Severe Scenario		
2020	2021	2022	2020	2021	2022
(-15.0)	9.4	7.5	(-18.0)	3.7	10.6

While the ESRI did not put hard numbers on their projections, their baseline showed a recovery starting in the second half of this year. In their severe scenario ‘normal economic activity’ is projected to resume in early 2021.<sup>4</sup>

**(b) Current Data**

In all the projections above, even under severe scenarios (a second full lockdown in the last quarter of this year) growth commences in the latter half of this year. The claim by the two companies that we are entering a period of ‘significant and prolonged’ recession is not vindicated by any projection. Indeed, we are probably in a recovery right now.

- **Unemployment:** the unemployment rate (Covid-19 adjusted) has fallen from 26.8 percent in May to 16.7 percent in July. This indicates increased economic activity as the lockdown has been phased out.<sup>5</sup>
- **Retail Sales:** The Retail Sales Index has fully recovered with spending in July nearly five percent higher than in February of this year – the month before the lockdown commenced.<sup>6</sup>
- **Enterprise Activity:** as of end of July, 96 percent of businesses were trading in some capacity. 47 percent of enterprises reported ‘normal’ or even ‘higher’ turnover while only 18 percent reported a loss of turnover at more than 50 percent.<sup>7</sup>
- **PMI:** In June, July and August manufacturing Purchasing Managers Index<sup>8</sup> (which measures output, new orders, employment and purchasing of material) was above 50 percent. Anything above 50 percent indicates growth. The services PMI<sup>9</sup> scored above 50 percent in July (the last month reporting) – the first month to show growth since the lockdown.

<sup>3</sup> <https://www.fiscalcouncil.ie/wp-content/uploads/2020/06/Fiscal-Assessment-Report-May-2020.pdf>

<sup>4</sup> <https://www.esri.ie/system/files/publications/QECSUM2020%20%281%29.pdf>

<sup>5</sup> <https://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentjuly2020/>

<sup>6</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-covid19/covid-19informationhub/economy/retailsalesindex/>

<sup>7</sup> CSO: <https://www.cso.ie/en/releasesandpublications/er/bic19/businessimpactofcovid-19survey29juntoto26jul2020/>

<sup>8</sup> <https://tradingeconomics.com/ireland/manufacturing-pmi>

<sup>9</sup> <https://tradingeconomics.com/ireland/services-pmi>

We can't assume that this trajectory will continue. A second full lockdown would create severe dislocations, though such a lockdown scenario is not likely at this event. Further, there are parts of the economy that are still struggling and will have suffered permanent damage.

However, rather than focus on the impact of the pandemic on the security sector, the two companies, instead, focus on the economy as a whole. In doing this they make highly misleading statements, while raising suspicions that the silence on the sector suggests it may not have been hit as hard as other sectors.

**(c) UK**

Bidvest writes:

*'It was reported on 12 August 2020 that the UK economy suffered shrinkage of 20.4%, one of the biggest slumps recorded among advanced economies, placing the UK into recession for the first time in 11 years. As the UK is our nearest trade partner, this will undoubtedly have a detrimental effect on the Irish economy, as our economic fortunes have historically been inextricably linked.'*

There is no doubt that a prolonged slump in the UK, combined with a chaotic Brexit, will impact the Irish economy but, like the pandemic crisis, the impact will vary in different sectors. Obviously, export-facing companies reliant on trade with the UK could be impacted by the fall of demand in that market; or the imposition of trade obstacles in the wake of a failed EU-UK negotiation. But this will not impact all sectors equally and many sectors will face little effect.

In this context, it is not sufficient to argue that since food or other manufacturing exports to the UK will be impacted by loss of demand and trade obstacles, then an ERO should be avoided. The employers' have failed to show the impact of diminished UK demand on the Irish security sector (which is primarily domestic driven).

**2. Sectoral Data**

There is little sectoral data from the official sources. The sources with the most up-to-date on the pandemic impact on the security sector are the employers themselves. They would be in a position to provide the following data:

- The number of enterprises that have ceased trading, and the number of employees affected.
- Employment trends in the sector since the beginning of the year
- The estimated loss of turnover in the sector during the pandemic – and the impact on individual firms (loss of 50 percent or more turnover; loss of 25 percent; normal and increased turnover)
- The number of firms that availed of the Temporary Wage Subsidy Scheme and are currently availing of the Employment Wage Subsidy Scheme

It is worth noting that in their correspondence the two companies didn't refer to any of this data that might have bolstered their case regarding the ERO.

**3. Employment Structure**

The Security sector is divided up into three sub-sectors:

- Private security sectors: this sector includes guards and security personnel whether buildings or transport
- Security systems services activities: this sector includes the monitoring and installation of security systems

There is a third, very small sector – investigation activities. There are only 200 people employed in 98 mostly micro-enterprises. We exclude this sector.

A detailed definition of activities by sector can be found in the Appendix.

Below is a breakdown of employment and enterprises in the security sector and the two main sub-sectors.<sup>10</sup>

<b>Employment in the Security Sector: 2015 – 2018</b>				
	2015	2016	2017	2018
<b>Total Security Sector</b>				
Number of Employees	13,258	13,443	14,173	14,880
Employees in Medium and Large Enterprises	n.a.	9,754	10,725	11,123
% of Employees in Medium and Large Enterprises	n.a.	72.6	75.7	74.8
Number of Medium and Large Enterprises	n.a.	48	53	52
<b>Sub-Sector: Private security activities</b>				
Number of Employees	6,289	6,016	6,651	7,249
Employees in Medium and Large Enterprises	n.a.	4,918	5,774	6,284
% of Employees in Medium and Large Enterprises	n.a.	81.7	86.8	86.7
Number of Medium and Large Enterprises	n.a.	29	34	34
<b>Sub-Sector: Security systems service activities</b>				
Number of Employees	6,841	7,255	7,350	7,426
Employees in Medium and Large Enterprises	4581	4,836	4,951	n.a.
% of Employees in Medium and Large Enterprises	67.0	66.7	67.4	n.a.
Number of Medium and Large Enterprises	19	19	19	n.a.

There are 14,900 employees in the total sector with 7,200 in private security sector. Employment has grown by 12.2 percent and 15.3 percent between 2015 and 2018 respectively.

All the sectors show a high concentration of employees in medium and large enterprises (a medium enterprise employs between 50 and 240 while large enterprises employ 250 and more). In the total security sector 75 percent of all employees work in 52 enterprises while in the private security sector 87 percent are employed in 34 enterprises. In the security systems service sector, employment is less concentrated, with 67 percent employed in 19 companies.

<sup>10</sup> <https://statbank.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=BRA11&PLanguage=0>

#### 4. European Comparisons

It is helpful to compare the security sectors across the EU. The following compares some selected categories with our EU peer group – other high-income economies.<sup>11</sup>

##### (a) Productivity and Profits Measurements<sup>12</sup>

Selected Economic Categories: 2017 (€ 000) *			
	Turnover per Employee	Value-Added per Employee	Gross Operating Surplus (Profits) per Employee
Ireland	52.2	38.1	4.5
EU Peer Group	56.3	40.3	4.1
* Employees in Full-Time Equivalents			

The Irish security sector is slightly below the average of our EU Peer Group in terms of turnover and value-added per employee – both measurements of productivity. In terms of profits (gross operating surplus), the Irish security sector is above average. 2017 is the last year we have data for.

##### (b) Wages

We have three sources for wages in the Security sector. First, the CSO/Eurostat Labour Force Survey:<sup>13</sup>

Employee Compensation in Security Sector: 2016 (€ and PPP per hour)			
	Nominal		PPP (factoring in living costs)
Belgium	35.50	Belgium	32.51
Denmark	35.44	Denmark	26.40
Sweden	33.36	Sweden	25.62
Netherlands	26.85	Netherlands	24.21
Finland	24.33	France	20.09
EU Peer Group	22.09	EU Peer Group	20.02
France	22.00	Finland	19.78
Austria	20.28	Austria	18.65
Germany	18.52	Germany	17.47
<b>Ireland</b>	<b>18.37</b>	<b>Ireland</b>	<b>16.65</b>

Whether expressed in nominal Euros and PPPs which factor in living costs, Ireland is at the bottom of our EU peer group table. In both tables, Irish employee compensation in the security sector would

<sup>11</sup> This would include Austria, Belgium, Denmark, Finland, France, Germany, Netherlands and Sweden.

<sup>12</sup> [https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=sbs\\_na\\_1a\\_se\\_r2&lang=en](https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=sbs_na_1a_se_r2&lang=en)

<sup>13</sup> [https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lc\\_ncost\\_r2&lang=en](https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lc_ncost_r2&lang=en)

have to increase by 20 percent to reach the EU peer group average (nearly double to reach Belgian level).

Second, the Eurostat Structural Business Statistics average personnel costs (i.e. employee compensation) for our peer group. This database provides average annual personnel costs. The extrapolated hourly wage is own calculation based on the average number of hours worked in the security sector.

<b>Annual Personnel Costs and Extrapolated Hourly Wage: 2017 (€)</b>			
<b>Average Annual Personnel Costs (€ 000)</b>		<b>Extrapolated Hourly Wage (€)</b>	
Sweden	48.8	Belgium	34.43
Belgium	43.9	Sweden	29.17
Denmark	42.0	Denmark	24.01
Netherlands	37.6	Netherlands	21.35
Finland	33.1	France	20.65
France	31.9	Finland	19.83
EU Peer Group	29.1	EU Peer Group	17.43
<b>Ireland</b>	<b>26.3</b>	<b>Ireland</b>	<b>14.55</b>
Austria	25.6	Austria	13.99
Germany	23.4	Germany	12.81

In average annual personnel cost, Ireland is third from the bottom and would only need a 10.4 percent increase to reach the EU peer group average. However, this doesn't factor in the number of hours worked. The average annual number of hours worked in our peer group is 1,706 for the security sector. In Ireland the average hours worked is 1,808 – more than two weeks more than other EU peer group countries. When this is factored in on an hourly basis, Ireland is still third from the bottom. However, the hourly wage would need a 19.9 percent increase to reach the EU peer group average – consistent with the findings of the Labour Force Survey.<sup>14</sup>

End.

Appendix follows.

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<sup>14</sup> While there are differences in the hourly wage between the Labour Force Survey and the Structural Business Statistics database, this is due to methodological issues. Whatever about the magnitude, the relationships with the average is broadly the same.

## APPENDIX

<b>Definitions of Cleaning and Sectoral Activity: Eurostat and CSO <sup>15</sup></b>	
<b>Total Security Sector</b>	Includes security-related services such as: investigation and detective services; guard and patrol services; picking up and delivering money, receipts, or other valuable items with personnel and equipment to protect such properties while in transit; operation of electronic security alarm systems, such as burglar and fire alarms, where the activity focuses on remote monitoring these systems, but often involves also sale, installation and repair services. If the latter components are provided separate, they are excluded from this division and classified in retail sale, construction etc.
(1) Private security activities	The provision of one or more of the following: guard and patrol services; picking up and delivering money, receipts, or other valuable items with personnel and equipment to protect such properties while in transit. This class includes: armoured car services, bodyguard services, polygraph services, fingerprinting services, security guard services, security shredding of information on any media, support services to cash collection and deposit services
(2) Security systems service activities	Monitoring or remote monitoring of electronic security alarm systems, such as burglar and fire alarms, including their installation and maintenance; installing, repairing, rebuilding, and adjusting mechanical or electronic locking devices; safes and security vaults in connection with later monitoring and remote monitoring The units carrying out these activities may also engage in selling such security systems, mechanical or electronic locking devices, safes and security vaults.

<sup>15</sup> Eurostat Statistical Classification of Economic Activities

[https://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST\\_NOM\\_DTL&StrNom=NACE\\_R\\_EV2&StrLanguageCode=EN&IntPcKey=18519014&StrLayoutCode=HIERARCHIC](https://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_NOM_DTL&StrNom=NACE_R_EV2&StrLanguageCode=EN&IntPcKey=18519014&StrLayoutCode=HIERARCHIC)