

How Much Does Security Cost?

A Budget Tool

When discussing the total value of a contract security program, it is important to remember that along with the security budget, there are other costs that are more difficult to quantify. Even without a specific dollar amount associated with them, indirect costs require time, attention and expertise. In most cases, the cost of an outsourced security program initially seems comparable to an in-house budget. However, the additional protection provided by a contract provider, combined with the elimination of other hidden costs may actually serve to reduce your long-term expense. Consider the typical costs associated with a security program:

Direct Costs

Also known as “hard costs”, these are fixed costs that would be accounted for directly in pricing or the bill rate.

Payroll, taxes and benefits

- Taxes
- Insurance/liability
- Vacation
- Medical benefits
- Holidays, sick time, personal days
- Retirement benefits
- Overtime
- Tuition reimbursement
- Paid break time

Uniforms

Office Space

Recruiting, testing, screening and hiring

- Classified advertising space
- Drug testing
- Applicant tracking system
- Background screening
- Conduct reference checks
- Skill assessment testing

Training costs

- Training time
- Trainer's time/salary
- Training materials and learning management system
- New hire and ongoing training
- Management training

Indirect Costs

Also known as “soft” or “hidden” costs, these are ongoing expenses that may be more difficult to quantify, but are part of the value of the overall program.

- Scheduling
- Develop training materials
- Quality assurance process
- Payroll processing
- Administration
- Emergency response resources
- Special events coverage/availability of manpower
- Develop post orders
- Review resumes from ad responses
- Telephone screen candidates
- Outline discipline programs
- Security and industry expertise and access to best practices
- Conform to regulatory standards and laws
- Recognition programs
- Employee development
- Create job specifications
- Conduct assessment testing
- Bonuses
- Schedule, prepare for and conduct interviews
- Program performance measures
- Uniform and equipment sourcing

Use the tool on the next page to help you analyze the actual costs of your security program.

Calculate Your Cost

DIRECT LABOR COST:

Average Hourly Pay Rate (Security Officers & Supervisors) \$ _____ X total hours per week _____	\$
Overtime Premium Rate (50% of above pay rate) \$ _____ X total overtime hours per week _____	\$
Total Direct Pay per Week \$ _____ X 52 weeks	\$
A. Total direct labor costs	\$

ADDITIONAL LABOR COST (estimate on per year basis):

Training time and onboarding costs (estimate \$200 per employee per year)	\$
Vacation pay	\$
Paid holidays	\$
Paid sick leave	\$
Jury duty and other miscellaneous leave	\$
B. Total additional labor costs	\$

TAXES, INSURANCE AND RELATED EXPENSES (estimate on per year basis):

Payroll Taxes: Social Security, State and Federal unemployment, disability, (estimate 12% of total labor cost per year)	\$
Workers Compensation Insurance (estimate 6% of total labor cost per year)	\$
Medical & dental premiums, life insurance, bonuses, retirement pension, (estimate 14% of total labor cost per year)	\$
Liability and Property Damage Insurance premiums and bonding (estimate 5% of total labor cost per year)	\$
Uniforms and equipment (estimate \$500 per security officer)	\$
Cost of recruiting, screening and hiring employees (estimate \$250 X number of security officer turnovers per year)	\$
C. Total taxes, insurance and related expenses	\$

Total Annual Cost (add lines A, B and C)	\$
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