

2024 Economic Impact of the Security Industry

Prepared for:
Security Industry Association



By

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December 2024

Executive Summary

The security industry represents a wide range of companies providing innovative solutions to protecting both people and assets. Its significant economic footprint extends throughout the American economy.

The 2024 Economic Impact of the Security Industry measures the combined impact of the security product manufacturing, business to business sales, and security services industries in 2024, hereafter the security industry. The security industry contributes \$431.38 billion in total to the US Economy, or 1.51 percent of GDP and, through its production and business to business sales linkages, impacts firms in 523 of the 545 sectors of the US economy.¹

The firms that manufacture security products and/or provide security services employ 722,744 people in production, sales, manufacturing, packaging, and business to business sales.²

Other firms are related to the security industry as suppliers. These firms produce and sell a broad range of items including parts, equipment, packaging materials, or machinery. In addition, supplier firms provide a broad range of services, including personnel services, financial services, advertising services, consulting services and transportation services. Finally, a number of people are employed in government agencies responsible for the regulation of the security industry. All told, the security industry is responsible for 656,287 supplier jobs with these firms, generating \$147.85 billion in economic activity.

Industries are linked to each other when one industry buys from another to produce its own products, and an economic analysis of the security industry will take additional linkages into account. While it is inappropriate to claim that suppliers to the supplier firms are part of the industry being analyzed,³ the spending by employees of the industry and those of supplier firms whose jobs are directly dependent on security sales and production should surely be included. This spending on everything from housing, to food, to educational services and medical care comprises what is traditionally called the induced impact or multiplier effect of the industry. In other words, this spending and the jobs it creates is induced by the providing and manufacturing of security products and services. We estimate that the induced impact of the industry generates 722,844 jobs and an economic output of \$153.09 billion, for a multiplier of about 1.17.

An important part of an impact analysis is the calculation of the contribution of the industry to the public finances of the community. In the case of the security products and services industry, this contribution comes from the traditional direct taxes paid by the firms and their employees. In total, these taxes provide \$60.13 billion in revenues to the federal, state, and local governments. This is in addition to sales taxes and other taxes paid by consumers who use security products and services.

Table 1 on the following page presents a summary of the total economic impact of the industry in the United States.

The four main categories of the total economic impact are the number of jobs that the industry employs, the total wages paid to the employees that the industry employs, the total value of all

¹ Based on GDP of \$28.624 trillion. See: *Gross Domestic Product: First Quarter 2024*, US Department of Commerce, Bureau of Economic Analysis. Economic sectors based on IMPLAN sectors.

² Throughout this study, the term “firms” actually refers to physical locations. One security guard service company may have multiple locations throughout the country. Each of these facilities is included in the count.

³ These firms would more appropriately be considered as part of the supplier firms’ industries.

output generated from the industry, and the total local, state, and federal taxes paid by members of the industry.⁴

Table 1
Economic Impact of the Security Industry

	Direct	Supplier	Induced
Jobs	722,744	656,287	722,844
Wages	\$46,734,556,100	\$51,419,538,200	\$47,318,871,300
Output	\$130,437,750,200	\$147,845,724,200	\$153,094,054,700
Business and Personal Taxes			\$60,126,362,000

Those four categories are divided into three aspects of the industry, Direct, Supplier and Induced.

Direct is defined as the impact by companies that are primarily or solely security related, such as armored car services, wholesale security products and security alarm installation companies.

Supplier is defined as the impact of companies that are not primary security companies as found in the direct category but supply essential products and services to companies in the direct security industry for their operation.

Induced is defined as the “multiplier effects” of the security industry. This comes from the wages and profits generated by the security industry that are in turn spent by employees and owners in other aspects of the economy. For example, employees using wages for purchasing goods and services in their personal life, such as rent, car ownership, groceries, and entertainment. This impact is just as real and important as other parts of the industry since businesses located in areas with security industry firms rely in part on the money spent from wages and profits of the security industry.

Table 2
Components of the Security Industry’s Direct Economic Impact

Direct Impacts	Jobs	Wages	Economic Impact
Security Personnel	383,285	\$16,997,719,600	\$25,098,944,200
Security Equipment Services	105,753	\$5,917,116,800	\$11,750,752,900
Security Equipment Manufacturing	43,123	\$5,443,167,600	\$24,152,986,400
Security Equipment Business to Business Sales	190,583	\$18,376,552,100	\$69,435,066,700
Total Direct Impacts	722,744	\$46,734,556,100	\$130,437,750,200

The direct impact of the security industry is broken down into four distinct categories. These are:

Security Personnel – Services that provide direct security services for a location or property, such as security guards and armored car services.

Security Equipment Services – Services that involve the installation and/or use of security products, such as location video surveillance, home and corporate office security alarm system installation, and security system monitoring services.

⁴ Output represents the value of industry production for the model year calculated in terms of producer prices.

Security Equipment Manufacturing – Companies that manufacture equipment and products used by security service providers, or that are sold at retail locations to consumers.

Security Equipment Business to Business Sales – Companies and organizations that supply parts to product manufacturers or that supply completed products to retailers and service providers.

The security industry is a significant contributor to the nation’s economy, even though much of the equipment and operations of the industry are not generally visible by the public. In fact, the security industry provides as many direct jobs in the United States as the commercial sports industry. In terms of output, it is similar in size to the aircraft manufacturing industry or to all of the gasoline stations in the United States.

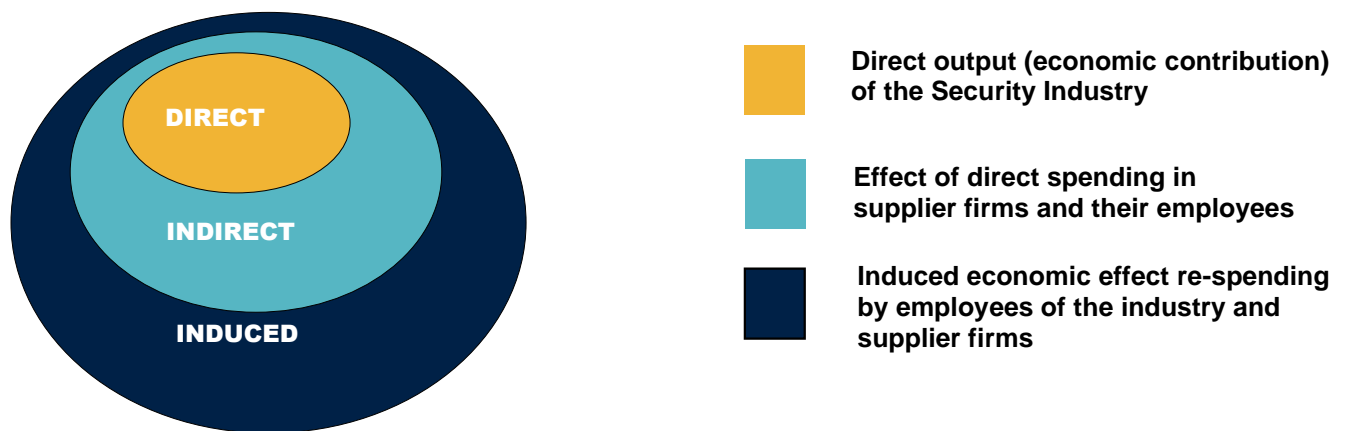
**Table 3
Similarly Sized Industries**

	Jobs	Output
Security Industry	722,744	\$ 130,437,750,200
Software Publishers	658,826	\$ 322,739,974,666
Commercial Sports (except racing)	749,038	\$ 46,786,940,795
Aircraft Manufacturing	213,729	\$ 126,803,732,858
Gasoline Stations	789,443	\$ 145,797,254,638

Methodology

The economic impact of the security industry begins with an accounting of the direct employment in the various sectors. The security industry encompasses security service providers, manufacturers, wholesalers, and distributors. The data comes from a variety of government and private sources.

**Figure 1
Graphical Description of Economic Impact Modeling**



It is sometimes mistakenly thought that initial spending accounts for all of the impact of economic activity or a product. However, one economic activity always leads to a ripple effect

whereby other sectors and industries benefit from this initial spending. This inter-industry effect of an economic activity can be assessed using multipliers from regional input-output modeling.

The economic activities of the security industry are linked to other industries in the state and national economies. The activities required to manufacture a home security system or provide security guards to a location, generate direct effects on the economy. Regional indirect impacts occur when these activities require purchases of goods and services such as cameras or trucks from local or regional suppliers. Additional, induced impacts occur when workers involved in direct and indirect activities spend their wages in the region. The ratio between total economic impact and direct impact is termed the multiplier. The framework in the chart on the prior page illustrates these linkages. This method of analysis allows the impact of local production activities to be quantified in terms of final demand, earnings, and employment in the states and the nation as a whole.

Once the direct impact of the industry has been calculated, the input-output methodology discussed below is used to calculate the contribution of the supplier sector and that of the re-spending in the economy by employees in the industry and its suppliers. This induced impact is the most controversial part of economic impact studies and is often quite inflated. In the case of the security industry model, only the most conservative estimate of the induced impact has been used.

Model Description and Data

The 2024 Economic Impact of the Security Industry was developed by John Dunham & Associates (JDA) based on data provided by Data Axle and the Bureau of Labor Statistics (BLS). The analysis utilizes the IMPLAN model to quantify the economic impact of the security industry on the economy of the United States.⁵ The model adopts an accounting framework through which the relationships between different inputs and outputs across industries and sectors are computed. This model can show the impact of a given economic decision on a pre-defined, geographic region. It is based on the national income accounts generated by the US Department of Commerce, Bureau of Economic Analysis (BEA).⁶

The analysis begins with the identification of companies and facilities engaged in the security industry. For example, this includes firms involved in the manufacturing and service providing of:

- Security Alarms;
- Security Guards;
- Armored Cars;
- Security Cameras and Surveillance Systems;
- Home and Commercial Security Systems;

Individual security facility location data was gathered from primarily three sources: Data Axle, the United States Census Bureau, and the Bureau of Labor Statistics (BLS). Since the Data Axle data are adjusted on a continual basis, staff from John Dunham & Associates scanned the data for discrepancies.

⁵ IMPLAN® model, 2022 Data, using inputs provided by the user and IMPLAN Group LLC, IMPLAN System (2024), 16905 Northercross Dr., Suite 120, Huntersville, NC 28078, www.IMPLAN.com.

⁶ RIMS II is a product developed by the U.S. Department of Commerce, Bureau of Economic Analysis as a policy and economic decision analysis tool. IMPLAN was originally developed by the US Forest Service, the Federal Emergency Management Agency and the Bureau of Land Management. It was converted to a user-friendly model by the Minnesota IMPLAN Group in 1993.

The 2024 Economic Impact of the Security Industry was conducted by primarily using Data Axle employment counts by industry and zip code. Two different codes were used to filter the data for the scope of the project: NAICS and NAPCS.

NAICS codes – NAICS is an acronym for the North American Industry Classification System. These codes were created by United States federal agencies to classify businesses and organizations based on their operations (the products and/or services manufactured, distributed, retailed, etc.).⁷

NAPCS codes – NAPCS is an acronym for the North American Product Classification System. Similar to NAICS codes, NAPCS codes classify products produced by businesses and organizations for the similar statistical and data gathering purposes of federal agencies. NAPCS codes are designed to break down the products and services created within a specified NAICS code.⁸

Below are the NAICS codes used during the course of this project, broken down by the direct impact categories:

Security Personnel:

56161201	Bodyguard Service
56161202	Burglary & Robbery Protective Service
56161205	Escort Service-Motorized
56161207	Police Service-Private
56161208	Security Guard & Patrol Service
56161209	Shoplifting Prevention Devices
56161302	Detective Guard & Armored Car Services
56162101	Access Panels
56162102	Bank Protective Equipment
56162103	Burglar Alarm Systems-Monitoring
56162105	Card Key Systems
56162107	Fire Alarm Systems & Equipment-Testing
56162109	Security Sysys-Communications/Computer Sensors
56162110	Sensors
56162113	Warning Systems
56162114	Watchmen's Equipment & Systems
56162115	Lock Boxes
56162117	Installation/Monitoring-Security Systems
56162118	Offender Monitoring Services
56162120	Personal Monitoring Service
56162204	Locks & Locksmiths
56161204	Constables
56161210	Traffic Control Systems
56161301	Armored Car Service
56162112	Video Equipment-Security & Ind Systems
56162116	House Arrest Service

⁷ United States Census Bureau, *North American Industry Classification System*. <https://www.census.gov/naics/>.

⁸ United States Census Bureau, *North American Product Classification System*. <https://www.census.gov/naics/napcs/>.

Security Equipment Manufacturing:

31525006	Police Equipment (Manufacturing)
33331002	Lenses (Manufacturing)
33411102	Data Processing Equipment (Manufacturing)
33411201	Computer Storage Device (Manufacturing)
33411805	Computer Terminals (Manufacturing)
33429002	Communications Equipment NEC (Manufacturing)
33451201	Automatic Contrls-Residential/Coml (Manufacturing)
33451302	Annunciators (Manufacturing)
33451933	Time Recorders & Systems (Manufacturing)
33995002	Animation Mechanisms-Display Sign (Manufacturing)
32721521	Security-Glass (Manufacturing)
33251019	Locks (Manufacturing)-Except Safe Vault Coin
33299901	Barricades (Manufacturing)
33299916	Barricades (Manufacturing)
33429001	Burglar Alarm Systems & Monitoring (Manufacturing)
33429003	Fire Alarm Systems (Manufacturing)
33429004	Fire Exit Devices (Manufacturing)
33429005	Security Control Equipment & Systems (Manufacturing)
33451928	Turnstiles (Manufacturing)
33599902	Doors-Automatic (Manufacturing)
33999910	Badges (Manufacturing)
33999922	Fingerprinting Equipment (Manufacturing)
33999932	Identification Equipment & Supplies (Manufacturing)

Security Equipment Services:

23821016	Home Automation Systems
23821017	Installation Service
23821021	Low Voltage Systems Contractors
54133017	Engineers-Control Systems
54133020	Engineers-Designing
54133023	Engineers-Electronic
54151204	Computer Integrated Systems Design
54151301	Computer Rooms Monitoring & Management
54151903	Computers-Support Services
54151904	Computers-Enhancements
54151905	Computers-Networking
54151906	Information Equipment & Systems
54161813	Security Systems Consultants
56121003	Facilities Management
56121004	Facilities Support Management Services
23899014	Burglar Bars
23899026	Gas Detectors
56162104	Security Systems
238990	Fencing Contractors

Security Equipment Business to Business Sales:

42344063	Signals (Wholesale) & Manufacturers
42371015	Locksmith Equipment & Supplies (Wholesale)
42341003	Identification Equipment & Supplies (Wholesale)
42349022	Surveillance Equipment (Wholesale)
42361007	Burglar Alarm Systems (Wholesale)
42361008	Burglar Resistant Equipment (Wholesale)
42361032	Fire Alarm Systems (Wholesale)
42361063	Security Control Equipment & Systems (Wholesale)
42369002	Annunciators (Wholesale)
42371014	Locks & Locksmiths (Wholesale)
42399036	Bollards (Wholesale)

Data at the zip code level for the 79 NAICS codes included in the definition of the industry was provided by Data Axle.⁹ Zip code level data including full-time equivalent (FTE) jobs formed the basis of the analysis. However, these jobs breakdowns accounted for the entirety of the NAICS code, which is often much broader than the definition of the security industry. Percentage breakout of job types in each NAICS code were used to further refine the data.

NAPCS codes define the products and services provided within a specified NAICS code.¹⁰ JDA examined the NAPCS codes to determine which were related to the scope of the Security Economic Impact project. Staff members then combined the sales of the NAPCS codes that were determined to be within the scope of the project and divided by total sales, providing a percentage break for the jobs in each NAICS code that is security focused and related. These percentages were confirmed by the Security Industry Association (SIA).

Each zip code data point was multiplied by the percentage break for its corresponding NAICS code. This provided the final direct job numbers for each component of the security industry, broken down by zip code and state.

Once the initial direct employment figures have been established, they are entered into a model linked to the IMPLAN database. The IMPLAN data are used to generate estimates of direct wages and output in each of the four sectors: personnel, equipment and services, manufacturing, and wholesale, as well as the supplier and induced impacts of the industry on the larger economy. IMPLAN was originally developed by the US Forest Service, the Federal Emergency Management Agency, and the Bureau of Land Management. It was converted to a user-friendly model by the Minnesota IMPLAN Group in 1993. The IMPLAN data and model closely follow the conventions used in the "Input-Output Study of the US Economy," which was developed by the BEA.

- ❖ **Wages:** Data from the US Department of Labor's ES-202 reports are used to provide annual average wage and salary establishment counts, employment counts and payrolls at the county level. Since this data only covers payroll employees, it is modified to add

⁹ Data Axle is the leading provider of business and consumer data for the top search engines and leading in-car navigation systems in North America. Data Axle gathers data from a variety of sources, by sourcing, refining, matching, appending, filtering, and delivering the best quality data. Data Axle verifies its data at the rate of almost 100,000 phone calls per day to ensure absolute accuracy.

¹⁰ U.S. Census Bureau, *All Sectors: Industry by Products for the U.S. and States: 2017. Economic Census, ECN Core Statistics Economic Census, Table EC1700NAPCSINDPRD, 2017.* Accessed on August 1, 2024, at: <https://data.census.gov/table/ECNAPCSIND2017.EC1700NAPCSINDPRD?q=ECNAPCSIND2017.EC1700NAPCSINDPRD&n=238210:238990:315280:327215:332510:332999:333318:334111:334112:334118:334290:334512:334513:334519:335999:339999:423410:423440:423490:423610:423690:423710:541330:541513:541519:541618:561210:561612:561613:561621:561622&naps=S0000.00>.

information on independent workers, agricultural employees, construction employees, and certain government employees. Data are then adjusted to account for counties where non-disclosure rules apply. Wage data include not only cash wages, but health and life insurance payments, retirement payments and other non-cash compensation. It includes all income paid to workers by employees. Further details are available from IMPLAN Inc. at <http://www.implan.com>.

- ❖ **Output:** Total output is the value of production by industry in a given state. It is estimated by IMPLAN from sources similar to those used by the BEA in its RIMS II series. Where no Census or government surveys are available, IMPLAN uses models such as the Bureau of Labor Statistics Growth model to estimate the missing output.
- ❖ **Taxes:** The model also includes information on income received by the Federal, state, and local governments, and produces estimates for the following taxes at the Federal level: Corporate income; payroll, personal income, estate and gift, and excise taxes, customs duties; and fines, fees, etc. State and local tax revenues include estimates of: Corporate profits, property, sales, severance, estate and gift and personal income taxes; licenses and fees and certain payroll taxes.

While IMPLAN is used to calculate the state level impacts, the zip code level data provide the basis for congressional level estimates. Publicly available data at the county and congressional district level is limited by disclosure restrictions, especially for smaller sectors of the economy. This model uses the Data Axle figures to allocate jobs and the resulting economic activity by zip code. For zip codes entirely contained in a single congressional district, jobs are allocated based on the percentage of total sector jobs in each zip. For zip codes broken by district or county lines, allocations are based on the road weighted percentage of the land area physically located in each segment of the zip. All supplier and indirect jobs are allocated based on the percentage of a state's employment in that sector in each of the districts. Again, these percentages are based on Data Axle data.

IMPLAN Methodology:¹¹

Francois Quesnay, one of the fathers of modern economics, first developed the analytical concept of inter-industry relationships in 1758. The concept was actualized into input-output analysis by Wassily Leontief during the Second World War, an accomplishment for which he received the 1973 Nobel Prize in Economics.

Input-Output analysis is an econometric technique used to examine the relationships within an economy. It captures all monetary market transactions for consumption in a given period and for a specific geography. The IMPLAN model uses data from many different sources such as published government data series, unpublished data, sets of relationships, ratios, or as estimates. IMPLAN Inc. gathers these data, converts them into a consistent format, and estimates the missing components.

There are three different levels of data generally available in the United States: federal, state and county. Most of the detailed data is available at the county level, and as such there are many issues with disclosure, especially in the case of smaller industries. IMPLAN overcomes these disclosure problems by combining a large number of datasets and by estimating those variables that are not found from any of them. The data is then converted into national input-

¹¹ This section is paraphrased from IMPLAN Professional: Users Guide, Analysis Guide, Data Guide, Version 2.0, MIG, Inc., June 2000.

output matrices (Use, Make, By-products, Absorption and Market Shares) as well as national tables for deflators, regional purchase coefficients and margins.

The IMPLAN Make matrix represents the production of commodities by industry. The Bureau of Economic Analysis (BEA) Benchmark I/O Study of the US Make Table forms the basis of the IMPLAN model. The Benchmark Make Table is updated to current year prices and rearranged into the IMPLAN sector format. The IMPLAN Use matrix is based on estimates of final demand, value-added by sector and total industry and commodity output data as provided by government statistics or estimated by IMPLAN. The BEA Benchmark Use Table is then bridged to the IMPLAN sectors. Once the re-sectoring is complete, the Use Tables can be updated based on the other data and model calculations of interstate and international trade.

In the IMPLAN model, as with any input-output framework, all expenditures are in terms of producer prices. This allocates all expenditures to the industries that produce goods and services. As a result, all data not received in producer prices is converted using margins which are derived from the BEA Input-Output model. Margins represent the difference between producer and consumer prices. As such, the margins for any good add to one. If, for example, 10 percent of the consumer price of an alarm system is from the purchase of electronics, then the electronics margin would be 0.1.

Deflators, which account for relative price changes during different time periods, are derived from the Bureau of Labor Statistics (BLS) Growth Model. The 224 sector BLS model is mapped to the 545 sectors of the IMPLAN model. Where data are missing, deflators from BEA's Survey of Current Businesses are used.

Finally, one of the most important parts of the IMPLAN model, the Regional Purchase Coefficients (RPCs) must be derived. IMPLAN is derived from a national model, which represents the "average" condition for a particular industry. Since national production functions do not necessarily represent particular regional differences, adjustments need to be made. Regional trade flows are estimated based on the Multi-Regional Input-Output Accounts, a cross-sectional database with consistent cross interstate trade flows developed in 1977. These data are updated and bridged to the 545 sector IMPLAN model.

Once the databases and matrices are created, they go through an extensive validation process. IMPLAN builds separate state and county models and evaluates them, checking to ensure that no ratios are outside of recognized bounds. The final datasets and matrices are not released before extensive testing takes place.