

# An Unsolved Dilemma: Contracted vs. In-House Guarding

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*There are questions in the field of physical security that are hard to answer. One such existing dilemma is whether to choose contracted or in-house guarding. Deploying security officers is a must in almost every security system to appropriately handle system-related risks, so most security managers meet this problem during their careers. Since there is no "one size fits all" solution to this problem, in this article, various points of view are shown to help security professionals decide between the two types of service when the question is on the table.*

**Keywords:** *physical security, in-house guarding, outsourcing, pros and cons, decision*

## Introduction

Manned security guarding is the focus point of personal and property protection. It is considered one of the oldest forms of protection activity. Mechanical protection and electronic security appliances are also essential parts of a complex security system with their delaying, detecting and signalling capabilities, but only professional security guards can effectively react and respond to specific events that need to be addressed immediately,<sup>2</sup> such as malicious acts and emergencies in addition to the operation of the aforementioned technical systems. They can verify the authenticity of an alarm, assess the threat and act accordingly. For all these reasons, the role of the live force in an interdependent security system is decisive. However, they can also be the weak chain link in the system's elements. Manned security guarding can be realised in numerous forms, e.g. by the owner, the in-house security department (through employment) and contracted security services (through business relationships). Here, at this point, only the in-house and contracted protection forms are being discussed. There can be many advantages and disadvantages between the two types, and from a security manager's point of view, making the right and most appropriate decision is always critical.<sup>3</sup>

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<sup>2</sup> REGÉNYI et al. 2022: 123–137.

<sup>3</sup> DOBOS 2019: 63–69.

Regardless of the final verdict, choosing between in-house and contracted security services means a long-lasting commitment, and such commitments are, with no exceptions, preceded by business decisions. Allowing for some necessary simplifications and not discussing the complex strategic decision-making methods and processes, at this point, at least two cornerstones should be considered: the priorities and the financial constraints regarding the service. In-house guarding is generally considered more expensive than contracted services. However, if money is not an issue, and one has clearly defined requirements (for example, high loyalty and low staff turnover rate), in-house guarding is the best solution. Making the right choice for customers who have financial considerations and want to find the best form of service and the best value for money is where this article can help. The following suggestions are based on the professional experiences of the author as well as Hungarian laws and regulations. For that reason, making the final decision requires readers' discretion as to what extent they implement and how they adapt them to their businesses.

## **Expansion of working hours and personal skills**

The first and one of the most important considerations while comparing the pros and cons between the two types of services is the efficiency of adaptation when extra working hours are needed or there is a lack of proper personal or professional competency for some guarding tasks. In case of outsourcing, when there is a deficiency in some required competency (that cannot be made up by training) or when some significant change in competency requirements occurs (e.g. a new business process with unique guarding attributes has been implemented), the necessary personnel changeover becomes much more flexible and happens within the time period determined by the SLA.<sup>4</sup>

As for in-house staff members, their rights are enforced by Act I of 2012 on the Labour Code (hereinafter: Labour Code). The Labour Code determines how and under what circumstances an employee can be made redundant, and those rules make the in-house service more difficult to adapt to a rapidly changing environment. Moreover, outsourcing provides faster backup for unforeseen circumstances that have an impact on guarding requirements. These backup capabilities mean that deploying extra security personnel can be implemented quickly, and these officers added to the regular staff can be on duty even for a short period. Nevertheless, there is a chance to temporarily increase the number of personnel under the scope of the Labour Code. However, numerous restrictions emerge in working hours, day

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<sup>4</sup> SLA: Service Level Agreement, that helps you to formally set the expectations of the service you get from your provider, including the quality, nature and scope of the service. The performance of the service level can be measured against key performance indicators (KPIs), such as cost, responsiveness and quantity (JOHNSON 2017).

offs, holidays and free periods between two shifts. While performing standby jobs,<sup>5</sup> which is a popular form of service among security personnel, some basic rules have to be followed (among other important ones), such as:

- the maximum working hours cannot exceed 72 in a week
- the employee is eligible to get at least two days off a week
- work schedule shall be made known at least seven days in advance
- at least an 8-hour free time has to be kept between two shifts

Outsourcing means buying “guarding hours” instead of hiring employees, so the rules above have to be followed by the service contractor. It is much easier for them because their service operation is optimised to support such demands.

## **Personal and professional competencies**

It is possible to supervise the recruiting process while building an in-house team. Thereby it is guaranteed that employees whose competencies meet the requirements of the organisation get hired. A contracted service, however, has its limitations regarding competencies. Even if the contract has concrete parameters in connection with the required personal and professional competencies of the staff, there is no guarantee that the security personnel will meet the professional requirements expected. Additionally, the staff turnover rate is usually higher, and their commitment to the company is generally lower. By employing security personnel, a higher level of staff loyalty and commitment for the company can be effectively achieved.

It is an interesting fact that an in-house staff member does not need to have a license<sup>6</sup> issued by the control authority (the Police in Hungary) to perform guarding activities, as well as no need to take part in periodic retraining. Nonetheless, meeting these license and retraining requirements is compulsory for a security guard working for a contracted company. A private security contractor and a licensed guard are under the supervision of the local police department, so their activity is controlled and checked by them at least annually. However, this control does not exist when facilities and other assets are protected by employees under the Labour Code. In such

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<sup>5</sup> ‘Standby job’ shall mean where: due to the nature of the job, no work is performed during at least one-third of the employee’s regular working time based on a longer period, during which, however, the employee is at the employer’s disposal; or in light of the characteristics of the job and of the working conditions, the work performed is significantly less strenuous and less demanding than commonly required for a regular job (Act I of 2012 on the Labour Code).

<sup>6</sup> According to Act CXXXIII of 2005 on the personal and property protection and the private detective activities (Security Services Act), the security personnel working for a security service provider need to have a valid license issued by the local police department to be allowed to work in that field. That is not the case when somebody is a security guard at a company that does not provide contracted security services.

a case, there is no supervision by authorities, and as a result, less legal and quality control is enforced over their activities.

## **Price of the service**

As was mentioned before, a contracted workforce is more flexible and easier to deploy. Moreover, the expenditures are better calculable and less expensive, which is relevant for every company. Prearranged and fixed amounts of money have to be paid for every post, and there are no extra expenses, such as overtime wages, shift bonuses for extended service hours, paid holidays and sick leaves. Service fees are increased at the intervals and in the manner specified in the business contract, while some government regulations, e.g. an annual increase in the guaranteed minimum wage, imply an automatic and proportionate increase in the salaries in case of in-house staff.

When hiring, the surplus costs, such as the costs of recruitment, accounting fees, the pre-recruitment medical examination, clothing and equipment (including personal protective equipment and communications), training, etc. also need to be covered by the employer. Some companies provide a cafeteria and at least partial commuting travel expenses and guarantee other benefits in collective agreements that can also be costly. Furthermore, a line manager has to be employed above a certain number of workers, and electronic control needs to be applied, such as electronic guard tour systems, to adequately organise and supervise the duties of the staff.

## **Rules of liability**

As for a service contractor, it is the contractor's responsibility to command the staff professionally and legally. Thereby all the responsibility and the main reputational risks in connection with negligence of professional or legal requirements befall the contractor. On the other hand, following this so-called 'chain of command' can be a bit inflexible in some cases. However, under the rules of the Labour Code, companies have the right to give direct instructions to employees, which can significantly accelerate their work while keeping responsibilities. Directly instructing your employees means a broader scope for other activities not related to the guarding tasks, but these tasks should not compromise the secure delivery of the guarding service.

Service providers are required by the law to have relatively high-value liability insurance that provides a significantly greater level of return compared to the compensation under the rules of the Labour Code in case of damages caused by a security officer. Moreover, as a customer, the company – with some exceptions – is

not obliged to take any action when a work-related accident happens while one is on duty, but an employer is required to pay compensation for the loss and suffering to the person concerned (if the employer is not relieved of liability according to the related rules of the Labour Code). One of these exceptions derives from Act XCIII of 1993 on Labour Safety (Labour Safety Act). According to that, “at workplaces where the employees of several different employers are employed simultaneously, work shall be coordinated to avoid exposing the employees and other personnel in the immediate work area to any danger. Coordination shall be the responsibility of the employer designated by the parties in the contract, or in the absence of such clause, any other person or body who/that exercises actual control or who/that is mainly responsible for the workplace in question, or if there is no such person or body, the party on whose property the work is performed”. It means that without extensively describing the rules of liability in the contract, the customer can also be obliged to pay for the costs of a work-related accident or an occupational disease.

## Other considerations

In some cases, the characteristics of a company, such as its geographical locations (e.g. a company with numerous premises at different sites) or the unique aspects of the sector in which they provide their services, can also significantly contribute to the final decision. It is typical for a construction firm to have numerous contemporary construction projects running on remote sites. At these sites, it is challenging to employ their own security guards because the company usually does not have recruitment capabilities to rapidly replace the security officers in case of heavy staff turnover and effectively supervise all the areas. Under these conditions, a security contractor with personnel deployed at various worksites can be a legitimate solution because they can provide the necessary workforce instantly.

As was discussed before, in-house guarding units bring a greater ability to build teams and invest in enterprise culture.<sup>7</sup> Nonetheless, besides its many advantages, there are some drawbacks, too. These security unit members cannot work in a vacuum within the company; they should be closely integrated with other departments to create a more direct relationship between these departments. This creates a sense of loyalty among the security staff members, and the company’s remaining employee population is more likely to see them as part of their team. However, this is a double-edged sword because security officers may become more loyal to the other employees than to the company. This phenomenon causes a potential conflict of interest in enforcing company regulations and procedures amongst the employee population or in the event an employee is suspected of doing wrong.<sup>8</sup>

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<sup>7</sup> FINKEL 2019.

<sup>8</sup> AASA s. a.

One of the main reasons why some organisations prefer the in-house security arrangement is the fact that the retention of internal information is easier to track and better ensured. Working with a contracted provider means that not only do the guards answer to you as their company's customer, but they also answer to their own security company. Guard post orders, actions, logs and reports are scrutinised by both the customer and the company; thus, some serious information may leak.<sup>9</sup>

Finally, company reputation should be considered during the decision-making process. Private security services, especially guarding, are one of the most populous sectors in Hungary, and the so-called black economy is also heavily present in this segment.<sup>10</sup> Contract fees that customers are willing to pay for the services are generally low, and a vast majority of the security companies try to 'optimise' their expenditures by avoiding paying taxes and employer contributions. For due-diligence reasons, a customer should carefully vet the bidding companies before signing a contract between the two parties. This pre-contract checking process should cover financial and professional background inspections and the service provider's reliability based on their references. Omitting this pre-contract process, a customer company may expose itself to high reputational risks if the service provider is under inspection or has been fined by the enforcing authorities.

Reputational risks can also derive from malicious or non-professional acts of employees. Ethical conformance must be ensured by open-source background checks, requesting references from previous employers, and requiring a 'certificate of good conduct' before signing the employment contract.

## Conclusion

Every enterprise has its unique possibilities, constraints and preferences. In this article, the conclusion of whether a contracted service or an in-house staff is the most proper solution, in general, has not been drawn. However, some pros and cons of both services have been discussed to help security managers to see their options.

Confidentiality, more control over security tasks, loyalty, reliability and lower staff turnover rate are all factors to be considered when choosing in-house staff over contracted service providers. Nonetheless, in-house staff means higher costs, less flexibility and more liability for on-duty actions.

Occasionally, the most cost-effective solution for a company is to mix the two types of services along the lines of some aspects. Some functions can be kept in-house while others can be outsourced, or the division may be based on geographical considerations. A so-called understaff contract can help managers make the high

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<sup>9</sup> AASA s. a.

<sup>10</sup> DOBOS 2019: 63–69.

turnover rate much smoother, as they can hire the required number of security guards from a contracted service provider until they fulfil a vacant position.

The dilemma the article's title suggests cannot be solved easily; there will always be a challenge for security managers to find the most appropriate guarding solution that meets the requirements and possibilities of their companies.

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