



POLICE AND SECURITY SERVICES

TERM REPORT

Prepared By :
Mustafa



Table of Contents

Abstract:	3
1. Introduction	4
1.1. Background	4
1.2. Policy issues	4
1.3. Need of the study	5
1.4. Research questions:	5
2. Data and methods	6
3. Structure of Market	6
3.1. The market and its structure	6
3.2. The Nature of the products	6
3.3. Import and exports – International market:	7
3.4. Other information:	7
4. Results and Discussion:	8
5. Conclusion:	10
 Figure 1 Reported crimes from 2010 to 2020, Gallup Pakistan	4
Figure 2 Police Effectiveness rankings (2007 to 2017), WEF	5
Figure 3 Expenditure on Police services from 2016 to 2024, Finance Division GOP.....	8
Figure 4 Annual Salaries of Security Guards in different countries.	9

Abstract:

This report examines Pakistan's security environment, outlining the role of both public and private sectors when faced with growing crime rates and economic challenges, along with the emergence of a public-private partnership to take on the new challenges. Pakistan has always prioritized security, a stance fortified by the regional politics, being a post-colonial state and further instability stemming from the prolonged conflict in Afghanistan. Internally, economic decline and fluctuations saw to a significant increase in crime, which underscores the urgent need for security policies and reform. The report identifies key policy issues, including the need for modernization of police infrastructure, enhancement of officer training, and the implementation of 'Safe City' projects. It also highlights the expanding role of private security companies, which have become essential due to insufficient public police services.

The evaluation of Pakistan's security services market unveiled a unique composition: a moderately competitive private sector having more than 364 companies, alongside the public sector, which exhibits a monopoly of provincial police forces. The report sheds light on the diverse services that these private entities provide, from your traditional guarding to specialized risk management as well as security for election days and sensitive areas like airports.

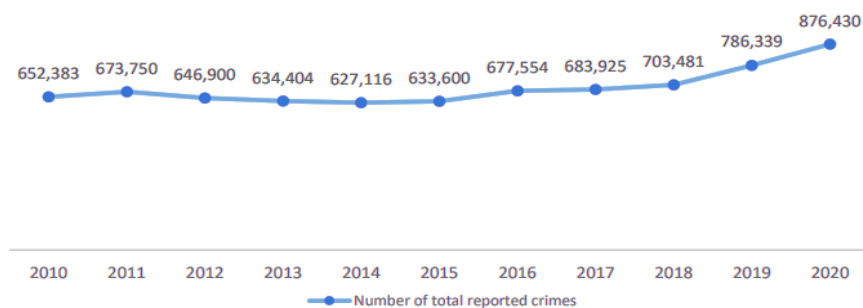
Given the limited amount of data, this study does not take primary sources into account but relies on secondary sources that help estimate the market situation — typically revealed through details such as demand elasticity and economic factors and conditions' impact on private security services. The report also provides an analysis of government spending trends on police service, involving a comparison between nominal and real values.

1. Introduction

1.1. Background

Pakistan since its inception has faced a host of security threat, especially being a post-colonial state it came as no surprise. This situation has been exaggerated by the decades long struggle in Afghanistan primarily by the US leading to several issues like the spillover effects of the war as well as a refugee influx. Given all of this, Pakistan has always held security at the core of its decision-making from the very start.

Internally, Pakistan is facing increased crime rates due to a wide variety of reasons, one of which is economic decline and rapid inflation. The below graph is from Gallup Pakistan, where a significant 34% increase in crime rates is observable in the decade from 2010 to 2020.



Source: Pakistan Social Indicators 2021; analyzed by Gallup Pakistan

Figure 1 Reported crimes from 2010 to 2020, Gallup Pakistan

1.2. Policy issues

There are several ranging from the need to modernize police infrastructure, improved training for officers, and enhanced community policing initiatives along with increasing the adaptation of 'Safe City' projects. Furthermore, with the growing security concern, private security companies have cemented themselves a service in the economy growing rapidly still. Firms and individuals alike have turned to these companies to fulfill their security needs, from banks to housing societies and even airports enlist their services. Therefore, regulation of private security companies (PSCs) and the establishment of clearer guidelines for licensing, operations, and accountability are vital.

Lastly, public trust in law enforcement is not very high in Pakistan and especially in cities like Karachi, where police reputation is not very robust. Bridging the gap between police and communities to foster cooperation and trust is crucial. As per the World Economic Forum (WEF) police effectiveness rankings, Pakistan's police are ranked 3.27 (on a scale of 1-7) which underscores the need to bring immediate reforms in the policing sector.

Reliability of police services, 1-7 (best)

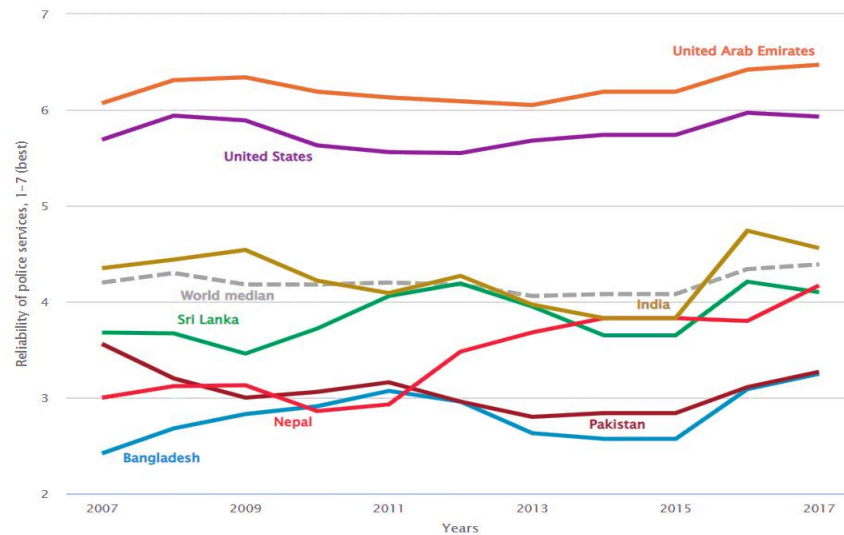


Figure 2 Police Effectiveness rankings (2007 to 2017), WEF

1.3. Need of the study

This study is needed to understand the structure and dynamics of the police and security services market in Pakistan. It aims to identify key factors influencing the supply and demand for these services, as well as government support and public-private partnerships in the sector. The study will also explore the challenges and opportunities in the security market, and how these impact the overall effectiveness of police and security operations.

1.4. Research questions:

The purpose of this research is to delve into various dimensions of the security landscape in Pakistan. It takes a closer look at the major determinants of supply and demand for police and private security services — an analysis that factors in the consequences of economic decline, rapid inflation rates, and their effect on crime statistics as well as the security business.

The study also looks at recent policy issues in policing and sheds light on some reforms that are vital in enhancing trust by the public and the overall effectiveness of the policing sector. Moreover, it investigates how private security firms distinguish their services, highlighting the challenges and opportunities that accompany.

The role of public-private partnerships in enhancing overall security operations is also discussed by a comparison of government expenditure trends on police services with the growth and regulation of the private security sector, and an evaluation of the implications of price and income elasticity on the demand for private security services in Pakistan.

2. Data and methods

In general, this is a very data-sparse environment so the discussion that takes place later is based on different sources, mostly secondary such as newspaper articles. On that note, deductions about the overall market prices and elasticities are intuitive and/or approximate given international trends. The main secondary sources used for this report were newspapers such as Express Tribune and Dawn, in addition to the World Economic Forum (WEF) and Gallup Pakistan survey. Some of the data and graphs are based on information from the Ministry of Finance website along with the Pakistan Bureau of Statistics (PBS) and the State Bank of Pakistan (SBP).

3. Structure of Market

3.1. The market and its structure

The security services market in Pakistan can be broadly categorized into the standard public and private sectors. The public sector is where the government-owned (or controlled) entities operate, in this case, the police force for each province can be considered along with the paramilitary force, i.e., the Rangers (or Frontier Corps in Balochistan). Similarly, in the private sector, there is a vast amount of security companies that operate, the number is 364+ as per the All-Pakistan Security Agencies Association (APSAA).

Moving to the market structure, the public sector can be classified as a monopoly as mostly at the provincial level, the police are responsible for security. However, it can be considered a duopoly if we consider the Rangers an active provider. Furthermore, the private sector is a competitive market, and with a very high number of service providers, the competition is somewhat moderate.

The market structure for private security companies can be classified as an oligopoly with elements of monopolistic competition. This is due to there being many suppliers each offering a unique mix of services and differentiating themselves through branding, reputation, and specialization, while the base service remains similar. The oligopolist structure is due to some large firms dominating the market, Askari Guards for example. There is also some product differentiation, with companies differentiating through factors like technology, quality of service, training of personnel, geographic reach, and customer relationships. Although there are regulatory and licensing requirements, the entry barriers for new companies are relatively moderate, allowing for competition and innovation.

3.2. The Nature of the products

Public police services, on the other hand, are relatively homogenous. They provide a core set of law enforcement functions to the public. While some degree of specialization might exist within police departments, overall service offerings are less diverse than private security companies.

The functions of private security agencies can broadly be divided into three categories: maintenance of order, traditional security functions (i.e., watch and report), and law enforcement.

Private security companies cater to a variety of clientele with distinct security needs. Businesses, for instance, might require cash-in-transit services or armed guards, while residential communities might prioritize patrolling and alarm systems.

Furthermore, private security companies assess the specific risk profile of each client, tailoring the level of service and personnel deployment to address those unique vulnerabilities. This flexibility in service offerings allows private security companies to stand out in the market, catering to a wider range of security challenges faced by individuals and organizations in Pakistan, as well as foreign missions and international entities operating in Pakistan.

3.3. Import and exports – International market:

Pakistan does import some technology and equipment but due to limited information the exact figure of the imports and further details are unavailable, perhaps due to the sensitive niche. Similarly, there are some exports as well, often in the form of personnel under private contractors.

There are some instances of private security companies offering services to international clients with operations in Pakistan. Likewise, the public police force focuses on domestic security, and private security services are primarily catered towards local needs, consequently, large-scale international trade is not a defining characteristic of this market.

3.4. Other information:

The police force is struggling to improve the increasingly bleak outlook of the security situation, exaggerated by the low number of officers serving in the police, hence not only private individuals and organizations but the government is also enlisting help from private security companies. As per the APSAA chairman, there were around 250,000 security guards deployed at airports and seaports among other installations.

Similarly, the Sindh government had recently, in 2022, penned a letter to the APSAA for deployment of private guards at polling stations to help the police force stationed there during the local government elections.

In more recent news, to improve the regulatory framework of private security services, the Federal Cabinet approved the enactment of the Private Security Services Regulatory Bill, 2023. This is an important step towards ensuring the safety and security of projects that are of national significance, including the CPEC and non-CPEC projects, as well as enhancing the competence and standards of private security service providers.

4. Results and Discussion:

The world has experienced a remarkable increase in private policing since the 1990s. According to an estimate, private security companies in the US earn annual revenues ranging from \$19 billion to \$34 billion. In 2011, there were an estimated 20 million security guards working globally. This depicts an increase of between 200 to 300 per cent over the past two to three decades.

Now to discuss the overall market, i.e., the demand and supply, data was difficult to come by given the nature of the topic. As per a secondary source, there were 250,000 private guards on duty as of 2016. This figure is most likely to have gone up.

Government expenditure on police services has increased consistently over the past decade, it has grown from PKR 81 billion in 2016 to over PKR 190 billion in 2024. However, when adjusted for inflation, the real increase is more modest, indicating challenges in maintaining the purchasing power of allocated funds.

The graph below shows the trend of expenditure on Police forces taken, taken from the annual budgets from 2016 to 2024. The trend as observed depicts a constant rise, which is in line with overall global trends as well as Pakistan's own security needs. Based on the respective inflation for each of these years, the nominal values are compared to their real counterparts, in order to properly assess the difference accounting for the inflationary impact.

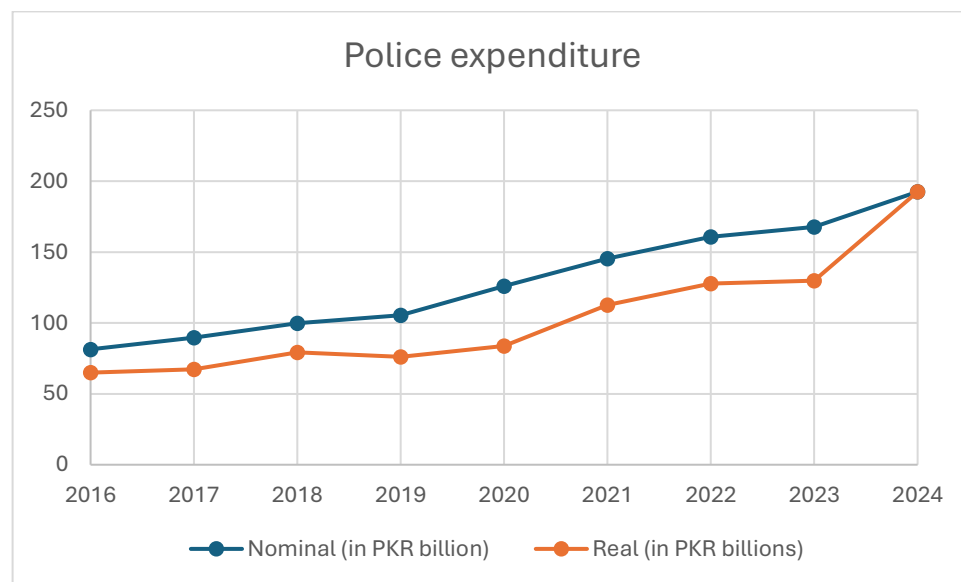


Figure 3 Expenditure on Police services from 2016 to 2024, Finance Division GOP.

From different sources, mostly secondary, the nominal wage rate for a private security guard usually varies from PKR 15,000 to PKR 50,000 per month. In real terms, this is just above PKR 11,000 to PKR 38,000 per month. Compared to other regions, Pakistan's private security has the same 'price' as other nations, this is somewhat relevant as the salary for the guards is essentially the cost for the client.

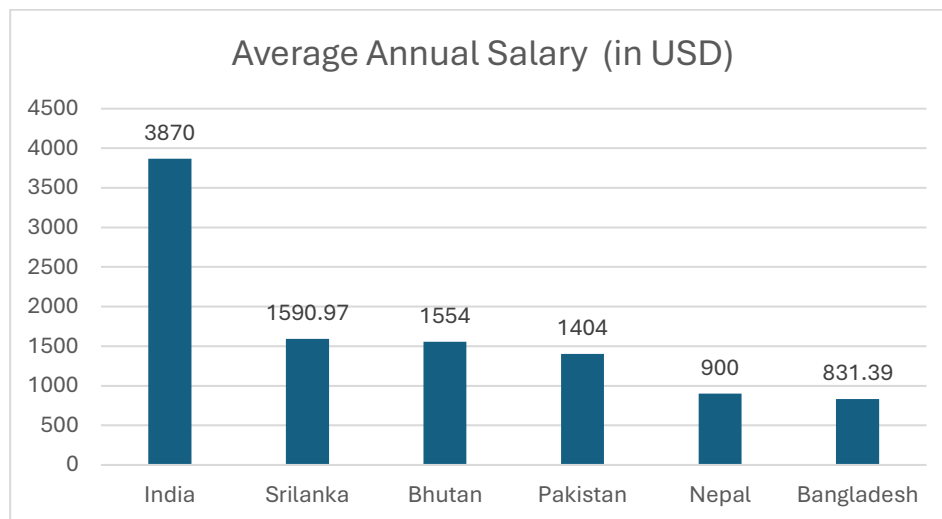


Figure 4 Annual Salaries of Security Guards in different countries.

The wage comparison helps in understanding the overall price/cost of private security in Pakistan compared to other countries. For instance, higher cost of living in major cities like Mumbai, Delhi, and Bangalore necessitates higher wages to meet living standards explaining higher wages in India. Generally, Pakistan and Bangladesh have a lower cost of living, especially outside major cities, allowing for lower wages in the security sector. The difference in Pakistan and Bangladesh's wage rates can be attributed to the overall growing demand in Pakistan due to rapid urbanization as well as growing crime rates whereas Bangladesh is primarily focused on manufacturing and has a lower urbanization rate than Pakistan. India generally offers higher wages due to its stronger economic position and regulatory framework, while Pakistan, Bangladesh, and Sri Lanka offer lower wages due to economic constraints and varying levels of demand and regulation.

Intuitively, we can deduce that the demand for private security services in Pakistan is price inelastic. This is attributed to the essential nature of security for businesses and affluent households. Especially with growing economic concerns with high inflation, overall major cities are experiencing higher crime rates which shows that the demand for private security will continue to grow.

A similar intuitive conclusion can be drawn for the income elasticity of security. The demand for private security services is income elastic, with higher income levels significantly increasing the demand for such services. As Pakistan's middle class expands, the demand for private security is expected to rise correspondingly.

5. Conclusion:

To conclude, Pakistan's security environment is defined by the interactions between the public and private sectors that address the growing need for protection in the face of rising crime rates and economic difficulties. Given the historical background and domestic economic conditions, a modern and multimodal security strategy is required. The public sector needs to make considerable changes to police infrastructure and training due to resource constraints and concerns with public trust. In the meantime, the private security industry has expanded significantly, providing specialized services to meet the various needs of its clientele and covering significant gaps in public law enforcement.

On the contrary, the increasing level of government spending on law enforcement is positive but the provincial police might be inadequate to take on modern challenges alone, and as crime rates remain high, public-private partnerships are all the more important to promote an overall secure environment. Improving the general security environment in Pakistan and guaranteeing the safety of enterprises, communities, and individuals requires making use of opportunities in both sectors as a more secure atmosphere will help the economy as well due to increased confidence of enterprises and businesses in particular.