# Cost-Not Crime-Fosters Security Industry

By Noboru Noguchi

Young though it is, the security service industry in Japan has been growing at a rapid 10% annually for several years. As of 1983, there were 3,600 security service companies with 134,000 guards. Their aggregate annual turnover was estimated at ¥400 billion (\$1.67 billion).

The usual services provided by security companies are crime and accident prevention on company premises, at amusement centers and construction sites, guarding cash in transit and protecting valuable art objects at exhibits. Recently, they have added new services such as controlling facilities at production plants and protecting homes from crime and fire. Much of their business involves dispatching security guards to clients for 24-hour protection.

Recently there has been a sharp increase in the number of security companies using mechanized systems. About 650 companies are employing automated systems replete with computers, sensors and communication networks. The high cost of electronic equipment is forcing small- and medium-sized companies out of the business.

Secom Co. is Japan's largest security company with mechanized guard systems. Secom accounts for 65% of all exclusive telephone circuits used by the security industry. With contracts to guard 110,000 companies and 10,000 homes, Secom installs microcomputers equipped with sensors on clients' premises. Upon detecting a crime or a fire, the microcomputer sounds the first-stage alarm. Meanwhile,

it constantly sends security information to one of Secom's 336 regional offices where an around-the-clock watch is maintained. The minute a regional office computer detects an abnormality, it sounds an alarm, alerting security guards stationed at one of 580 emergency scramble bases. In Tokyo, Secom has one depot within a 1.8-kilometer radius of every client. Guards can be on the scene within 10 minutes of the scramble signal, anywhere in the city.

### Growth by proxy

Why has the security service industry grown so rapidly, and how will it evolve in the future? Answers to these questions derive from the unique history of the industry in Japan.

The U.S. security industry dates back more than 130 years. In Japan the oldest security company, Secom, is only 22 years old. Before Secom was established in 1962, employees or family members guarded the company or home. The incidence of crime in Japan has always been low, and the police system has functioned so efficiently that many doubted security services would ever become a full-fledged business. This is the biggest reason behind the industry's slow start.

In Japan, with its excellent law and order, it was customary for companies, homes, and even local communities to look after their own security and not entrust it to others. Company employees took turns at night duty, staying overnight on the premises. Community residents took turns at patrolling their neighborhoods, and helped one another at times of emergency.

The high economic growth achieved after World War II eroded this traditional self-help system of crime prevention and security maintenance. Corporations gasping at rising personnel expenses tried to bring down labor costs by contracting out night duty and in-house guard duty to security service companies. At the same time, labor unions began to refuse night duty, accelerating the demise of this traditional system.

Moreover, because of fixed quotas on civil service employees, local governments had to hold down police hirings in order to increase the number of teachers available to handle postwar baby boom children. Security companies stepped in to fill the gap. Whenever international events like the Tokyo Olympics of 1964, the World Exposition in Osaka in 1970, and the 1975 Okinawa Ocean Expo were held, huge numbers of security guards were employed to keep the peace at the sites.

The security business in Japan thus developed, not because of a sharp increase in crime, disasters or accidents, but because both private companies and the police needed to rationalize security duties and bring down personnel costs. Consequently, the prime competitive factor in

Table 1 Growth of Security Service Companies

	Number of companies	Number of guards
1974	1,434 • (	64,474
1975	1,682	71,333
1976	1,901	77,766
1977	2,075	86,022
1978	2,314	95,903
1979	2,622	104,765
1980	2,907	113,527
1981	3,210	124,286
1982	3,546	133,946

Source: White Paper on Police

Table 2 International Crime Comparison (1980)

		Japan	U.S.	Britain
Murder	Crime rate	1.4	10.2	2.6
Murder	Arrest rate	97.2	72.3	88.1
Dana	Crime rate	2.2	36.4	9.3
Rape	Arrest rate	89.0	48.8	87.0
Dabbani	Crime rate	1.9	243.5	30.5
Robbery	Arrest rate	75.5	23.8	28.8
Theft	Crime rate	995.8	5,319.1	4,157.4
Theft	Arrest rate	55.0	15.5	35.4

Crime rate = Number of confirmed crimes per 100,000 persons Arrest rate = %

Source: White Paper on Police

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the security business, after the quality of security provided, is cost. In price competition economies of scale naturally play a big part, leading to an oligopoly. At the same time, they spur security companies to use electronics equipment in order to cut down the cost of providing their service.

In 1982, Secom earned ¥55.3 billion (\$230 million) and Sogo Security Service Co. ¥43.4 billion (\$181 million). These top two far outstripped all the rest. The earnings of the third-ranked company were less than ¥10 billion (\$41.7 million).

## In sickness and in health

The security industry has high hopes for the family market in the 1980s. Secom marketed a home safety system in 1981, and other leading companies with electronic systems have followed suit.

Before World War II, it was common in Japan for three generations to live under the same roof. In regional communities there was a deep-rooted tradition of mutual help in maintaining security. However, after Japan adopted the new postwar Constitution, many of the old systems collapsed. Its subsequent high economic growth accelerated urbanization, causing a sharp increase in nuclear families of only a couple and one or two children, and a decline in community solidarity. And in the 1980s, the aging of the Japanese population is proceeding at an ever faster pace. These developments have opened up exciting new business opportunities for security companies.

Public law and order prevail in Japan today. The crime rate in 1980 was 10% lower than in 1966. In such a safe country, whom are the security companies trying to protect from what? Their family security service aims to protect and provide emergency assistance to members of nuclear families who, by definition, live in isolation.

In the old extended family, when a young couple went out their parents looked after the grandchildren. When someone in the family suddenly became ill, there was always someone in the house to come to their aid. When an accident occurred, neighbors were always ready to help.

In the present age of nuclear families and working wives, however, a new system is necessary to shield children, the aged, and the sick left alone at home.

The home security systems offered by security companies answer this need. The first aim is to protect a residential property from fire, gas leaks and burglary when the occupants are away. But recently, a medical emergency service has been added to home safety systems. Alarms are worn around the neck of the aged or bed-



Secom Co., Japan's largest security company, is fully equipped with computerized guard systems.

ridden. Should they feel their condition worsen, a press on the alarm button will bring a security man rushing to the home to summon a doctor or inform family members of the emergency.

In the near future, this medical emergency service will go on line around the clock with the help of sensors installed by the patient's bed. Medical expenditures in Japan ballooned to ¥14 trillion in 1983 and the national health insurance scheme has become a heavy burden on a government struggling to trim a huge budget deficit. Furthermore, the rapid graying of Japanese society is expanding the need for medical care, even as around-the-clock care by doctors and nurses is becoming increasingly difficult because of personnel costs and inadequate manpower.

The emergence of CATV networks using optical fiber, and advances in personal information control with microcomputers permit automated 24-hour medical care for patients at home. Security companies will soon be called upon to supplement medical care by doctors with 24-hour monitoring of patients at home and family health control services.

Secom is preparing to launch multi-purpose, interactive CATV services in Sendai, Niigata and other key regional cities in the spring of 1987. If this service proves successful, it will also open a profitable new line of business for embattled cable TV companies.

### Armed with a uniform

The security industry developed as a sub-system of the police system. Now, it is trying to develop expertise as a sub-system

of medical care. It is also shifting from the peripheral function of protecting companies from accident and crime to overseeing the production process itself. Engineers are called in only when something serious happens.

It is difficult for security companies to recruit capable young men because they pay minimum wages and require night work. Therefore, the quality of their employees is often poor—so much so that crimes are frequently committed by the guards themselves. This became such a serious issue that the Diet, Japan's national legislature, passed the Security Service Business Bill in 1972. This law prohibits security service companies from employing certain categories of ex-convicts, and obliges them to provide guards with a certain level of training, guidance and supervision.

Despite such restrictions, small- and medium-sized security companies have mushroomed, largely because they can start in business simply by registering with the prefectural public security commission. As a result, the quality of security guards did not improve at all. In 1982 the law was revised to tighten up conditions for starting a security business. It was amended again this year to set standards for machinery and equipment and to make it mandatory for companies to provide appropriate training for the personnel manning the equipment. The repeated revisions are themselves an indication of the proliferation of low-standard security companies.

Another problem outstanding is the ambiguous legal status of security guards. From the government's point of view,

Table 3 Crime Prevention Devices at Financial Institutions (As of October 30, 1981)

	Institution	Total	Banks	Mutual loan and savings banks	Gredit ations	Credit stives	Agricultural cooperatives	Fishery ives	Post offices	Others
No. of establishments			9,189	EST STATE OF THE PARTY OF THE P	5,852	2,567	16,843	2,186	22,498	934
	Emergency alarm	27,279	9,026	3,823	5,420	1,959	3,688	219	2,468	676
Anti-crime device	Anti-crime TV	7,233	5,044	622	1,059	117	297	4	29	61
	Anti-crime camera	22,439	8,442	3,518	5,038	1,571	2,878	55	486	451
	Screen above teller barriers	18,687	2,258	407	695	160	1,207	284	13,572	104

Source: White Paper on Police

guards supplement police and firemen. It would be convenient for administrative reasons to grant them some power and authority. However, from the standpoint of protecting personal liberties, it is undesirable to have security guards take police action or intervene in the freedom and privacy of average citizens. The Security Service Business Law stipulates that the duties to be performed by security service companies are: (1) to guard against and prevent accidents at offices, homes and places of entertainment; (2) to guard against and prevent accidents and injuries at places congested with pedestrian or vehicular traffic or at places where passage is dangerous; (3) to guard against and prevent the theft of cash, precious metals and valuable art objects in transport; and (4) to protect individuals from harm. These are only illustrative provisions, and have no binding power on the industry.

Because the law does not stipulate the authority of security guards, their legal status is no different from that of ordinary citizens. Therefore, they are not allowed to carry weapons even for selfdefense. To disguise this lack of authority, security companies clothe their guards in uniforms similar to those worn by regular police.

In Japan, the uniform has a deep psychological impact on both citizens and the security guards themselves. Until the end of World War II, the government and the military ruled the country with an iron hand, and the uniforms worn by government officials, policemen and soldiers were the symbols of authority and power. The uniform made citizens submit to authority without question.

This respect remains imbedded in the mind of the Japanese people, and they feel no resistance to obeying the instructions of a uniformed security guard.

Criminals who would violently resist any attempt by ordinary people to intervene in their actions would flee rather than tangle with a uniformed guard. And once in uniform, even a timid and meek person is bold enough to intimidate people he suspects of questionable behavior. The uniform gives him the feeling he has been invested with power and authority.

Both the law-abiding citizen and the criminal-minded feel the pressure of authority when they see a uniformed guard because they instinctively think that behind him stands the power of the police and fire-fighting organization. However, it is not the security guard's duty to apprehend a person who has committed a crime. When he sees a person engaged in a criminal act, his first thought is to inform the police. The guard prefers to keep a safe distance and wait for an officer to arrive. Cases in which security guards cooperated with police in this manner skyrocketed from 4,798 in 1974 to 20,426 in 1982.

#### Robots

The security industry is moving to introduce ever more advanced electronics to automate its services. Mechanized security systems already cover almost all city banks, mutual trust banks, credit associations and their respective branch offices. Security companies now have their sights set on agricultural cooperatives and post offices. But in these cases, there is some question as to whether the cost is worth the effort. Although smaller financial institutions, retail stores and other enterprises may wish to install an around-the-clock guard system, few can afford to pay monthly fees ranging from ¥100,000 (\$420) to ¥200,000.

In the United States, a shoplifting warning system developed for small stores

has grown into a mammoth business exceeding \$20 billion. Similar systems have made virtually no headway in Japan. This is due to Japan's low crime and high arrest rates, respectively one-fifth and 3.5 times those of the U.S. In other words, the loss caused by shoplifters is a much lighter burden on small supermarkets and papamama stores in Japan than the cost of installing a shoplifting warning or mechanized security system.

In Japan, unlike in the U.S., there is a limit to the growth of security services targetted on crime prevention. That is why companies in the business are diversifying so actively into production supervision, medical emergency services, and disaster prevention in local communities and private homes.

Meanwhile, the cost competition between machines and human labor will continue. If security companies want to hold down personnel expenses, they will have to promote automated security. The time when most security duties will be taken over by robots is just around the corner. Industry is already planning to employ robots for surveillance duty and repair work in dangerous places. The time will soon come when they will perform 24-hour watch duty in the security business as well. Information desk services and warning tasks can also be performed quite satisfactorily by robots.

Their introduction will signal the advent of a society increasingly controlled by computers. Robots cannot display the warmth or consideration that humans have for each other. In order to demonstrate their superiority over machines, security guards must establish close communication with citizens and be accepted as members of the community. And to do so, it is essential that security companies improve the quality of the service they provide.