

[DOI: 10.20472/EFC.2020.014.004](https://doi.org/10.20472/EFC.2020.014.004)

**LETA BARDJIEVA MIOVSKA**

European University, Skopje, Macedonia

**OLIVER BAKRESKI**

Faculty of Philosophy, Ss. Cyril and Methodius University in Skopje, Macedonia

## **PRIVATE SECURITY INDUSTRY IN THE REPUBLIC OF NORTH MACEDONIA**

### **Abstract:**

This paper elaborates the position and function of the private security industry in the Republic of North Macedonia. The private security industry is regulated by a Law for private security from 2012, complemented in 2013, 2015 and 2016, which among other, prescribes the conditions for private security activities, the authorizations of the private security personnel, the regulatory governmental body responsible for issuing licenses, oversight, etc. The private security industry in the Republic of North Macedonia proved to be quite a profitable business, at least viewed from the perspectives of financial profit and the financial statements of the currently most famous companies such as Nikob Security, Perpetuum Mobile and Security Services Group (SGS).

The private security industry in this paper is perceived and elaborated as a supplement of the security sector in provision of security on one side, and as a profitable activity contributing to the budget and providing employment on the other. The methodology applied in this paper consists of qualitative data analysis of the legal aspects designating this social activity and the quantitative values deriving from the available statistical data depicting the income generated by the private security industry in the Republic of North Macedonia.

### **Keywords:**

Private, security, industry, profit, employment, regulation

**JEL Classification:** F52, L33, O10

## 1. Private Security Industry in the Republic of North Macedonia

### 1.1. Introduction

For the purposes of the elaboration of this research, the terms "private security" and "private security activity" are used as an appropriate notion for the support of the research that is intended to define the responsibility of the private security industry in the Republic of North Macedonia. In terms of transfer of competencies from the state apparatus to the private security sector, this transformed domain of activities and competencies represents a constituent of a different kind of arrangement which is a subject to clear definition and regulation.<sup>1</sup>

Private security as an activity can be defined as a broad range of services provided depending on the demands of the recipients, the clients' budgets and the current security needs. The basic level of service includes security of malls, small gatherings, surveillance services, investigative services, comprehensive risk assessments and risk reduction services offered to private businesses and support of the process of post-conflict reconstruction through protection of the defense and security forces and the agencies engaged in the reconstruction.<sup>2</sup>

The private security is a significant factor in the overall relations for building a benevolent security ambience in the country. This sector counterpoises a real partner of the public security branch with expressive elements of absolute domination of the ownership, as well as privatizing of certain functions that were previously exclusive right for the public security sector. This has created an opportunity for the private security agencies to contribute toward the joint efforts for a safer environment and citizens' safety along with the police forces.<sup>3</sup>

## 2. Legal Basis for the Private Security Industry in the Republic of North Macedonia

It is generally considered that the regulation of the issues related with the private security in a legal form are one of the hardest, because they need to establish a balanced system of interactions between the subjects which actively take part in this realm. These subjects include the legal entities registered for performing private security as a service provider, the recipients of the service (persons, firms), the Ministry of interior as a controller of the activities of the agencies and the Chamber of the Republic of North Macedonia for private security as a significant subject which needs to create preconditions for profession improvement.<sup>4</sup>

<sup>1</sup> Bakreski, O. Private Security – Public Opinion – Macedonia – 2018. <http://obezbeduvanje.org.mk/publikatsii/> (accessed 18.09.2020)

<sup>2</sup> Bardjieva, L. (2017) The Role of the Private Security in Critical Infrastructure Protection in Some Balkan States. International Academic Conference: The Balkans Between East and West: Old and/or New Security Challenges, Ohrid. [http://periodica.fzf.ukim.edu.mk/sd/SD%2008.2%20\(2017\)/SD%2008.2.08%20Bardjieva,%20L.%20-%20The%20role%20of%20the%20private%20security%20in%20the%20critical%20infrastructure%20protection.pdf](http://periodica.fzf.ukim.edu.mk/sd/SD%2008.2%20(2017)/SD%2008.2.08%20Bardjieva,%20L.%20-%20The%20role%20of%20the%20private%20security%20in%20the%20critical%20infrastructure%20protection.pdf)

<sup>3</sup> Bakreski, O., Ahić, J., Nađ, I. (2019) Private Security Sector in Southeast Europe. The Case with North Macedonia, Bosnia and Herzegovina and Croatia. Chamber of Republic of North Macedonia for Private Security. <http://obezbeduvanje.org.mk/wp-content/uploads/2020/07/Privaten-bezbednosen-sektor-JIE-za-CIP.pdf> (accessed 18.09.2020)

<sup>4</sup> Bakreski, O. (2018) Public and Private Security in the Republic of Macedonia: Cooperation and Partnership in the Security Risk Management. Security Dialogues . 2018, Vol. 9 Issue 2, p.89-99. <https://web.b.ebscohost.com/abstract?direct=true&profile=ehost&scope=site&authtype=crawler&jrnl=18577172&AN=136362625&h=bWsH346sZ9smgWehHq%2fuSWDfH1pBTqNMzOX%2fWzsXpz59kRs%2fgZpD%2b%2fdKuCqWwkva0rYZEroPOEsy4sEDWx%2fuRg%3d%3d&url=c&resultNs=AdminWebAuth&resultLocal=ErrCrlNotAuth&crlhashurl=login>

In the case of the Republic of North Macedonia, private security in its essence counterpoises an activity created based on delegation of certain authorizations by the state that belong to the internal affairs services. It is a matter of activities comprising of legitimate undertaking of actions in the realm of coercion – use of force, use of firearms, detention (short-term deprivation of liberty), etc. Hence, the authorizations of the private security are in an immediate correlation with the substantive and procedural criminal law.<sup>5</sup>

Subsequently, the private security employees hired by a legal entity that provides private security through providing services, when they perform their duties and tasks on a certain object, respectfully a premise that is secured, are authorized to apply all the authorizations prescribed in the Law for private security.<sup>6</sup>

In accordance with the Law for private security of the Republic of North Macedonia, Article 12 defines that a license for private security can be issued for performing private security by providing services (physical security and/or technical security) and for doing private security for own needs. Additionally, the same lawful document designates the conditions that the legal entity for private security services should comply before the competent Ministry, in order to obtain a working permit. The Law prescribes entry in the Central register first, and obtaining a permit second. It also designates the minimum requirements for the legal entity permit and functioning, especially in the part of the material and personnel preferences.<sup>78</sup>

Entry in the Central register by a legal entity is completed with an attestation by the Chamber that the security employees which hold licenses do not possess valid ID's, a designated responsible person, employment positions systematization act, an act prescribing the working clothes and the insignia of the legal entity, business premises and two vehicles minimum.<sup>9</sup>

The difference between the legal entities, which provide physical and technical security services, among other, is in the number of employees: the companies, which provide technical security services, are required to have minimum 3 licensed employees, while for the physical security services, the companies need to have minimum 15 employees.<sup>10</sup>

The Chamber of the Republic of North Macedonia for Private security represents the legal entities that perform private security and represents their interests. All legal entities that perform the activity of private security in the form of providing services join the Chamber of the Republic of Northern Macedonia for private security, for the protection and promotion of expertise and professionalism. Legal entities that provide private security for their own needs can also join the Chamber. The

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<sup>5</sup> Ibid.

<sup>6</sup> Gjurovski, M. (2019) White Book for Private Security. Chamber of the Republic of North Macedonia for Private Security.

<sup>7</sup> Law on commercial companies.(Official Gazette of the Republic Macedonia, No. 28/04).

<sup>8</sup> Law for Private Security Ministry of Interior of the Republic of North Macedonia (Official Gazette of the Republic of North Macedonia, 166/12). <https://mvr.gov.mk/zakon/3> (accessed 17.09.2020)

<sup>9</sup> Chamber of the Republic of Macedonia for Private Security. License. <http://obezbeduvanje.org.mk/litsentsa/> (accessed 14.09.2020)

<sup>10</sup> Bakreski, O. Commentary on the Law for Private Security. Chamber of the Republic of Macedonia for private security. Skopje, 2014. (accessed 17.09.2020)

Chamber operates on the entire territory of the Republic of Northern Macedonia in order to ensure a more successful performance of the activity of securing persons and property.<sup>11</sup>

The function of private security is additionally defined as a public interest activity. When defining the significance of public interest, a parallel can be drawn between the public interest and public space security. Public places (i.e. places that are regularly visited by the public) are increasingly more privately owned. Such locations, which today occupy a significant part of the public space of a large number of urban areas are often overseen and exclusively monitored by the private security sector and despite the public character, are waking up to private ownership. For this reason, public life is more frequently under the supervision of private security.<sup>12</sup>

The private security personnel holds a valid license for private security and identification for private security, and has established an employment contract in a legal entity and performs private security duties, i.e. activities and tasks based on the authorizations determined by the Law on Security. The powers of private security workers include identity, vehicles, objects and luggage check, detainment and handing over to the police and use of means of coercion. These powers may be applied only in the area of the securing facility or up to the limits of the space secured, when performing physical protection, providing transport and transfer of money and other valuables and monitoring-patrol security.<sup>13</sup>

Certain security agencies monitor the movement in critical infrastructure and analogously make installations in the critical infrastructure which includes mobile patrols, provide security consultations, perform security storage, offer transport and services related to cash transport security, etc. Also, part of the agencies also focus on professional research of security analyzes and assessments, and a number of those agencies that offer detection equipment and provide advice on the choice of alarms, safes, safety materials, and agencies that offer VIP services or close protection services, as well as transport and protection of tourists or tourist groups in the country.<sup>14</sup>

The dominating sources of imperilment for the security of the persons, the assets and business are common crime, crimes against the state and business/industrial crime. This leads to the conclusion that the private security industry has an emphasized criminal law dimension.<sup>15</sup>

### 3. Review of Financial Revenues of the Top Five Security Agencies in the Republic of North Macedonia

<sup>11</sup> The Chamber of the Republic of North Macedonia for Private Security. <http://obezbeduvanje.org.mk/komora-na-rm-za-privatno-obezbeduvane/> (accessed 18.09.2020)

<sup>12</sup> Bakreski, O. Legal Basis for Regulation of the Private Security in the Republic of Macedonia. *Security Dialogues*. 2016, Vol. 7 Issue 2, p59-65. 7p.

<sup>13</sup> Bakreski, O. Private Security Through the Prism of Private Security Development Strategy in the Republic of Macedonia. *Security Dialogues* 08 sp.37 [article]

[http://periodica.fzf.ukim.edu.mk/sd/SD%2008.sp%20\(2017\)/SD%2008.sp.37%20Bakreski,%20O.%20-%20Private%20security%20through%20the%20prism%20of%20private%20security.pdf](http://periodica.fzf.ukim.edu.mk/sd/SD%2008.sp%20(2017)/SD%2008.sp.37%20Bakreski,%20O.%20-%20Private%20security%20through%20the%20prism%20of%20private%20security.pdf) (accessed 17.09.2020)

<sup>14</sup> Bakreski, O., Slaveski, S., Gacoski, Ž. (2018) *Security Through the Prism of Private Security*. Chamber of the Republic of North Macedonia for Private Security. <http://obezbeduvanje.org.mk/wp-content/uploads/2019/03/Bezbednost-niz-prizma-na-priv-bez.pdf> (accessed 18.09.2020)

<sup>15</sup> Private Security in the 21<sup>st</sup> Century: Experiences and Challenges. International Scientific Conference. Chamber of the Republic of Macedonia for Private Security. Skopje, 2016.

In the Republic of North Macedonia most common recipients of security agencies services are the educational institutions, the social sector, the health sector, the local government, the private sector, the business community, the banking sector, diplomatic and consular missions, international organizations, sports events, etc.<sup>16</sup>

Below are depicted the financial statements of the most profitable security companies for 2018 in the Republic of North Macedonia.

**Table 1: Balance sheet and Financial Trends in Million Denars. Top Five Security Agencies in 2018.** Source: <https://faktor.mk/top-pet-agencii-za-obezbeduvanje-nikob-gazi-na-pazarot-sgs-potisnat-od-vrvot>

Company	Balance Sheet	
	Total Revenues	Income
<b>Nikob</b>	671,4	34
<b>SGS</b>	262,7	2
<b>Perpetuummobile</b>	206	4
<b>Osa</b>	191,9	25,6
<b>MDN</b>	97	1,3

**Table 2: Number of Employees in the top five private security agencies in the Republic of North Macedonia 2017 and 2018.** Source: <http://obezbeduvanje.org.mk/publikatsii/>

Company	Number of employees 2017	Number of employees 2018
<b>Nikob</b>	1,503	878
<b>SGS</b>	1,428	711
<b>Perpetuummobile</b>	450	608
<b>OSA</b>	382	438
<b>MDN</b>	315	258

The company Nikob is first on the list in terms of revenue according to the available data. In 2018, there was an increase in total revenues of as much as 57% or booked 671.4 million denars as income, which ousted the company SGS from the leading position, which in 2017 had the primacy. The growth of Nikob is due to the increase of the revenues from all the services it offers, and in 2018, according to the data, the company significantly increased the portfolio and the diversity of the service side. In 2018, it made a profit of 34 million denars, which is an increase of "positive" of as much as 96% compared to the previous 2017. This financial result is due to the total investment,

<sup>16</sup> Ibid.

and the profit is diversified from all services. In 2018, the number of employees in the company is 1,503, which is 71% more than the previous 2017 when 878 employees were hired.<sup>17</sup>

The Company SGS was the leader in 2017, but in 2018 it is the second company in terms of revenues on the market of security agencies. The annual rise and fall is reflected in that year's figures. The same year the company SGS generated revenues in the amount of nearly 263 million denars. However, this is 54% less than the revenues recorded in 2017, a year when the total income in the balance sheet recorded over 576 million denars. The number of employees in 2018 is reduced by as much as 50 % or from 1,428 in 2017 to 711 in 2018.

Perpetuumobile Security is the third ranked company in terms of revenue, and the analysis shows that it has retained this position since 2017. In 2018, the total revenues of the company amount to 206.2 million denars and are 17% higher than the previous year. Then the total revenues increased by 54% compared to the previous year or 2016. In 2018, Perpetuumobile Security had a profit of 4 million denars, which is 44% higher than the profit achieved in 2017 when it grew by 77% compared to 2016. Perpetuumobile Security had 608 employees in 2018, which is 35% more than the employees who were hired by the company in 2017 when they were 450 in number.<sup>18</sup>

OSA is the top fourth security company on the market, one of the most famous among the citizens, and in 2018, it had revenues in a total value of 191.9 million denars. In this year, the company records revenue growth of 16% compared to the previous 2017 when revenues grew compared to 2016 by 4% and amounted to 165.8 million denars. The company in 2018 employed 438 people or 15% more than the previous 2017 when there were 382.

According to the total revenues, MDN is on the fifth position on the market. In 2018, MDN generated revenues in the total value of just over 97 million denars, which is 8% more than in 2017. The company in 2018 achieved a profit of 1.4 million denars. Otherwise, if the revenues have an upward growth in 2017, when compared to 2016 they grew by 20 %, the profit of this company in 2017 is 14% lower compared to the previous 2016. The number of employees in MDN Security is 18% lower in 2018 compared to the previous 2017. In 2018, 258 people worked in this agency; in 2017 it employed 315 personnel.

## Conclusion

The increasing number and importance of private companies providing security services in the part of physical-technical security, represents a global trend in the late twentieth and early twenty first centuries. Having in mind that the state and its institutions are no longer sole subjects caring for the external and internal security of its citizens, therefore private security is aimed at the level of demand oriented industry that provides personnel, equipment and procedures to prevent losses caused by human error, emergencies, disasters or criminal acts.

Private security is the result of numerous ideas, concepts, historical conditions and social situations, and today it is an integral part in the daily work of institutions, the business community, industry

<sup>17</sup> Agencies for Security: Profitable business, sensitive sector. Economy. Factor. <https://faktor.mk/agencii-za-obezbeduvanje-profitabilen-biznis-chustvitelen-sektor> (accessed 16.09.2020)

<sup>18</sup> Public Revenue Office. Republic of North Macedonia. Ministry of Finance <http://www.ujp.gov.mk/en/statistika/naplata> (accessed 17.09.2020)

and in general in organizing of society. It comprises the total conglomerate of companies that are active in the overall social context. That is why the companies with the largest investments and installation of highly professional services manage to stay on top.

The private security industry meets the needs of individuals, businesses, institutions and entities seeking greater protection supplementing the one that is provided by public law enforcement. Although it turned out that the market cake belongs mostly to several successful companies, it was not an obstacle for the formation of new competitors, and so in the Chamber of Private Security of the Republic of Macedonia there are over fifty member companies. The market for these services is being set up slowly; customers want professional services from a stable security company, without political attachment, where only the quality of services will be crucial in the choice.

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