

**China's Foxconn Scores Poorly with Business Leaders But  
Apple Won't Suffer Fallout from Poor Conduct of Its Supplier;  
Foxconn's Wage Hike—Forerunner of Wage Inflation**

**BDO Dunwoody Weekly CEO/Business Leader Poll**

**By COMPAS in *Canadian Business***

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## 1.0 Overview

CEOs and business leaders on COMPAS' business panel were asked for their views about the employee practices of Foxconn, China's giant electronic device manufacturer. Maker of products for companies such as Apple Inc, Motorola, and Sony, Foxconn has been criticized for abusing workers and for a high suicide rate among its workforce.

The main findings from consulting the business panel are as follows:

- Apple may suffer some reputation damage from using Foxconn but is unlikely to experience an impact on its share price, according to panelists;
- Foxconn's 30% payhike was probably an appropriate response to the company's mistreatment of workers;
- By a large margin, panelists perceive Foxconn's payhike as a forerunner of high wage inflation in the country;
- By a larger margin, panelists consider inappropriate Foxconn's cutting benefits to the families of suicides as an effort to cut suicide rates; while
- Panelists are divided about whether North American companies should insist on North American management standards among their suppliers in China and elsewhere

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.



*Foxconn*

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**2.0 Details**

Table 2 displays quantitative findings with respect to the perceptions of members of the business panel. Respondent verbatims follow.

*Table 2: (Q1) Foxconn is the world's largest electronic device manufacturer, making products in China for companies such as Apple Inc, Motorola, and Sony. In recent months Foxconn has been criticized for abusing workers and for a high suicide rate among its workforce. On a 7 point agreement scale where 1 means disagree strongly and 7, agree strongly, how much do you agree with each of the following statements?*

	Mean	7	6	5	4	3	2	1	DNK
Foxconn's 30% payhike is a forerunner of high wage pressures in China	5.3	19	31	25	11	5	4	1	5
North American companies should insist on North American management standards among its suppliers in China and elsewhere	4.4	18	14	18	17	16	7	11	1
Foxconn's 30% payhike was an appropriate response to mistreatment of workers	4.3	4	14	30	20	12	4	8	9
Apple Inc will experience some reputational damage	4.0	6	7	25	23	20	9	8	4
Apple Inc will experience some share price effect	3.5	1	7	17	19	26	15	10	6
Foxconn's cutting benefits to the families of suicides was an appropriate effort to cut suicide rates	2.7	3	4	10	9	16	11	35	14



The following verbatims provide a nuanced sense of panel opinion:

Bring manufacturing home.

Canada should not continue to send manufacturing offshore. Otherwise we will go back to being just "hewers of wood and drawers of water" plus service jobs.

China's record for human rights abuses are the elephant in the living room of our world. If we choose to buy products from these countries we are voting with our dollars and must share some of the blame for whatever they choose to do. Their treatment of their own people such as the Falun Gong group speaks volumes about their thought processes. It should give us all pause.

I am aware of labour shortages and rising wages in China and we must expect more than moderate cost increases during the next year or two. This will raise our inflation rate as these increases pass through to the Canadian retail market and, no doubt, our government will be blamed.

I don't think that one can enforce North American management standards in a foreign country. However, due diligence and continued monitoring should be done to ensure that employees are fairly paid for the work done in their region and that they are treated in a fair and equitable manner.

I'm opposed the poor treatment of workers anywhere but I also don't want to judge another culture by our standards so I struggle with saying just what the right solution should be. So while I don't have an answer I would like to see an improvement of some sort.

North America should not have to compete with inadequate wages in other countries, where countries practice this a labour import tax should be implemented.

The world expects - cheap - just not in its backyard.



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Until our insatiable desire for cheap goods begins to wane, we will learn of more Foxconn situations.

We don't have the right to tell China how to run its economy; we have the choice to buy or not to buy.

You want cheaper labour? This is what you get—Employers who don't give a damn.

### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted June 9 – 11, 2010. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=103 are deemed accurate to within approximate 9.7 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

