

## Case Study # 3

### Apple Suppliers & Labor Practices



With its highly coveted line of consumer electronics, Apple has a cult following among loyal consumers. During the 2014 holiday season, 74.5 million iPhones were sold. Demand like this meant that Apple was in line to make over \$52 billion in profits in 2015, the largest annual profit ever generated from a company's operations. Despite its consistent financial performance year over year, Apple's robust profit margin hides a more complicated set of business ethics. Similar to many products sold in the U.S., Apple does not manufacture most its goods domestically. Most of the component sourcing and factory production is done overseas in conditions that critics have argued are dangerous to workers and harmful to the environment.

For example, tin is a major component in Apple's products and much of it is sourced in Indonesia. Although there are mines that source tin ethically, there are also many that do not. One study found workers—many of them children—working in unsafe conditions, digging tin out by hand in mines prone to landslides that could bury workers alive. About 70% of the tin used in electronic devices such as smartphones and tablets comes from these more dangerous, small-scale mines. An investigation by the BBC revealed how perilous these working conditions can be. In interviews with miners, a 12-year-old working at the bottom of a 70-foot cliff of sand said: "I worry about landslides. The earth slipping from up there to the bottom. It could happen."

Apple defends its practices by saying it only has so much control over monitoring and regulating its component sources. The company justifies its sourcing practices by saying that it is a complex process, with tens of thousands of miners selling tin, many of them through middle-men. In a statement to the BBC, Apple said "the simplest course of action would be for Apple to unilaterally refuse any tin from Indonesian mines. That would be easy for us to do and would certainly shield us from criticism. But that would also be the lazy and cowardly path, since it would do nothing to improve the situation. We have chosen to stay engaged and attempt to drive changes on the ground."

In an effort for greater transparency, Apple has released annual reports detailing their work with suppliers and labor practices. While more recent investigations have shown some improvements to suppliers' working conditions, Apple continues to face criticism as consumer demand for iPhones and other products continues to grow.

## Discussion Questions

1. Do you think Apple should be responsible for ethical lapses made by individuals further down its supply chain? Why or why not?
2. Should Apple continue to work with the suppliers in an effort to change practices, or should they stop working with every supplier, even the conscientious ones, to make sure no "bad apples" are getting through? Explain your reasoning.
3. Do you think consumers should be expected to take into account the ethical track record of companies when making purchases? Why or why not?

4. Can you think of other products or brands that rely on ethically questionable business practices? Do you think consumers are turned off by their track record or are they largely indifferent to it? Explain.
5. Would knowing that a product was produced under ethically questionable conditions affect your decision to purchase it? Explain with examples.
6. If you were part of a third-party regulating body, how would you deal with ethically questionable business practices of multinational corporations like Apple? Would you feel obligated to do something, or do you think the solution rests with the companies themselves? Explain your reasoning.

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