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Americans' Perceptions about Outsourcing Personal Information

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Americans' Perceptions about Outsourcing Personal Information

By Dr. Larry Ponemon, June 5, 2006

Ponemon Institute is pleased to report the results of a U.S.-based survey completed on March 24, 2006. This research was independently conducted to understand what Americans think about the outsourcing of their personal information with companies that operate in off-shore (overseas) locations. In this Web-based study, we asked a representative sample of 1,294 individuals what they thought about the following key issues.

- What kinds of personal information does the public view as most sensitive for privacy and data security reasons?
- What actions or steps should American companies take to reduce privacy and data security risks prior to sharing personal data with outsourcers?
- Should the U.S. government pass new regulations to protect the American public from outsourcing relationships that diminish the public's safety and security?
- Are consumers willing to pay more to prevent U.S.-based organizations from outsourcing their personal information to off-shore companies?
- What countries are viewed as most and least trustworthy to ensure that local companies are taking adequate steps to protect and secure sensitive personal information?

Overall findings suggest that respondents are concerned about the transfer or movement of their personal information to overseas locations. The following issues or practices are of most concern to respondents:

- ✓ The sharing of patient health records with local companies in off-shore locations.
- ✓ The sharing of financial data, such as credit card, banking and home mortgage information with companies in off-shore locations.
- ✓ The sharing of sensitive personal information, such as Social Security numbers and driver's license numbers with off-shore companies.
- ✓ The need to have U.S. companies exercise more control over off-shore outsourcers that acquire personal information, including audits and monitoring steps to ensure compliance with reasonable security practices.
- ✓ The need for government regulations to ensure that U.S. companies are taking appropriate steps to protect sensitive personal information entrusted to an off-shore company.

Respondents do attach different levels of credibility or trust to outsourcers based on the nature of the data received and the country location. Following are the most salient country differences for a group of 47 nations or commonwealths known to have an active outsourcing industry:

- ✓ Canada, Ireland and India receive the highest overall trust rankings with respect to local companies taking steps to protect or safeguard personal information.
- ✓ Philippines, Mexico and Haiti receive the lowest rankings with respect to local companies exercising reasonable privacy and security safeguards.

Despite concerns about off-shore outsourcing, less than 10% of respondents state that they are willing to pay more to American companies to keep their personal information in the United States.

Caveats to this Survey

There are inherent limitations to survey research that need to be carefully considered before drawing inferences from sample findings. The following items are specific limitations that are germane to most Web-based surveys.

- Non-Response Bias: The current findings are based on a sample of survey returns. We sent surveys to a representative sample of individuals, resulting in a large number of usable returned responses. Despite non-response tests, it is always possible that individuals who did not participate are substantially different in terms of underlying beliefs from those who completed the instrument.
- Sampling-Frame Bias: Because sampling frames in different countries were derived from purchased lists, the quality of results is influenced by the accuracy of contact information and the degree to which the list is representative of individuals who are informed about current events. We also acknowledge that the results may be biased by media coverage at the time of the study.

Compensation was provided to ensure that respondents completed the survey task in a two day holdout period. While compensation was held to a nominal amount, we acknowledge potential bias caused by compensating subjects to complete this research within a short holdout period. Finally, because we used a Web-based collection method, it is possible that non-Web responses (form survey or telephone) would result in a different pattern of findings.

- Self-Reported Results: The quality of survey research is based on the integrity of confidential responses received from subjects. While certain checks and balances can be incorporated into the survey process, there is always the possibility that a subject did not provide a truthful response.

Sample

A random sampling frame of 11,729 adult-aged individuals who reside within the United States was used to recruit participants to this Web survey. Our randomly selected sampling frame was selected from six regional clusters built by Ponemon Institute (based on census data). The factors used in our analysis to determine sample quality were age, gender, and reported household income. Respondents were paid \$5 if they agreed to complete the telephone interview including all demographic items. No personally identifiable information was collected or captured during the sampling or survey process.

In total, 1,421 respondents completed their survey results during an 8 day research period. Of returned surveys, 127 were rejected because of incomplete or inconsistent responses. A total of 1,294 usable surveys were used as our final sample. This sample represents a 11.03% net response rate. The margin of error on all adjective scale and Yes/No/Unsure responses is $\leq 2\%$.

For response accuracy, the survey contained fixed response questions that were framed as attributions or statements about the acceptability of different data sharing scenarios. On average, respondents completed all survey items within a twelve minute timeframe. Respondents were given the following definitions before starting the survey.

We are interested in your opinion about the outsourcing of your personal information by U.S. organizations to local companies in other countries. When responding to the survey questions, please refer to the following two definitions:

- Personal information – Information about yourself and your family. This information includes name, address, telephone numbers, e-mail address, Social Security number, other personal identification numbers, access codes, age, gender, income and tax information, shopping information, account activity and many other pieces of data about you.
- Off-shore outsourcing – The concept of taking internal company functions – such as customer services, account processing, product fulfillment, marketing and research – and paying an local company in another country to handle them. Off-shore outsourcing is done to save money, improve quality, or free company resources for other activities.

Our survey asked participants to list up to three countries they trust the most to make sure personal information entrusted to a local company is safe and secure. Respondents were given a pull-down menu of 54 countries in alphabetical order.

These countries were selected because they are all known to have an active outsourcing industry. We then asked participants to list up to three countries they trust the least to make sure personal information entrusted to a local company is safe and secure.

According to their responses, we compiled a privacy trust index for each country listed. The final list ranked 47 countries. Seven countries were omitted from the ranking procedure because of an insufficient number (less than 10 responses). Rankings were compiled from 5,237 individual country ratings.

We carefully executed the following decision rules to compile the country-specific index for privacy trust:

1. All countries with 10 or more positive and negative individual ratings were included in our analysis. Countries with nine or fewer ratings were excluded from further review.
2. A combined rating system composed of three ranking procedures was used to determine the overall rank of a given country. Following are the three different ranking schemes:
 - **R1:** The rank order of a given country based on the net positive responses. While this metric is unambiguous, it is biased. Larger countries or those with a bigger outsourcing industry would be more likely to earn a higher net response.
 - **R2:** The rank order of a given country based on the percentage of “first place” trust ratings. This is an unbiased metric because the percentage is not associated with the frequency of ratings.
 - **R3:** The rank order of a given country based on the ratio of positive to overall ratings. This metric is biased to countries with fewer ratings because (by virtue of our study’s response distribution) they are more likely to have a smaller number of negative responses given our distribution of results. Hence, R3 nets out the size bias in R1.
3. The aggregated index used to rank countries is the combination of R1+R2+R3. The highest possible country index score is three and the lowest index score is 141 (47 countries X three).

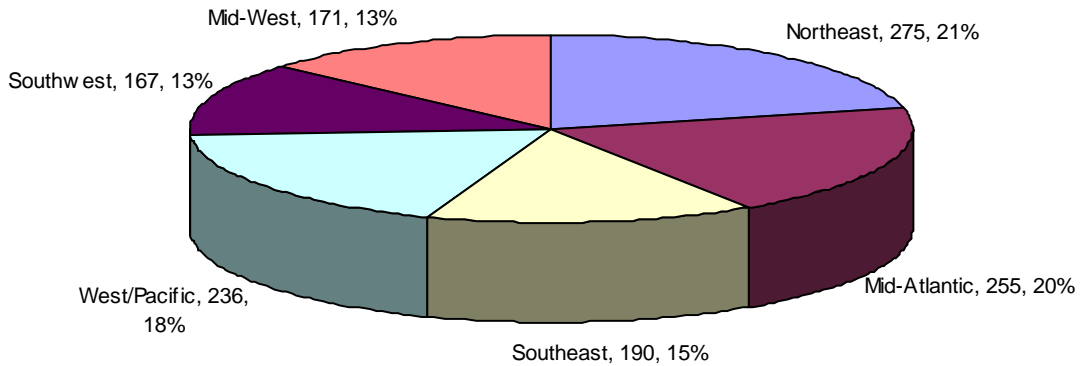
The number of respondents’ positive ratings for all 54 countries was 3,223, and the number of negative ratings was 2,014. On average, respondents rated 2.5 countries as trusted for privacy and 1.6 countries as not trusted for privacy. Following are the final sample response statistics and geographic distribution across major regions of the United States.

Response Characteristics	Total	Pct %
Sampling frame	11,729	100.00%
Responses	1,421	12.12%
Rejections	127	1.08%
Final sample	1,294	11.03%

U.S. Regions	Freq	Pct%
Northeast	275	21%
Mid-Atlantic	255	20%
Southeast	190	15%
West/Pacific	236	18%
Southwest	167	13%
Mid-West	171	13%
Total	1294	100%

The following pie chart shows the distribution of the current survey. As shown, the Northeast (21%) and Mid-Atlantic (20%) regions represent the largest sample segments. The smallest sample segments are the Southwest and Mid-West regions (at 13%).

Pie Chart 1: Distribution of respondents across U.S. regions



Survey Results

Following are the detailed results. For accuracy purposes, responses about data sharing were captured using a five-point adjective scale: Strongly Agree, Agree, Unsure, Disagree and Strongly Disagree. The headline used to capture individual responses to data sharing question was:

Companies often share your personal information with other organizations for various purposes including customer services, account processing, product fulfillment, marketing and research. Please state your opinion about each one of the separate statements provided below. Each statement refers to the outsourcing of your personal information to a local company in another country.

I do not want a U.S. organization to send information with my name, address and phone number to a local company in another country.

Basic personal information	Freq.	Pct%
Strongly agree	125	10%
Agree	419	32%
Unsure	269	21%
Disagree	246	19%
Strongly disagree	235	18%
Total	1294	100%

I do not want a U.S. organization to send information with my Social Security number or driver's license number to a local company in another country.

Sensitive personal information (such as SSN)	Freq.	Pct%
Strongly agree	357	28%
Agree	302	23%
Unsure	272	21%
Disagree	233	18%
Strongly disagree	130	10%
Total	1294	100%

I do not want a U.S. organization to send information about a major purchase I have made, such as a car or home computer to a local company in another country.

Purchase history information	Freq.	Pct%
Strongly agree	265	20%
Agree	464	36%
Unsure	214	17%
Disagree	251	19%
Strongly disagree	99	8%
Total	1293	100%

I do not want a U.S. organization to send information with my credit or debit card account number to a local company in another country.

Credit or debit card numbers	Freq.	Pct%
Strongly agree	369	29%
Agree	521	40%
Unsure	124	10%
Disagree	185	14%
Strongly disagree	94	7%
Total	1293	100%

I do not want a U.S. organization to send information with my banking or home mortgage information to a local company in another country.

Banking or home mortgage information	Freq.	Pct%
Strongly agree	400	31%
Agree	560	43%
Unsure	127	10%
Disagree	143	11%
Strongly disagree	62	5%
Total	1292	100%

I do not want a U.S. organization to send information with my patient health records to a local company in another country.

Health records	Freq.	Pct%
Strongly agree	642	50%
Agree	432	33%
Unsure	79	6%
Disagree	101	8%
Strongly disagree	39	3%
Total	1293	100%

I do not want a U.S. organization to send information with my Internet behavior including emails and Web search history to a local company in another country.

Internet behavior	Freq.	Pct%
Strongly agree	336	26%
Agree	468	36%
Unsure	165	13%
Disagree	220	17%
Strongly disagree	104	8%
Total	1293	100%

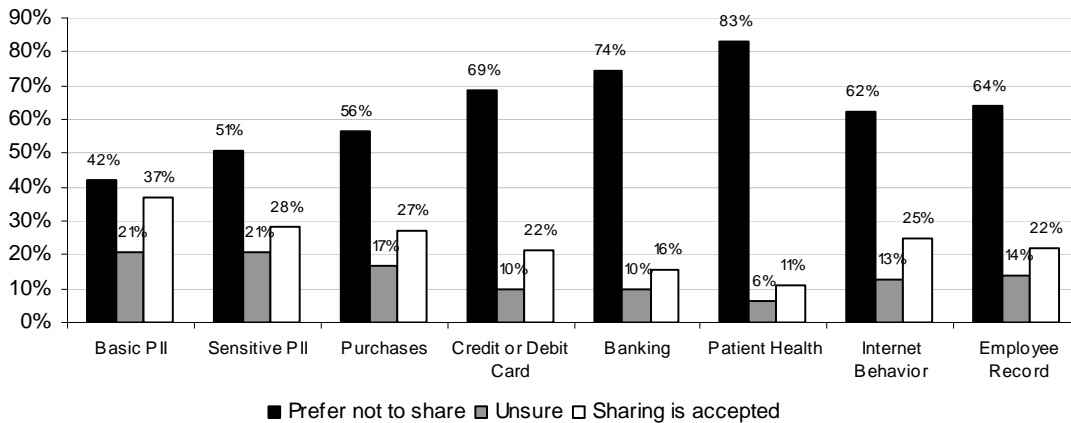
I do not want a U.S. organization to send information with my employee records to a local company in another country.

Employee records	Freq.	Pct%
Strongly agree	365	28%
Agree	462	36%
Unsure	180	14%
Disagree	187	14%
Strongly disagree	98	8%
Total	1292	100%

To simplify our presentation, however, the graphical analysis of responses in Bar Chart 1 was reduced into three general categories:

- ✓ Do not want data sharing with outsourcer in local country = strongly agree or agree with statement.
- ✓ Data sharing is accepted with outsourcer in local country = strongly disagree or disagree with statement.
- ✓ Unsure.

Bar Chart 1: Personal data sharing preferences with off-shore outsourcer



What factors do respondents consider important to their opinions or beliefs about outsourcing their personal information? Our survey asked individuals to rate various factors using the following four-point opinion scale: Very Important, Important, Not important or Irrelevant.

How important is it for countries to have privacy regulations/laws to ensure that their local companies are taking sufficient steps to safeguard your personal information?

Local companies have to comply with privacy regulations/laws.	Freq.	Pct%
Very important	430	33%
Important	495	38%
Not important	185	14%
Irrelevant	183	14%
Total	1293	100%

How important is it for a company in an off-shore location to notify you if there is a security breach that involves your personal information?

Local companies are required to report security breaches.	Freq.	Pct%
Very important	365	28%
Important	560	43%
Not important	237	18%
Irrelevant	132	10%
Total	1294	100%

How important is it for the U.S. Company to notify you when they outsource your personal information to a local company in another country?

U.S. Company should notify before off-shore outsourcing occurs.	Freq.	Pct%
Very important	272	21%
Important	455	35%
Not important	376	29%
Irrelevant	190	15%
Total	1293	100%

How important is it for the U.S. Company to conduct audits of local companies in other countries to ensure that they are taking sufficient steps to safeguard your personal information?

U.S. Company should conduct audits of local companies.	Freq.	Pct%
Very important	220	17%
Important	432	33%
Not important	381	29%
Irrelevant	259	20%
Total	1292	100%

How important is it to have an ability to opt-out of (stop) having your personal information outsourced to another country?

U.S. Company should provide opt-out.	Freq.	Pct%
Very important	365	28%
Important	469	36%
Not important	258	20%
Irrelevant	201	16%
Total	1293	100%

The next set of questions report results using a Yes, No or Unsure response scale.

Should there be U.S. regulations to make companies responsible for ensuring that off-shore companies have adequate security and privacy safeguards in place prior to outsourcing your personal information?

Are new U.S. regulations needed?	Freq.	Pct%
Yes	808	63%
No	240	19%
Unsure	243	19%
Total	1291	100%

If you said Yes, should U.S. regulations only apply to sensitive personal information, such as your financial or health records?

If Yes, only for sensitive personal information?	Freq.	Pct%
Yes	470	58%
No	123	15%
Unsure	213	26%
Total	806	100%

If you said Yes, would you still support U.S. regulations if they result in increased costs to U.S. companies and in turn their customers?

If Yes, would you continue to support of it increased costs?	Freq.	Pct%
Yes	219	27%
No	430	53%
Unsure	156	19%
Total	805	100%

Would you be willing to pay more to ensure your personal information is not outsourced to companies in another country?

Willing to pay more to stop outsourcing?	Freq.	Pct%
Yes	110	9%
No	941	73%
Unsure	241	19%
Total	1292	100%

Does the outsourcing of your personal information by a U.S. organization to a local company in another country **decrease** your sense of trust and confidence in the organization?

Does off-shore outsourcing decrease trust?	Freq.	Pct%
Yes	367	28%
No	638	49%
Unsure	287	22%
Total	1292	100%

Does the sharing of your of personal information by a U.S. organization with a another local U.S.-based company **decrease** your trust and confidence in the organization?

Does third-party data sharing decrease trust?	Freq.	Pct%
Yes	174	13%
No	790	61%
Unsure	327	25%
Total	1291	100%

Analysis of Countries

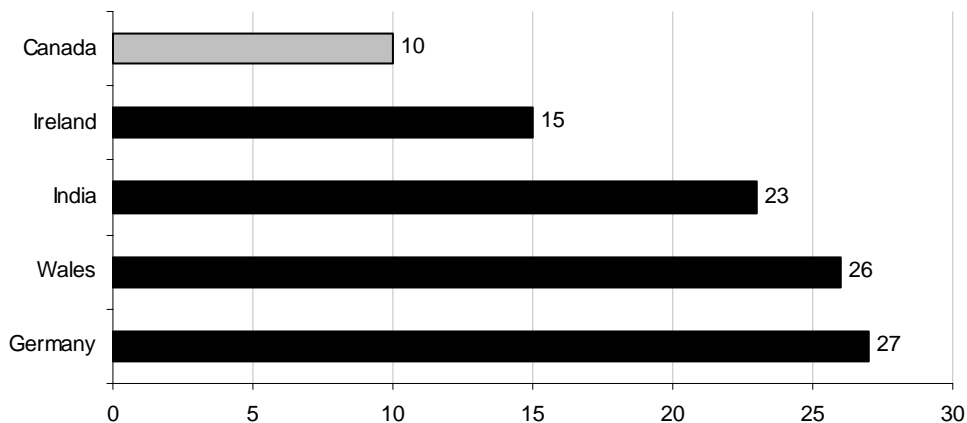
The final section of our research reports individual privacy trust ratings for countries known to have an active outsourcing industry.

Do you worry about the privacy or security of your personal information if a U.S. company sends this data to a local company in another country? Please select the one choice that best applies.

Do you worry about off-shore outsourcing?	Freq.	Pct%
Yes	290	22%
No	272	21%
It depends on the type of personal information that is outsourced	375	29%
It depends on the location of the off-shore company	356	28%
Total	1293	100%

Which countries do you trust the most to make sure that local companies keep your personal information is safe and secure? As noted below, Canada achieved the highest overall rank (combined score = 10).

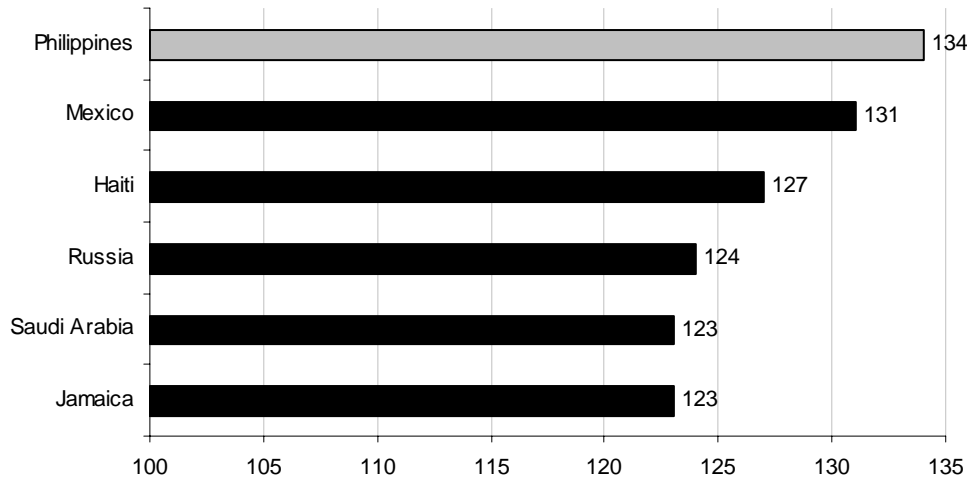
**Most trusted countries for outsourcing personal information:
Combined Privacy Trust Index Score**



Most trusted countries.	Combined Score	Rank
Canada	10	1
Ireland	15	2
India	23	3
Wales	26	4
Germany	27	5

Which countries do you trust the least to make sure that local companies keep your personal information safe and secure? As noted below, the Philippines has the lowest overall rank of 41 (combined score = 134). Please note that because of tied rankings, the maximum rank is not equal to the total number of countries evaluated (n = 47).

**Least trusted countries for outsourcing personal information:
Combined Privacy Trust Index Score**



Least trusted countries.	Combined Score	Rank
Philippines	134	41
Haiti	127	40
Mexico	131	39
Russia	124	38
Saudi Arabia	123	38
Jamaica	123	37

A full listing of all countries included in our privacy trust index analysis is provided in Appendix A of this report.

About the study's sponsor

White & Case LLP is a leading global law firm with nearly 1,900 lawyers in 38 offices in 25 countries. Our clients value both the breadth of our network and depth of our US, English and local law capabilities in each of our offices and rely on us for their complex cross-border commercial and financial transactions and for international arbitration and litigation. Whether in established or emerging markets, the hallmark of White & Case is our complete dedication to the business priorities and legal needs of our clients.

White & Case's Privacy Practice operates at the forefront of privacy issues and data protection laws. We advise clients on how to adopt sound privacy practices, avoid privacy risks, and protect their competitive advantage. We also represent clients in privacy-related litigations. Each year we host an annual symposium, regularly write articles, publish or sponsor surveys related to complex privacy issues. For more details, visit www.whitecase.com or contact David Bender, co-head, White & Case LLP Privacy Practice, at 1-(212) 819-649 or via email at dbender@whitecase.com.

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Ponemon Institute, LLC*Advancing Responsible Information Management*

Ponemon Institute is dedicated to independent research and education that advances responsible information and privacy management practices within business and government. Our mission is to conduct high quality, empirical studies on critical issues affecting the management and security of sensitive information about people and organizations.

As a member of the **Council of American Survey Research Organizations (CASRO)**, we uphold strict data confidentiality, privacy and ethical research standards. We do not collect any personally identifiable information from individuals (or company identifiable information in our business research). Furthermore, we have strict quality standards to ensure that subjects are not asked extraneous, irrelevant or improper questions.

Privacy Trust Index Analysis of 47 Countries

Score	Country	Trust Rank	Score	Country	Trust Rank
10	Canada	1	68	Panama	21
15	Ireland	2	70	Italy	22
23	India	3	70	Romania	22
26	Wales	4	72	Portugal	23
27	Germany	5	73	Chile	24
32	Australia	6	79	South Africa	25
35	Japan	7	86	Spain	26
37	England	8	87	Greece	27
38	Sweden	9	91	Guatemala	28
39	Belgium	10	92	Indonesia	29
39	Poland	10	95	Thailand	30
39	The Netherlands	11	95	Turkey	31
42	Northern Ireland	12	107	Egypt	32
43	Taiwan	13	111	Vietnam	33
49	China (PRC)	14	112	Kuwait	34
51	Scotland	15	112	Ukraine	35
51	South Korea	15	112	United Arab Emirate	35
57	New Zealand	16	119	France	36
58	Argentina	17	123	Jamaica	37
60	Hungary	18	123	Saudi Arabia	37
61	Israel	19	124	Russia	38
61	Malaysia	19	127	Haiti	39
62	Czech Republic	20	131	Mexico	40
			134	Philippines	41

The countries eliminated from our analysis because of insufficient group size are: Brazil, Denmark, Jordan, Finland, Switzerland, Iraq and Bulgaria.