



Workers Protest at Hi-P Factory in Shanghai Following Layoffs - Bloomberg

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By Bloomberg News

More than 1,000 workers have protested at a Hi-P International Ltd. factory in Shanghai after the company undertook layoffs because it's relocating production, according to China Labor Watch.

Several workers were injured and others were arrested in confrontations between protesters and police, the New York-based rights group said in an e-mailed statement today. The demonstration's impact is "very minimal" and the company is working with relevant authorities, Hi-P International said in an e-mailed statement.

Manufacturing costs in China are rising as the government raises minimum wages and allows its currency to appreciate as part of efforts to reduce the economy's reliance on exports and spur domestic consumption. A campaign to encourage investment in poor regions of western and central China with incentives including lower taxes is at the same time luring manufacturers from coastal areas further inland.

Shanghai has the highest average income of any region in China at 66,115 yuan (\$10,441) for 2010, the People's Daily reported today, citing a report by the Ministry of Human Resources and Social Security. The north province of Heilongjiang had the lowest average income of 27,735 yuan, the newspaper reported.

Minimum wages for workers in Shanghai were raised by 14 percent in April to 1,280 yuan (\$202) a month.

Hi-P, which makes components for mobile phones, personal digital assistants, hard disk drives, MP3 players, computer peripherals, and medical devices, last month said it expected profit would fall this year from 2010 as higher costs erode an increase in revenue.

Labor Costs

The company said it faces "pricing pressure, higher materials costs due to change in product mix, increased labor costs, additional costs due to activities arising from sites' consolidation," according to its third-quarter earnings report. The company's revenue gained 8.1 percent to \$308.6 million (\$240 million) during the three-month period, while net profit plunged 81 percent to \$6.47 million.

The Hi-P workers didn't receive the legally mandated level of compensation for being laid off without notice, China Labor Watch said in its statement. Thousands of workers previously protested at the same Hi-P plant for 10 days in July also because of sudden layoffs as the company decided to shift more of its production to the city of Suzhou, China Labor Watch said.

Shanghai's police department didn't immediately respond to faxed questions seeking comment.

Founded in 1980, Hi-P International has 15 manufacturing plants globally, including five locations in China, according to its annual report. In addition to the China factories in Shanghai, Chengdu, Tianjin, Xiamen and Suzhou, the company also has plants in Mexico, Poland, Singapore and Thailand, the report said. The company has more than 20,000 employees worldwide, it said.

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