

From Zero-COVID to Living with COVID – What the Pivot Means for Businesses in China

Arendse Huld

*China Briefing Shanghai,
33China*

Article DOI: 10.48028/iiprds/ijsressd.v5.i1.05

Abstract

China is in the process of shifting from “zero-COVID” to “living with COVID” by removing mandatory centralized quarantine, compulsory testing, and sweeping lockdowns. The reopening of the economy has long been awaited by business groups. However, in the short term, the sudden pivot in COVID-19 policy and the surge in cases may continue to disrupt the supply chain and business operations. It's important for businesses to get prepared and mitigate the risks of COVID-19 spreading with their workforce.

Keywords: *Zero-COVID, Living with COVID, Business, China*

Corresponding Author: Arendse Huld

First Published: <https://www.china-briefing.com/news/living-with-covid-what-does-the-pivot-mean-for-businesses-in-china/>

Background to the Study

Almost three years after the first COVID-19 case was reported, China has taken decisive steps toward “living with the virus”. On December 7, 2022, the National Health Commission released a set of 10 measures that effectively abolished China's zero-COVID strategy, removing requirements such as mandatory centralized quarantine, compulsory testing, and sweeping lockdowns. This sudden pivot in COVID-19 policy has been welcomed by many businesses that have struggled under almost three years of strict lockdowns and travel restrictions, which have slowed economic growth. However, some restrictions remain in place, and it may yet be a few months before China fully reopens to international travel. In addition, the change to living with COVID poses its own risks and difficulties, which may continue to hamper recovery in the near future. Below we provide an overview of the latest changes to China's COVID policies, look at the possible headwinds for business and the economy, and discuss how companies can mitigate the risks of COVID-19 spreading within their workforce.

The End of China's Zero-COVID Policy

Under China's zero-COVID policy, the government and health institutions implemented a variety of COVID-19 prevention and control measures to maintain the total case numbers as close to zero as possible. For people in China, zero-COVID measures included centralized quarantine for people found to be COVID-positive, as well as anyone who had come into close contact with them, snap lockdowns of buildings and housing compounds in which COVID-19 cases were discovered, routine PCR testing, and restrictions on travel and movement, among others. Since the major outbreaks that occurred in the spring of 2022, many cities have also required residents to show a negative PCR test within the last one or two days before being allowed to enter any public space, including offices, restaurants, parks, and even public transport. The use of “check-in” QR codes, in which people entering various premises would have to scan a QR code in order to register their presence and confirm their latest test results, had also become increasingly prevalent. The policy has been highly successful, with China recording far fewer total case numbers than other countries with much smaller populations (a total of 367,627 confirmed symptomatic cases as of December 13) and only a fraction of the deaths (a total of 5,235 as of December 13). The policy's success was achieved through the help of technologies such as the health and travel codes that record people's health status, and a large pool of frontline workers and volunteers to carry out testing and ensure strict compliance with the rules and restrictions.

However, 2022 has put the zero-COVID policy to the test as the much more transmissible Omicron variant of the virus reached China. 2022 has seen case numbers reach new highs on multiple occasions, leading to stringent lockdowns in numerous cities and regions. By fall, almost no province in China was COVID-free. Although the zero-COVID measures have been effective in curbing even these more widespread outbreaks, the long-term feasibility of the strategy has nonetheless been called into question, and, over the past few weeks, many of the long-standing measures and restrictions have been dropped in rapid succession. The reasons behind the quick lifting of restrictions are manifold and include an undercurrent of fatigue and frustration in the population, difficulties in accurately tracing and recording

positive cases due to the speed of transmission, as well as the assessment by Chinese officials that the dominant Omicron strain in China poses a smaller risk to life than earlier strains.

The pivot to a living with COVID strategy is a welcome development for both residents and businesses who have faced economic difficulties as a result of the stringent control measures. Although many people are enjoying their freedom, with a population that has become accustomed to living in a largely COVID-free society, others are also anxious about the prospect of a surge in cases. This may lead to timid consumer behavior, where people voluntarily stay away from in-person catering and retail, avoid gathering in public places, and travel less. In addition, a possible Chinese iteration of the “Great American Sickout” of early 2022, when a spike in COVID-19 cases led to a labor shortage in the US (and elsewhere) as millions of employees called in sick, could lead to a similar labor crunch, placing further strain on companies and their employees and slowing economic recovery. At the same time, some restrictions remain in place, and it may still be many months before China allows quarantine-free travel for arrivals to China and begins to issue visas to tourists and other travellers.

Which Restrictions have been Removed?

Mandatory centralized quarantine for people with asymptomatic or light COVID-19 infections

One of the first significant moves toward living with COVID was the announcement on Wednesday, December 7 to allow people with no or mild COVID-19 symptoms to recover at home, or voluntarily go to a centralized quarantine facility. Elderly people and those with mobility difficulties have been advised to recover at home. To assist people recovering at home, hospitals have been ordered to provide online services and door-to-door services where appropriate. A person with a mild or symptomless infection can leave their home after a week if they get two consecutive negative COVID-19 tests on days 6 and 7 of home quarantine. Close contacts will also be able to self-isolate at home instead of going to centralized quarantine. Previously, everyone who tested positive for COVID-19, whether they had symptoms or not, was required to go to a centralized quarantine facility, often a makeshift hospital, and only be permitted to return home after testing negative for COVID-19 for a certain period of time. People with symptomless or mild cases can still choose to self-isolate in a centralized quarantine facility, if they prefer. In addition, people in high-risk groups or those who suffer from severe symptoms will still be admitted to designated hospitals for treatment. Those who choose to quarantine at home will be required to take a PCR test on days 6 and 7. If both of these tests are negative (with a Ct value of ≥ 35), they will be released from home quarantine. Moreover, for the majority of people (except vulnerable groups such as students), home quarantine is more or less voluntary as it is no longer strictly enforced or monitored.

Narrower scope of high-risk areas and shorter lockdowns

The risk assessment system for areas that have recorded positive COVID-19 cases has been greatly loosened. Previously, an area that recorded COVID-19 cases in the last seven days would be designated as “high-risk” and be subject to measures such as lockdowns, while areas that recorded cases in the last 14 days were designated as “medium risk”, and were also subject to certain restrictions, such as limited freedom to leave and enter the area.

Since November, high-risk areas have been confined to the specific building or floor in which the people who test positive for COVID-19 reside. Previously, entire communities and housing compounds would be designated as high-risk if just one COVID-19 case was discovered within its perimeters. In addition, authorities had already done away with the “medium risk” designation, meaning that if an area recorded no cases for a certain period of time, they will promptly have all restrictions lifted. The high-risk period has also been further shortened. Now, high-risk areas that record no new COVID-19 cases for five consecutive days can immediately have all restrictions lifted.

Voluntary COVID-19 testing for most people

Cities and districts will no longer conduct mass compulsory testing of all residents. Those who may need to take a COVID-19 test will be permitted to take a rapid antigen test (RAT), and will not be required to take a PCR test (commonly referred to as a nucleic acid test in China). PCR testing will still be required for personnel working in high-risk professions, such as healthcare and other frontline workers. People are also no longer required to show a negative PCR test and their health code (健康码) when entering public premises and establishments, except for high-risk and vulnerable premises, such as nursing homes, welfare homes, healthcare institutions, childcare institutions, and primary and secondary schools. This means people will now be able to freely enter restaurants, bars, entertainment venues, parks, and other public spaces.

Abolishing of domestic health and travel codes

As mentioned above, people will no longer be required to show their health codes when entering various premises. Moreover, from December 13, the travel code (通信行程卡), which was used to track whether people had travelled to areas with COVID-19 cases in the last 14 days, officially went offline. This means that all of the travel code's services, including text messages, web pages, the standalone app, and the Alipay and WeChat mini-programs, are no longer accessible. People were mainly required to show the travel code when traveling from one province or region to another, as the regional health codes were unable to track which place a person has come from. The retiring of this service will significantly ease domestic travel, as it will no longer be possible for local jurisdictions to see whether a person has travelled from an area that has recorded positive COVID-19 cases in recent days and weeks.

Shortened quarantine for inbound travelers

The mandatory centralized quarantine for people arriving in China has been shortened from seven to five days. For inbound travellers, the “7+3” policy (seven days of centralized quarantine plus three days of self-isolation at home or in a hotel) has been reduced to a “5+3” policy (five days of centralized quarantine plus three days of self-isolation at home or in a hotel). Close contacts of COVID-19 patients can now also choose to self-isolate at home for five days or go to a centralized quarantine facility if they so choose. A PCR test is conducted on the fifth day, which, if negative, will release them from quarantine.

Reduced PCR testing requirements for inbound travelers

Travelers heading for a destination in China are now only required to take one PCR test within 48 hours of departure. In addition, inbound travellers will no longer be asked to show their

health code upon arrival if they tested negative for COVID-19 before departure. Previously, people traveling to China were required to undergo several rounds of testing before boarding the flight to China, which at one time included different types of tests, such as a combination of PCR and antibody tests, and tests from multiple testing centers. They were also required to obtain a health code from the local embassy and present it both before boarding and upon arrival in China.

Abolishing of “circuit-breaker” mechanism for international flights

In November, China abolished the “circuit-breaker” mechanism for international flights arriving in China. Under this mechanism, airlines' flight routes from overseas departure cities to destinations in China would be suspended if passengers that had travelled on the airline's route tested positive for COVID-19 after arriving in China. The cancelation of the circuit-breaker mechanism is a major step toward increasing the number of flights to China and will reduce international flight cancelations and delays. The Civil Aviation Administration of China (CAAC), which is responsible for approving direct international flight routes to and from China and the airlines operating on these routes, recently announced an increase in the number of weekly flights for the winter and spring seasons. According to a notice published on the central government website, in the period from October 30, 2022, to March 25, 2023, foreign and domestic airlines can operate a total of 840 passenger flights a week, an increase of 105.9 percent from the same period in 2021 and 2022. In addition, a total of 6,148 weekly cargo flights can be operated, an increase of 6.7 percent from the same period the year before.

Which Restrictions Remain in Place?

Despite the significant progress toward reopening, China still has many more COVID-19 restrictions than most other countries in the world. International travel is not yet feasible for the majority of people, as people arriving in China must still undergo five days of hotel quarantine (the cost of which is borne by the passenger) and three days of self-isolation. A cursory search of flights to China also shows that ticket prices remain considerably higher than they were pre-pandemic, despite the resumption of many flight routes. Moreover, at the time of writing, China has also not resumed issuing visitor visas. This means that only those traveling for family reunions, business trips, work, or diplomatic services will be able to travel to China, and tourism remains off-limits. In these areas, it is clear China still does not treat COVID-19 in the same way as it would seasonal viral diseases. However, given the rapid dismantling of COVID-19 prevention measures seen in recent weeks, it is reasonable to assume that China will continue to lift restrictions and enable international travel in the near future. A report released at a recent travel forum in Beijing anticipates that inbound tourism will resume in 2023 as entry visa and quarantine requirements are relaxed.

What Are the Possible Repercussions of The Move to Living with COVID in China?

The road toward living with COVID in China is not as straightforward as it might seem. There are several possible repercussions of the rapid lifting of restrictions, not least of which is a sudden surge in cases in a population with low immunity levels due to the historically low case numbers. The Chinese government has taken several steps to buttress its population and healthcare system against a possible surge in cases. This includes a renewed vaccine drive to

get more people to take booster shots, in particular vulnerable groups such as those over the age of 80, and increasing ICU capacity at hospitals by ensuring enough ICU beds, doctors, and nurses. It has also set up designated fever clinics to handle the coming surge of cases. Whether the system will be able to cope with the coming surge remains to be seen, but it is reasonable to believe that hospitals and clinics will come under some level of strain in the coming months as more people seek treatment.

Low Domestic Consumption of In-Person Goods and Services

As mentioned above, a surge in COVID-19 cases may lead to more timid consumer behaviour as people afraid of getting sick choose to avoid going out as much as possible. Brick-and-mortar businesses that rely on face-to-face interactions and in-person sales, already one of the hardest-hit sectors, may continue to struggle in the coming months. Domestic consumption in China has been in a slump for the better part of two years, and the government has long been struggling to come up with ways to boost spending. Although the lifting of restrictions may in principle allow for more time and money going toward pastimes that were previously off-limits – restaurants, entertainment, travel – we may not see a significant uptick in consumer spending until the case numbers settle and people become more accustomed to living with COVID.

Labor Shortages and Supply Chain Disruptions

As more people get sick from COVID-19 over the coming months, many companies may begin to experience labor shortages. This is likely to be more prevalent among workers that have a high risk of exposure, such as people working in retail and catering, hospital staff, delivery drivers, and more. Although this has been a problem in many places across the world, the risk of COVID-19 severely impacting workforces may be higher in China in certain industries than in western countries. This is because many laborers in industries such as manufacturing and construction are often housed in dorms and share a room with multiple colleagues, greatly increasing the risk of spread if an outbreak occurs.

Moreover, many manufacturers in China consolidate their operations facilities within one campus-like production site, where manufacturing facilities for various nodes in the supply chain, as well as offices and the aforementioned employee housing, are all located within one “campus”. This makes factory operations particularly vulnerable to disruption from a COVID-19 outbreak. Earlier this year, a COVID-19 outbreak at a Foxconn factory often dubbed the “iPhone City” in Henan province led to a shortage of iPhone 14s in the run-up to the western holiday season. A labor shortage as a result of a surge in COVID-19 could thus lead to further supply chain disruption as upstream and downstream suppliers struggle with COVID-19 outbreaks. Labor shortages among dock and logistics workers in the US led to severe shipping and postage delays in early 2022. A similar situation could be seen among workers at key transport and logistics hubs in China, which is home to some of the world's largest ports.

Conclusion

Preparing for the coming surge in COVID-19 cases is essential for all businesses in China. HR policies and working arrangements for employees should be adjusted to mitigate the impact

that an increase in sick employees can have on your operations and decrease the risk of spreading to your entire workforce. It is advisable to review current HR policies to ensure that sick leave and other relevant practices are updated to accommodate an increase in sick employees. Many companies will already have implemented COVID-19 prevention protocols during previous outbreaks, which, even in the face of a larger outbreak, can be effective in controlling the spread of the virus within the workplace. First, where possible, it is advisable to implement a work-from-home policy for employees who have COVID-19 but are still well enough to work to avoid spreading the virus to colleagues. Alternatively, dedicating a meeting room or other office space that is separate from the rest of the workforce for employees that have tested positive can prevent the spread to colleagues. Other possible measures to reduce the spread of COVID-19 in workplaces include masking mandates, encouraging social distancing, implementing a hybrid office schedule to reduce the number of people in the workplace, and ensuring good airflow within the workplace will greatly help to reduce the risk of virus spread. These measures will not only improve the health and safety of your employees but may also help them to feel more at ease and willing to come into the workplace.

For companies with employees that must be on-site to do their work or whose employees are housed on company premises, preventing the spread may be more difficult. Common sense measures, such as masking and regular hand-washing, can be effective in reducing spread. Implementing policies that encourage people to stay home (such as paid sick leave), and providing separate quarters for people to self-isolate, can also help to prevent an outbreak from spreading throughout your workforce. More high-cost options also include installing air purifiers with HEPA filters or HVAC systems in the workplace and living quarters, which have been shown to greatly improve indoor air quality and reduce the spread of COVID-19. You should also encourage employees to notify management if they are in a high-risk group, so that appropriate measures can be taken to ensure their health and safety. Finally, it is important to provide employees with regular updates and information on the latest COVID-19 policies, guidance, and resources. Ensuring that employees understand how the virus spreads, signs of infection, and possible risks can help to encourage sensible preventative behaviour.

Reference

<https://www.china-briefing.com/news/living-with-covid-what-does-the-pivot-mean-for-businesses-in-china/>