

A Survey Report on the Impact of COVID-19 on Language Service Providers in China

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Since the outbreak of the novel coronavirus disease (COVID-19) in China at the end of 2019, the Chinese government has taken a range of steps to contain the spread of the coronavirus, including extension of the Lunar New Year holiday to February 2, 2020. Most of the businesses in the country have followed this up and postponed the date of resumption of work to the middle of February, which adds uncertainty to their operation in the full year. In this context, Chinese authorities have rolled out a slew of measures to orderly restore the production and operation of enterprises, especially small and medium-sized enterprises (SMEs). To provide relevant information to the stakeholders and offer the LSPs helpful recommendations, the School of Translation and Interpreting, Beijing Language and Culture University (BLCU), the Institute of International Language Services, BLCU, and the Institute of Language Services, Hebei Normal University for Nationalities (HBUN) jointly launched a survey to assess the impact of the epidemic on language service providers (LSPs) in China. The joint team started the survey on the companies specialized in language services throughout the nation (including Hubei, the province most hit by the virus) in the form of online questionnaires on February 23 and has collected 113 valid questionnaires as of 11:00 pm, February 25. Following are the survey results:

I. Composition of the survey participants

Participants of the survey are composed of 113 language service firms from the Chinese mainland, including eight state-owned enterprises (SOEs), 14 joint-stock companies, 89 private companies and two foreign-invested enterprises (FIEs). There are no participants from the regions of Hong Kong, Macao or Taiwan.

In terms of size, the SMEs as a group take the biggest share. In the breakdown, 31.86% of the surveyed LSPs have more than 100 employees, and 68.14% have less than 100 employees. About one third of the total number have a staff of less than 20 persons. The data are basically in line with the composition of LSPs in China.

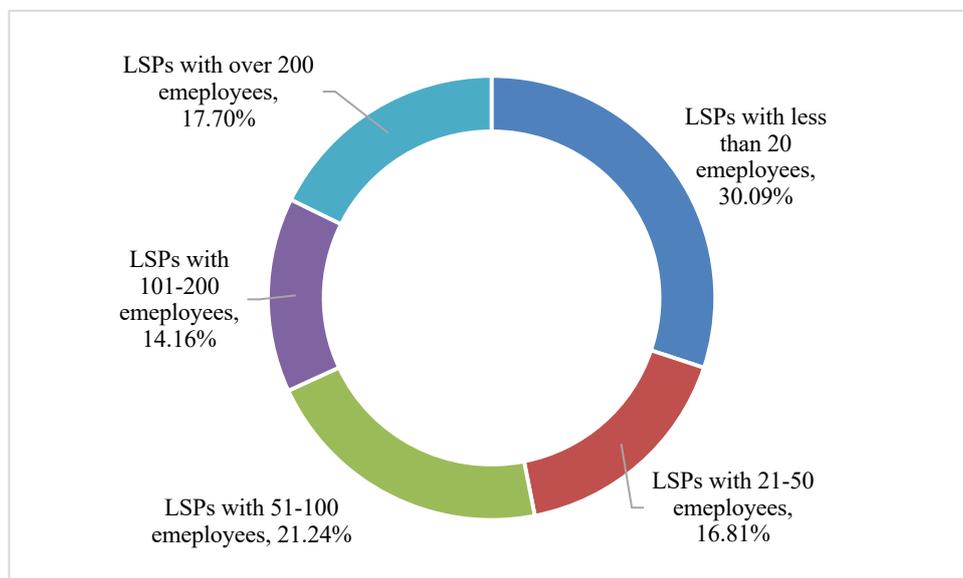


Figure 1. Size of the surveyed LSPs

In terms of main business, 76.11% of the surveyed companies provide mainly translation and interpretation services, followed by those engaged in localization services (35.40%) and in language technology services (32.74%). Those in R&D of software, consulting services and foreign language training have a relatively low proportion, accounting for 23.01%, 19.47% and 17.70%, respectively.

In terms of the scope of services, most of the companies offer a package of services, covering interpretation, translation, localization and language technology services. Such a portfolio has equipped the LSPs with a strong capability to adapt to the market and avoid risks. When a full-scale reopening is impossible, they can still provide on-line services such as translation and make remote delivery, thereby significantly reducing the negative effects of the outbreak of the novel coronavirus pneumonia.

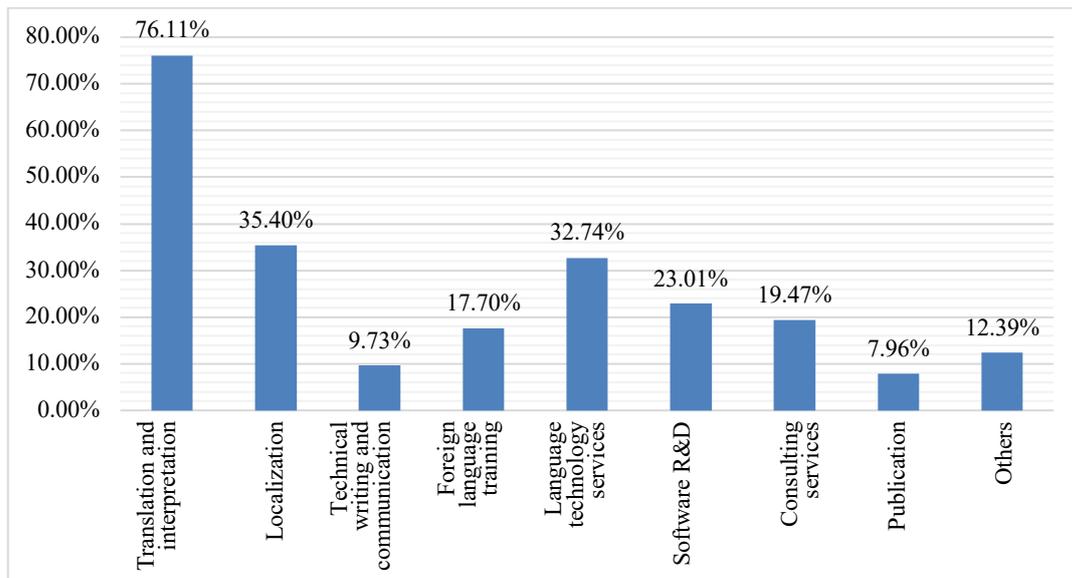


Figure 2. Mix of main business of the surveyed LSPs

II. Orderly resumption of operation

Over 90% companies resume work through telecommuting, and nearly half have started work at office. Most of the companies take part in the fight against the coronavirus epidemic.

According to the survey data, most of the companies resume operation to a large degree through the Internet, cloud-based computer aided translation (CAT) platforms and online business management system. The resumption rate of work through telecommuting has exceeded 90%. Only 3.54% of the firms choose to suspend the business. In contrast, 4.42% have

reported 100 percent staff back at work in the office, all of which come from the provinces (Jiangsu, Sichuan, Yunnan, and Shandong) with good control of and less impact from the coronavirus disease, including two SOEs, one joint-stock company and two private companies. In addition, 53.98% of the surveyed LSPs require all employees to start work from home. Through ways of checking on work attendance and holding video conferences regularly, they actively carry out online production for self-help and overcome the adverse effects caused by the epidemic. In some less-affected areas, due to a contraction of business, 19.47% of the LSPs only require a part of its staff back to work in the office, and 15.04% choose the way of work through telecommuting with part attendance. The survey results show that companies in the language service sector, as largely supported by internet and information services, have the advantage of conducting online business under the epidemic stress. They have relatively strong capability to respond to emergencies compared with the business model of physical stores, and therefore, the COVID-19 has limited impact on them.

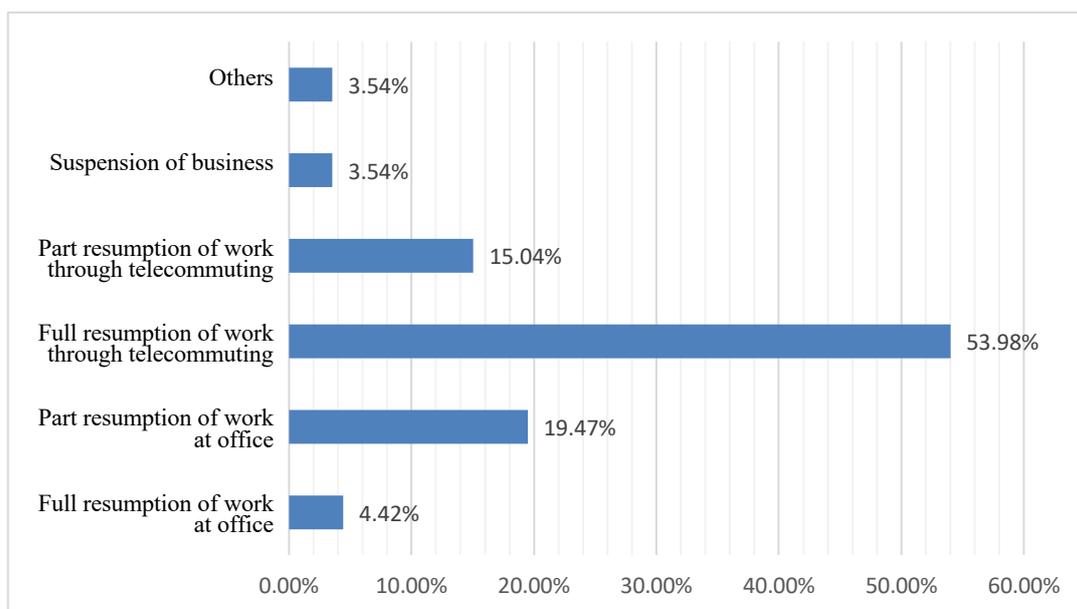


Figure 3. Modes of work resumption of the surveyed LSPs

The survey shows that 46.9% of the participants have resumed work at office by the end of February 26, and 76.1% of the total are expected to return to work at office between late February and early March. Over 20% of companies have yet to get back to operation at office due to such factors as protection of the safety and health of their workforce, small market demand, and strict epidemic control measures in some certain regions. As a result, more than 20% of the survey participants won't resume work at office before early March, and nearly 8% of participants clearly state that they will get back to work when the disease is over.

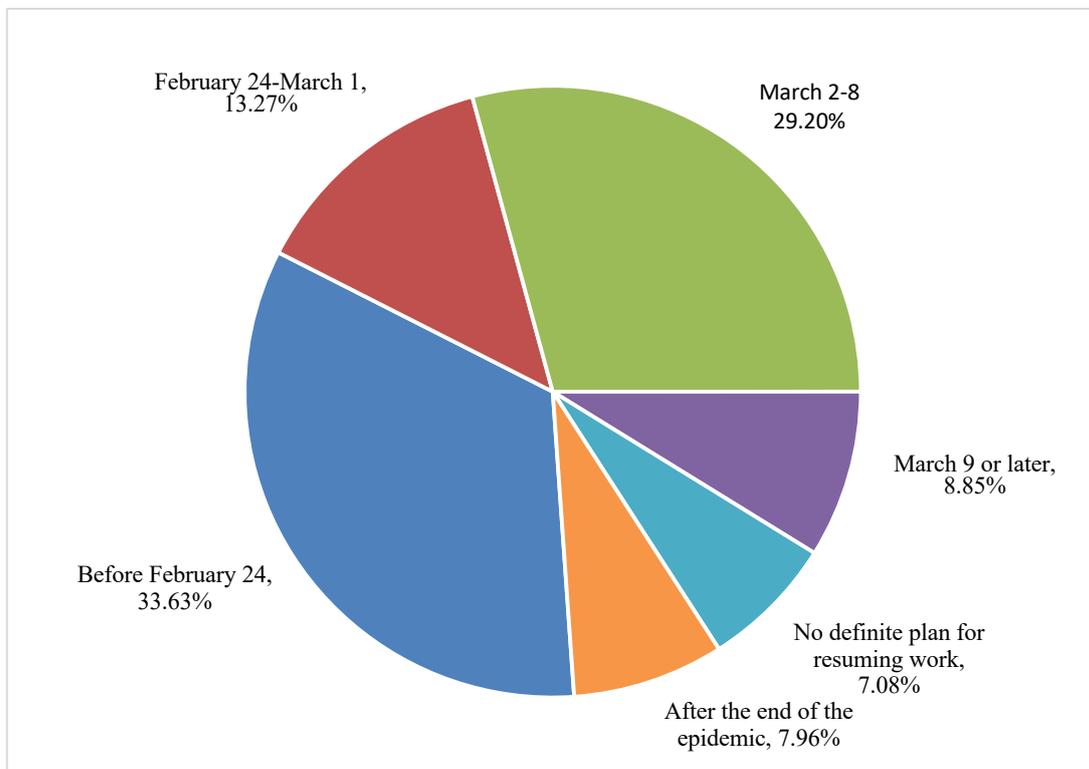


Figure 4. Schedule of the surveyed LSPs for resumption of work at office

It is worth noting that more than 70% of the LSPs surveyed have contributed to the fight against the novel coronavirus pneumonia in various forms and to different extents. Specifically, 46.02% of them provide online interpretation and translation services; 13% even offer on-site

interpretation services in the epidemic-hit areas under great risks, showing the spirit of selflessness and dedication. In addition, 23.01% provide language services related to overseas donations, 16.81% offer consulting services to foreigners. A small part of the services are about epidemic-related training and the R&D of anti-epidemic mobile products. For example, following instructions issued by the Ministry of Education, a 40+ strong “Language Service Corps”, comprising professionals from Transn, one of the country’s leading LSPs, and several higher education institutions such as BLCU and other organizations, has developed online platforms and mobile app of Wuhan Dialect Guidebook to help medical workers from other places communicate with dialect-speaking locals. As the COVID-19 disease spread quickly from Wuhan to the rest parts of China, countries all over the world have assisted China in various ways to combat the coronavirus, and many overseas Chinese have donated money and supplies, which has created a growing demand for emergency language services. The LSPs in China, actively responding to the government’s call, have made use of their strength in providing specialized translation services as a way to support the battle against the epidemic and assume their social responsibilities.

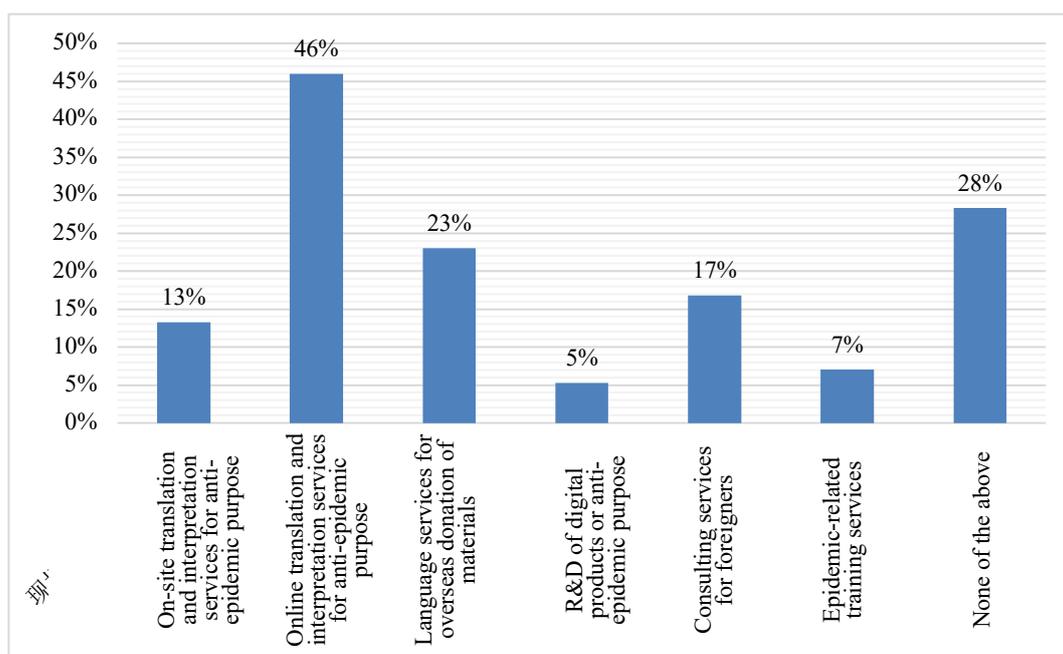


Figure 5. Types of anti-epidemic services provided by the surveyed LSPs

III. Concerns over a decline in performance

Nearly 80% of participants are worried about a decline in performance due to a sharp fall of on-site language services. The survey indicates that the operating income of the LSPs is closely related to that of clients. With the spread of the COVID-19 virus around the world, both domestic and international clients of language services are affected by the epidemic to varying degrees and face the risk of income decline. As a countermeasure, they are likely to cut the less urgent needs and lower the cost of urgent services. According to the survey, 64.6% of the participants consider the “drop or loss of existing translation business” as the major problem for it will bring high uncertainty to their operation. Furthermore, “fund shortage” is also a bottleneck restricting the LSPs’ development (accounting for 42.48%). China’s language services industry has a cup lid-shaped structure (China Language Services Industry Report, 2018), that is, 98% companies in the industry have a registered capital of less than 10 million yuan, who are comparatively weak in fending off risks. The LSPs are less impacted

by layoff, resignation of employees or breach of contracts by their partners as they have sufficient supply of labor. During the epidemic prevention and control period, part-time employees and freelancers have a lot of free time, leading to an abundant supply or even oversupply of workforce.

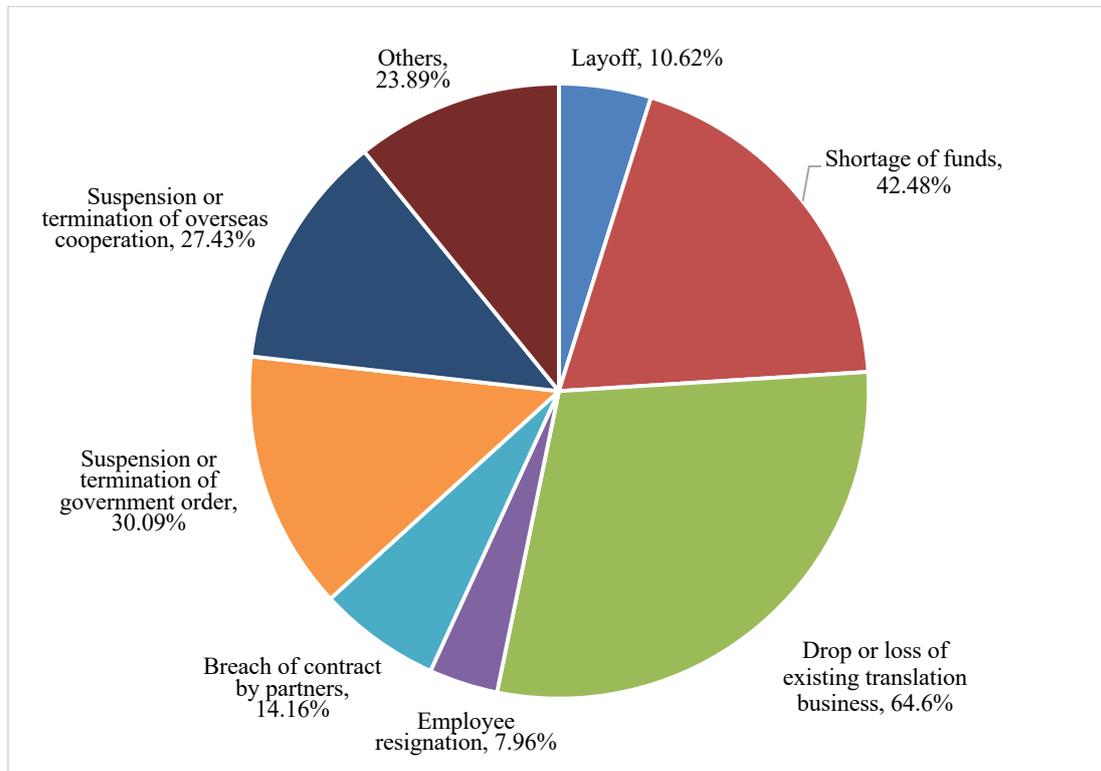


Figure 6. Major difficulties encountered by the surveyed LSPs

The survey shows that the on-site business of LSPs has suffered a severe blow just as on-site services or exchanges in other sectors because of control measures like isolation, closed-off management, and lockdowns of cities. The on-site interpretation is worst hit (62.83%), followed by public relations (PR) (52.21%), on-site translation (34.51%), and marketing (29.20%). Respondents who chose “Others” are less affected as they have no on-site business. Some forms of business feel little stress because they can be handled remotely, such as online translation, R&D, and corpus construction.

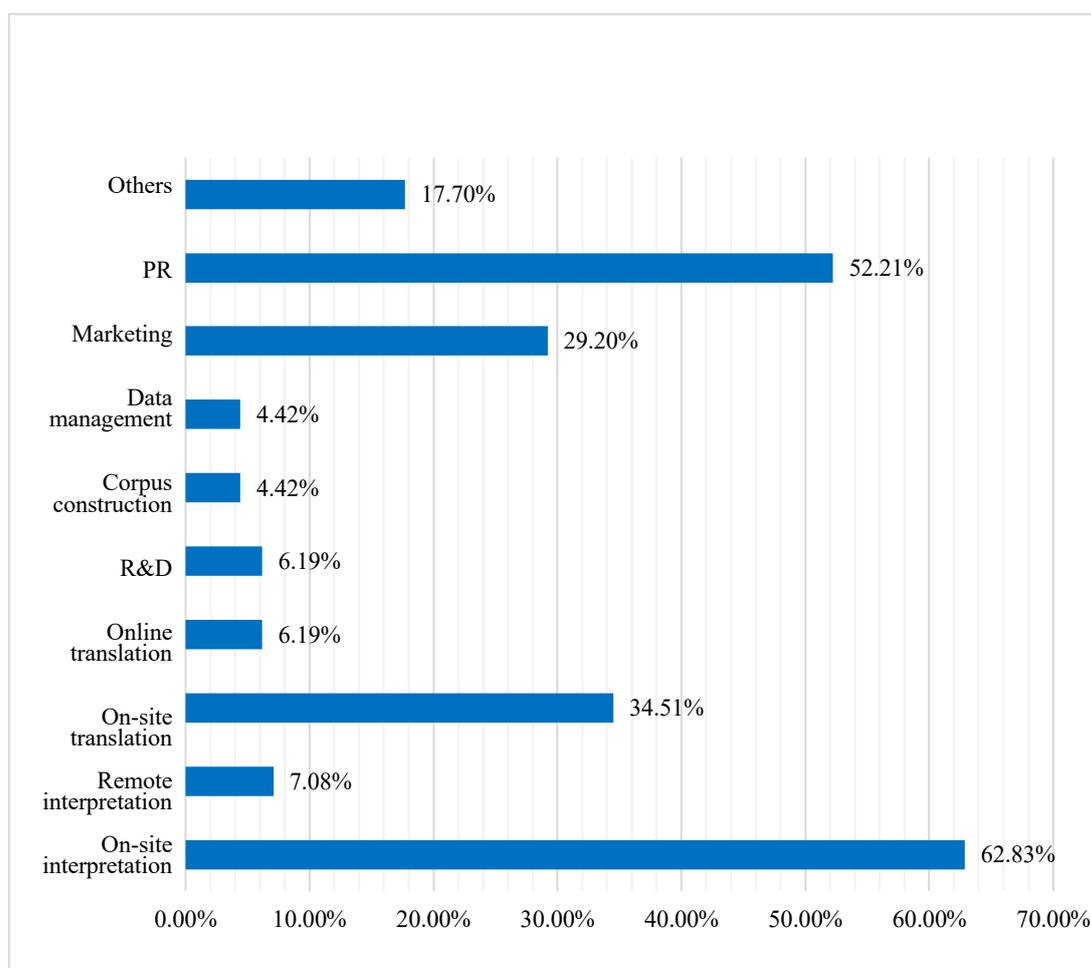


Figure 7. Impacts of the epidemic on the surveyed LSPs by business forms

The survey finds that services related to English were struck hardest by the novel coronavirus to a high rate of 67%, while the figure for services involving other languages is below 20%. This is mainly because more than 90% of Chinese LSPs are providing English-related services (China Language Services Industry Report, 2018), which are easily impacted by the strict restrictions imposed on China by English-speaking countries such as the United States and Australia. It is estimated that the withdrawal of nationals, suspension of flights and issuance of visas and other restrictive measures will directly or indirectly hamper the development and cooperation of overseas business. Some English-speaking nations may stop

or cancel deals with the language service firms in China, giving a heavy blow to English-related services. It appears that the disease has much less influence on business related to other languages, but given the facts that such business usually takes a small share and some companies do not have multilingual business, a rate of 13-17% is rather high.

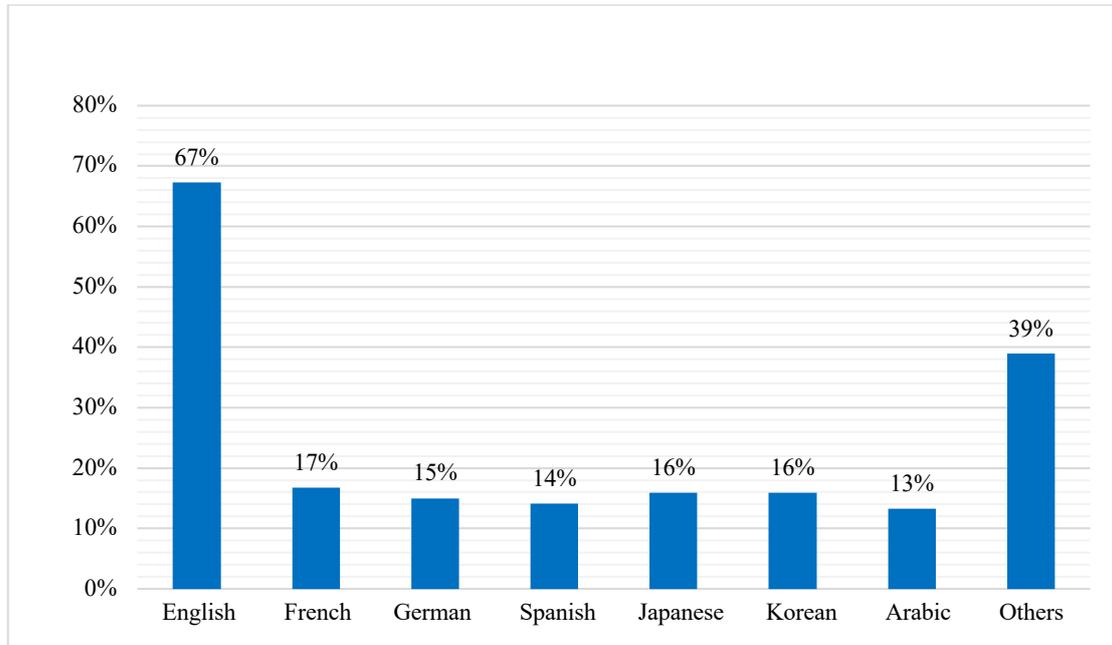


Figure 8. Impacts of the epidemic on the surveyed LSPs by language-specific business

The survey results show that overseas business is facing a lackluster prospect. Only 22.12% of the companies surveyed believe that they are “completely unaffected by the epidemic”. About 25.66% of the total participants have not established overseas business, all of which are micro and small enterprises with less than 100 employees, including those have a staff of less than 20 people (making up 60% of this group). About 25% of the companies surveyed say that the demand in the international market has dived or existing cooperation has to be suspended. Besides, 16.81% of the participants express that their foreign partners are taking a wait-and-

see kind of attitude. The negative effects of the COVID-19 outbreak on the overseas business of China's LSPs should not be underestimated since the business volume are already very small.

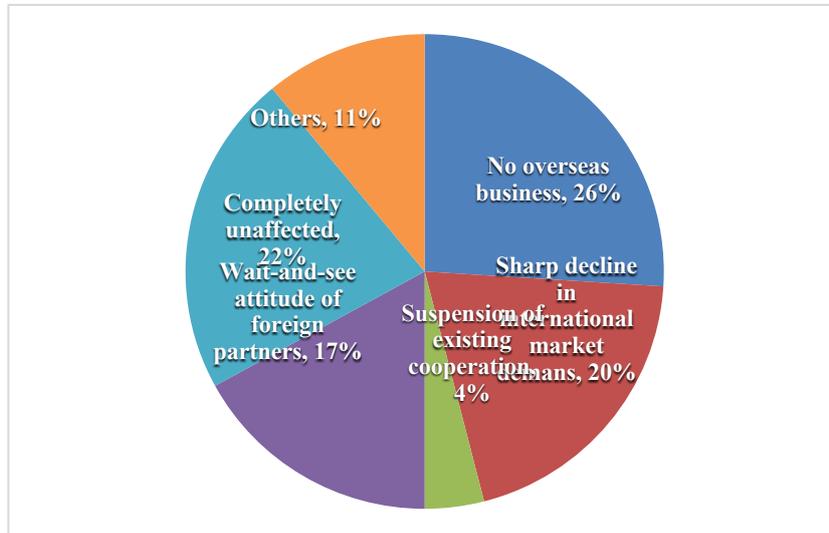


Figure 9. Impacts of the epidemic on the surveyed LSPs by overseas business

The survey shows that nearly 80% of the participants are worried about a decline in performance this year due to the strike of the epidemic. In the breakdown, 30.09% of the companies expect a fall of 10%, and 30.97% project a slip of 20-30%, while the remaining 16.81% forecast a dive of over 50%. Only 5.31% of the surveyed LSPs think that their performance will rise against the trend, and 16.81% believe that they will be immune from the unfavorable conditions. Overall, the epidemic has exerted a large impact on the language services industry in China. Without strong support from central and local authorities, a number of companies might close down or go bankrupt, and a lot of people will lose their jobs. The competent authorities, therefore, should pay close attention to the conditions of the businesses.

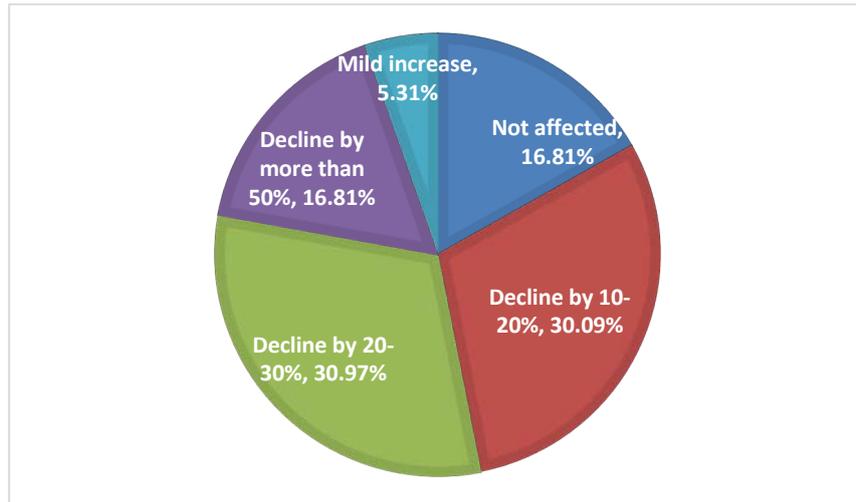


Figure 10. Estimated impacts of the epidemic on performance of LSPs

IV. Expectations for tax and fee reductions or subsidies.

According to the survey data, the coronavirus outbreak has hurt multiple activities of the participants, affecting the communication between LSPs and clients by 51.33%, financial settlement by 46.9% and contract signing by 40.71%. As a result, the operating income dropped and the liquidity turned tightened. Nevertheless, by enhancing internal system building, the LSPs have remained strong in providing service solutions and make deliveries. As long as the LSPs continue to strengthen their capacity building and keep good communications with their clients, they will surely recover business after the end of the epidemic.

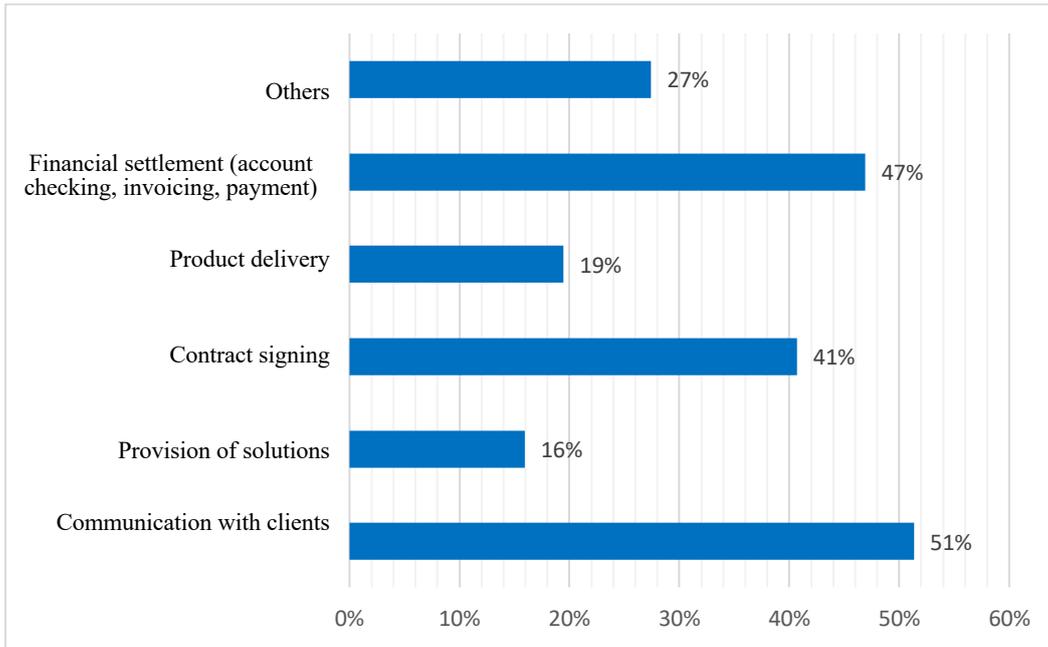


Figure 11. Impacts of the epidemic f LSPs by business types

The epidemic will eventually end and things will get back to normal, just as the winter has gone and the winter jasmine are in full bloom. People who go through the difficult time will continue their life with an even stronger will. Businesses are making every effort to resume operation by themselves, but meanwhile, they hope to get help from the government. The survey data show that 75.22% of the participants expect tax reduction or exemption; 57.52% want to get rent reduction or exemption; 46.02% hope to receive job subsidies; 35.4% are eager for loans and financing. As for aid directly related to fighting the virus, 38.05% want to receive masks and other protective supplies, and 20% need effective guidance on epidemic prevention and control to ensure the health of their staff. Behind the data are the determination of companies to restore production and their general expectation for support from relevant government authorities and trade associations. To this end, we call for a joint action by the government, the public and the trade associations to help the businesses rise to the

current challenges. At the same time, the companies themselves should also do what they can to pull themselves through.

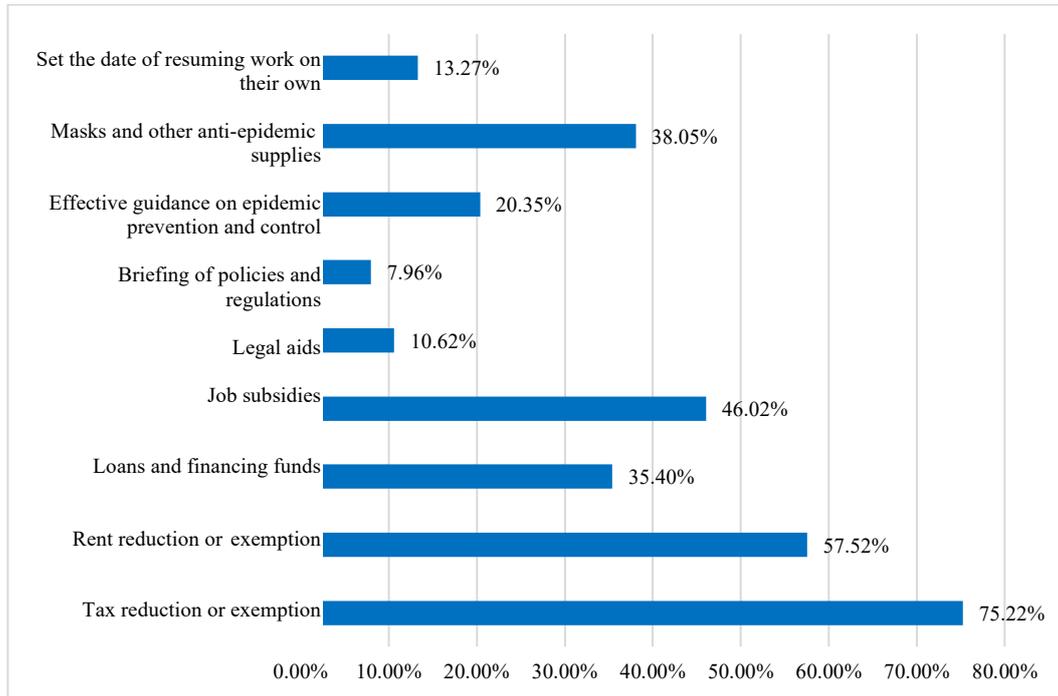


Figure 12. Supports expected by the surveyed LSPs from government

V. Trend to adjust business models

More than 90% of companies surveyed put adjustment of business models on agenda. Composed of micro and small enterprises, the language service industry in China have been confronted with many problems. The outbreak of the COVID-19 brings these problems to surface, mainly involving business portfolio (47.79%), crisis response (42.48%), capital chain (42.48%) and strategic planning (26.55%). The disaster give companies a chance to review the mix of their business and find out the weak areas, and then to adjust their strategies and business models to meet the challenges posed by globalization and the 5G era. Efforts may include strengthening capacity building in risk tolerance, strategic planning, human resources, technology development and crisis response.

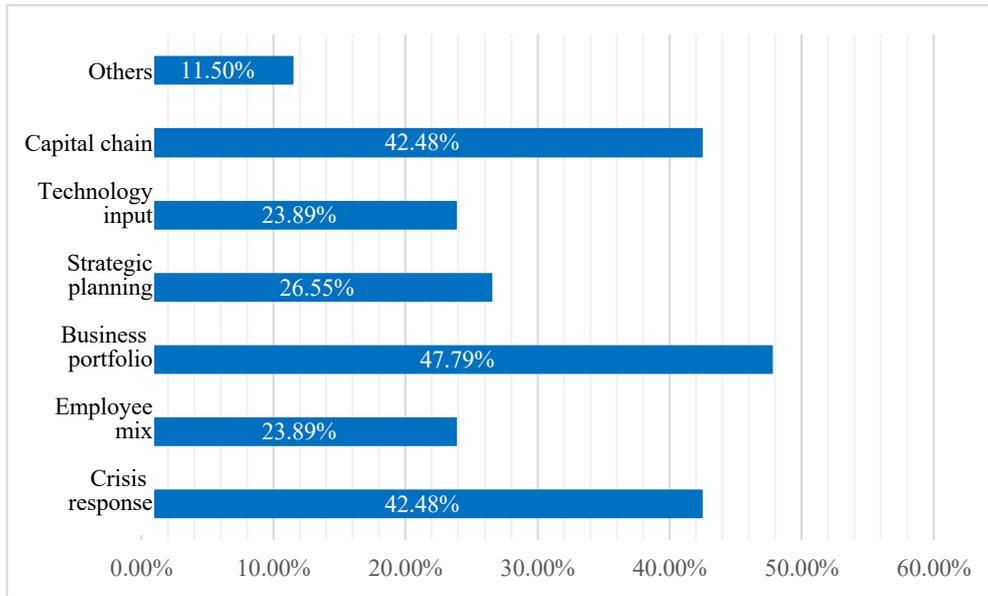


Figure 13. Weak areas of LSPs exposed during the epidemic

The survey finds that 94% of the companies surveyed think it is necessary to change their business models and 59.29% plan to improve the layout of online business. The participants also put the following issues on agenda: improving efficiency and efficacy of telecommuting (52.21%), raising digital marketing capabilities (41.59%), increasing investment in intelligent technology and products (35.4%) and providing more remote services (38.94%). In this sense, the epidemic is not just a disaster, but a driving force to make companies seek changes, expand growth space, open up new business areas and lead the digital era.

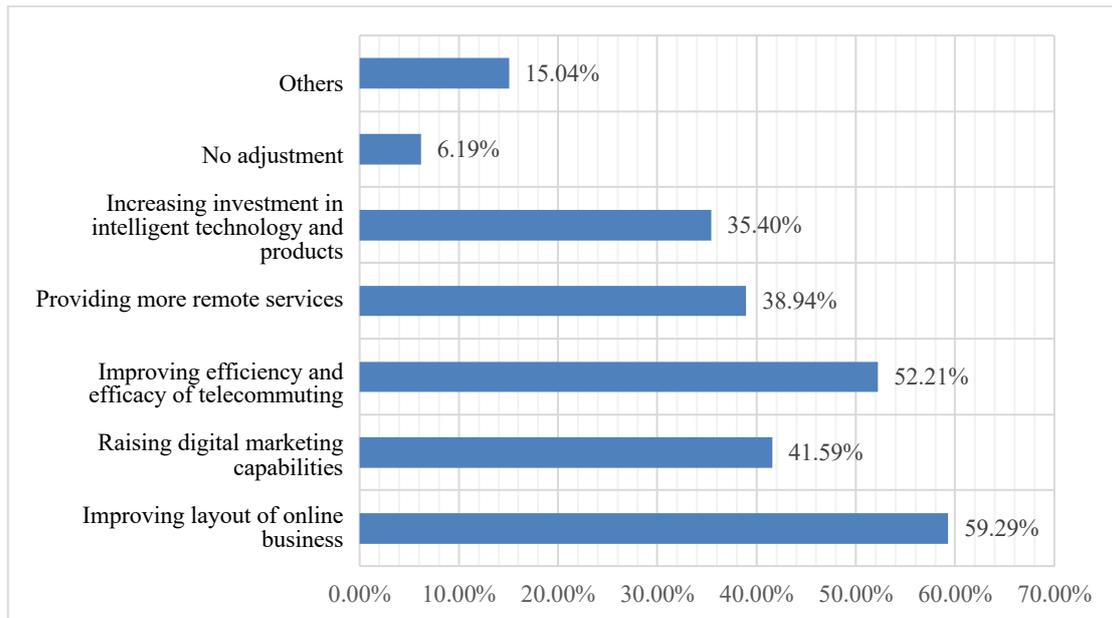


Figure 14. LSPs' plan to adjust business models

VI. Conclusions and recommendations

The survey results indicate that the COVID-19 epidemic has had a huge impact on LSPs in China. The language services industry will face certain downward pressure in the full year of 2012. The adverse spillover effect will surface in the second half of the year and pose severe challenges to some companies. On the basis of the results of this survey, we put forward the following recommendations for China's LSPs:

1. Regions hit less by the disease should resume work as early as possible for self-help instead of overreacting or waiting too long. They should seize the day to minimize the losses and costs caused by the epidemic. Our recommendation is to conduct dynamic management and take business-specific measures. Through resuming operation in an orderly manner, companies are expected to sustain their activities to prevent the "secondary disasters" like closure and layoff.

2. As upstream or downstream companies to support the large enterprises, the LSPs under safe conditions should resume operation as early as possible to ensure the production restoration of big firms.

3. Both the central and local governments have already introduced a slew of measures to help enterprises affected by the coronavirus epidemic. Major incentives include reducing or exempting the social insurance payment for SMEs from February to June and halving such payment of large companies, among others. Nevertheless, to help businesses sustain production and operation, more flexible and targeted measures should be applied to reduce the financial burden on SMEs, including tax and fees cut, financing support, as well as rent subsidies or reduction.

4. The LSPs should endeavor to explore the market, seek new opportunities, and develop new business, with a view to turning the impact into an impetus for their growth. Efforts could be made in enhancing strategic planning and carrying out training on improving telecommuting ability for employees, changing business models, and improving layout of Internet-based business.

Stay confident and work together for a bright future. We believe that the language services companies in China will surely rise to the challenges presented by the epidemic and embrace new development at a higher level.

The survey results are only for reference as there may still be errors that have evaded our effort due to limited time and our own scope of knowledge.

Sincere thanks to all the LSPs participating in this survey!

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