HIV/AIDS is affecting businesses in profound and costly ways. The epidemic poses a serious threat to global competitiveness for the South African private sector. Disease prevention and health promotion are not commonly thought to be business concerns, but HIV/AIDS is forcing a re-examination of this view.

The corporate sector’s motive is to make a profit, but HIV/AIDS is a factor that now needs to be considered, as it not only increases the costs of production but also affects the entire business environment. This chapter looks at the mechanisms by which this happens; existing responses and what could and should be done. Of particular concern is the issue of burden shifting – a global phenomenon whereby costs are shifted to the public sector and ultimately to individuals and households.

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Introduction

The cost of producing goods is a function of the cost of inputs such as labour, materials and utilities. The impact of HIV/AIDS may raise costs and reduce productivity for a number of reasons:

➣ Absenteeism – which includes more than employees missing work due to ill health. Women’s roles as caregivers will necessitate time off and funerals become a major source of lost time. Employees may force themselves to come to work for fear of losing jobs, but be effectively absent.

➣ Workers whose health is failing will be less productive and unable to carry out physically or emotionally demanding jobs.

➣ Replacements for employees who die or retire on medical grounds may be less skilled and experienced. Recruiting new workers will cost money and firms will also have to cover the associated training costs.

➣ Employers may increase the size of the workforce and hence payroll costs to cover for absenteeism.

Human Capital

The Actuarial Society of South Africa (ASSA) 2000 model estimated that in 2002 there were over 6.5 million South Africans infected with HIV. HIV prevalence is a forerunner to the AIDS epidemic, with morbidity and mortality due to AIDS, following HIV infection. In the absence of affordable, deliverable and effective treatment, those currently infected will fall ill and die. Prevention efforts do little to stave off this reality although they may have an impact on the epidemic in the longer term.

The Bureau for Economic Research, reviewing projections on population growth, concludes that the population could grow by as little as 1.5 million people between 2000 and 2015 – 10 million people fewer compared to a no-AIDS projection. The total labour force is projected to be almost 21% lower by 2015 compared to a no-AIDS scenario, resulting in the overall labour force remaining almost stagnant until 2015. The difference between an AIDS-inclusive and no-AIDS labour force by 2015 could be 16.8% in the case of highly skilled workers, 19.3% for skilled and 22.2% for semi- and unskilled workers.

Measuring the Impact of the Disease

A recent manual produced by Family Health International (FHI) sets out three general methods that can be used to measure the impact of HIV/AIDS on a company. The first involves conducting an HIV survey within the
confines of voluntary counselling and testing to determine the prevalence of HIV infection rates of staff within the workplace. This method is believed to provide the most detailed information to companies and as a result, companies are able to extrapolate data and project medical care, death benefits, recruitment and new training costs. This method does have inherent problems in that information regarding employees HIV status can create issues for labour relations. This method is also the most expensive option, as both the HIV test kits and analysis would cost money. These tests are also only a measure at one point in time. A person may become infected soon after being tested and the test does not indicate and provide information about the employee’s sexual behaviour. Similarly, this method requires a company to have access to voluntary counselling and testing (VCT) services to assist the HIV+ employees to get the services they need and HIV- employees to continue protecting themselves from the infection.

The second method of gauging the impact of HIV/AIDS on a company is to use the HIV prevalence rates for the country or region and assume that they mirror the prevalence rates of the company. This is the least accurate measure of company specific impacts, although it takes the least time and costs the least.

The third method is to identify and track company indicators. This is a very low cost option, but assumes companies keep up to date human resource and medical records, which can be used to monitor trends.

The indicators, which can assist businesses in assessing the impact of HIV on productivity and profitability, include:

Worker Absenteeism: as the employee enters the later stages of the infection, a person experiences increased periods of illness and absenteeism. Those employees caring for sick family members will also require time off work.

Employee Turnover: Retirement due to ill health or deaths can be monitored. These data can be costed and put together with that of hiring and training.

Medical Costs: Many companies offer medical assistance to their employees. This can be medical aid or insurance, medical cost reimbursement schemes or the provision of an on-site clinic. These costs should be easily tracked. A gradual increase in medical costs is expected in the absence of HIV/AIDS but any rapid increase can be associated with the AIDS epidemic.

Company Benefits: Benefits such as health insurance, life insurance and death benefits, will be affected. These benefits should be closely monitored by the Human Resources departments to ascertain the cost impact of HIV/AIDS.

Disruption of Production: When an employee falls ill and continues with his/her work commitments because they have no remaining sick leave, and the employees require their wages, production and service delivery could be disrupted. The training of new staff or the retraining of existing staff to fill a vacant position can impact on productivity and profits. Work disruption
should be monitored closely by supervisors while recruitment and subsequent training is a function of the Human Resources department.

The collection and monitoring of baseline data can give a company a good indication as to the impact HIV/AIDS has on the workforce and subsequently, on its profits. However, these numbers cannot be definitive as HIV/AIDS is not the only factor which may push up premiums or result in higher levels of absenteeism. But these data are important because they can help monitor changes once prevention mechanisms have been implemented.

**Costs**

HIV/AIDS will increase the cost of employee benefits, such as group life insurance, pensions and medical aid. Figure 1 shows how three benefits – a lump sum payment on death, a spouse pension and disability pension are likely to rise in the face of increased mortality and morbidity. In 1995 these benefits cost about 7% of payroll costs. By 2010 they would cost around 18%.

**Figure 1: Illustrative Impact of AIDS on Employee Benefits in South Africa**

HIV/AIDS means the cost of death benefits to retirement funds could rise within five years to more than four times the 2001 cost. Fund investment strategies would need to be reassessed to cater not only for the impact on members and on liquidity, but also for the impact of the disease on the economy. This would be further exacerbated by the significant increase in death benefits paid out over the next few years, which would change the liquidity needs of most retirement funds.²

Some companies are looking to support selected employees on the grounds that it is more cost-effective to provide antiretroviral therapy to those employees above the level of supervisor and that for any employee below these levels, it would be more economically prudent to outsource these
functions. This move will shift the costs as well as the burden of the disease on to the individual worker. These issues need special consideration in the light of South Africa’s commitments to human rights and non-discrimination on the one hand, and economic growth on the other.6

The United States Agency for International Development (USAID) funded study conducted by Boston University, researched five large enterprises in South Africa and Botswana. The aim of the research was to extrapolate information on the potential costs of AIDS in the private sector. The study estimated the cost of AIDS to business, put side by side, with the benefits of prevention and treatment. It took account of company specific data on employees, costs, and HIV prevalence amongst the workforce.

The five companies surveyed were able to provide detailed human resource, financial, and medical data and carried out voluntary, anonymous, unlinked HIV prevalence surveys of their workforce. The methodology used to cost these five companies is illustrated in Figure 2. In order to conduct a costing of this nature a number of baseline assumptions had to be made, and these included: HIV incidence would peak in 1999 and decline after that year, HIV prevalence would stabilise in 2002 or 2003, AIDS mortality would climb until 2005 or 2006 and then stabilise, and that the median survival time was nine years.

Figure 2: Costing Methodology

A) Data input—projections based on company’s human resources data

Number of employees in the workforce

B) Data input—projections based on HIV seroprevalence survey

HIV incidence (probability that an employee is newly infected)

C) Calculation—product of A and B

Number of new HIV infections among employees

D) Data input—analysis of company and external data

Number of new HIV infections among employees

Cost to the company of a new HIV infection

E) Calculation—product of C and D

Total cost to the company of new HIV/AIDS infections among employees

It must be pointed out that an incidence costing method was used, i.e. once an employee becomes infected with HIV, the company is committed to certain costs associated with that infection, e.g. sick leave, productivity loss, supervisory time, disability, death, medical benefits and turnover. Furthermore financial assumptions are made when calculating the cost and these include:
the use of a company’s own discount rate\textsuperscript{c} which can be anything between 4\%-10\%; there are no major market or price changes; salaries, benefits, and other monetary values are held constant in real terms; there are no changes in the core business structure or operations and that non-AIDS turnover has little effect on costs. Table 1 illustrates the characteristics and results of the five companies.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Heavy Manufacturing</th>
<th>Agribusiness</th>
<th>Mining</th>
<th>Mining</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce size (number of employees)</td>
<td>&gt;25 000</td>
<td>5 000 - 10 000</td>
<td>&lt;1 000</td>
<td>&gt;1 000</td>
<td>&lt;1 000</td>
</tr>
<tr>
<td>Estimated HIV prevalence 2002 (%)</td>
<td>9.9</td>
<td>24.4</td>
<td>33.6</td>
<td>24.1</td>
<td>11.2</td>
</tr>
<tr>
<td>Cost per infection by job level (present value, 2001 US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unskilled/semi-skilled</td>
<td>32 393</td>
<td>4 439</td>
<td>10 732</td>
<td>9 474</td>
<td>4 518</td>
</tr>
<tr>
<td>Technician/artisan</td>
<td>50 075</td>
<td>6 772</td>
<td>17 972</td>
<td>14 097</td>
<td>11 422</td>
</tr>
<tr>
<td>Supervisor/manager</td>
<td>83 789</td>
<td>18 956</td>
<td>63 271</td>
<td>45 515</td>
<td>24 149</td>
</tr>
<tr>
<td>Average cost per infection (multiple of median salary)</td>
<td>4.3</td>
<td>1.1</td>
<td>5.1</td>
<td>2.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Liability acquired in 2002 (future cost of incident infections) (% of payroll)</td>
<td>5.0</td>
<td>2.4</td>
<td>9.4</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Undisclosed cost of prevalent infections in 2006 (% of payroll)</td>
<td>4.8</td>
<td>18.1</td>
<td>12.2</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>

Costing Example:

**The Lesedi Project:**\textsuperscript{8} The Lesedi Project worked in partnership with the Harmony Gold Mining Company, USAID/AIDSCAP, the National Reference Centre for STD, the Institute of Tropical Medicine, Antwerp, Pfizer Pharmaceuticals, the South African National HIV/AIDS and STI Programme, provincial and local health departments.

The Project ensured that miners who had symptoms of STI were treated promptly using the syndromic management approach. Additionally, women at high risk of contracting STI were offered monthly treatment with a single monthly oral dose of 1 gram of azithromycin. This antibiotic was given to all women with their consent even if they were asymptomatic. Women with

\textsuperscript{c} In the absence of inflation, a Rand in the future is worth less than a Rand today, and must be ‘discounted’ by an amount that depends upon the interest rate and when the money is receivable. This is commonly referred to as the discount rate.
symptoms were managed according to the syndromic management guidelines. A cost-effectiveness assessment was conducted using a computer model to estimate the number of HIV infections that would have occurred in the community without this intervention. It was estimated that 235 HIV infections were averted (40 women and 195 men), i.e. a 46% decrease in estimated HIV infections. In terms of averted HIV/STI-related medical costs, an estimated R2.34 million was saved. This was a massive saving compared with the relatively small cost of the intervention (R268 000). The project has shown that targeted STI interventions are a cost-effective means of preventing HIV infections.

Company Responses

One study suggested that employer responses to the epidemic were strongly linked to the size of the workforce. Those companies who employed fewer than 100 employees were reporting very little in the way of substantive interventions. The study observed that employers with a workforce between 100 and 500 were doing well in terms of education and awareness programmes but fell short when it came to conducting risk assessments. The summary of the employer response to this epidemic is shown in Table 2.

Table 2: Summary of employer responses based on selected questions (Size of the company and employers’ responses)

<table>
<thead>
<tr>
<th>Employer Response (Categories assessed)</th>
<th>Less than 100</th>
<th>Between 100 and 500</th>
<th>Above 500</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordination with industry associations</td>
<td>29.0%</td>
<td>37.9%</td>
<td>60.0%</td>
<td>45.5%</td>
</tr>
<tr>
<td>Formulating an HIV/AIDS strategy and policy</td>
<td>6.5%</td>
<td>51.7%</td>
<td>82.0%</td>
<td>52.7%</td>
</tr>
<tr>
<td>Risk assessment</td>
<td>6.5%</td>
<td>6.9%</td>
<td>52.0%</td>
<td>27.3%</td>
</tr>
<tr>
<td>Programmes for support of HIV infected people</td>
<td>21.3%</td>
<td>42.1%</td>
<td>64.8%</td>
<td>46.5%</td>
</tr>
<tr>
<td>HIV/AIDS awareness/education programmes</td>
<td>25.8%</td>
<td>72.4%</td>
<td>86.0%</td>
<td>65.5%</td>
</tr>
<tr>
<td>Monitoring and reporting</td>
<td>3.2%</td>
<td>17.2%</td>
<td>48.0%</td>
<td>27.3%</td>
</tr>
</tbody>
</table>

The study concluded that at an individual organisational level, the responses lacked focus and as a result, would prove less effective. Areas requiring attention were:

➤ Surveillance data, which permits companies and society in general to develop effective responses to the disease, are poorly developed in South Africa
There are no viable fora to share the private sector data and collaborate with Government in leveraging these data in the fight against HIV/AIDS

Very limited use of KAP (knowledge, attitude and practices) studies in South Africa

Limited use of peer educators

Domestic initiatives were thought to be too limited to seriously impact on behaviour change which internationally is emphasised as a key thrust to fighting HIV/AIDS

The treatment of STI is under-developed in South Africa

Condom distribution via South African employers is weak by international standards i.e. those stipulated through the code of good practices as laid down by the International Labour Organisation (ILO).

Research by Ebony Consulting International (ECI) on small and medium enterprises (SMEs) looked at the impacts this epidemic has on their workforce. The study revealed that owners and managers of SMEs are aware of the effects of HIV/AIDS on their workforce but very few of them were developing strategies to mitigate this impact. The study suggested that the challenges for small businesses were around the problem of developing a programme that was both appropriate and affordable for the size of the firm. In-depth programmes were feasible and affordable for larger corporations but not so for smaller companies. The study called for research and development to be applied and easily adaptable for a SME workplace programme.

These and other studies and surveys have been publicised and there is a growing awareness within the corporate sector that this epidemic will impact adversely on their business practices. However, there is a sense that everyone is waiting to see what other businesses and their competitors are doing before initiating a comprehensive plan to respond to the epidemic. Although awareness is growing within the private sector, there are still many employers who fail to institute any form of programme or awareness raising activity within the workplace.

Among companies which have taken some initiative, most responses take the form of a simple awareness or prevention activity, for example, the distribution of condoms and educational material. It is unfortunate that for many companies, this is where the response ends. However, there are some who offer a beacon of light in terms of a comprehensive response. They have seized the initiative and developed and implemented a policy which safeguards employees from unlawful and unfair acts on the part of the employer, while setting out a plan to respond to the epidemic.

These benchmarks or ‘best practices’ provide a framework from which companies can develop their response to the epidemic. This cannot be done in isolation and must take cognisance of such entities as the pharmaceutical
companies who play a major role in the care and treatment of infected employees. The possibility of establishing partnerships and the social outreach embarked upon by companies, play a critical role in mitigating the impacts HIV/AIDS has on a company’s employees, and the community at large.

Workplace Policies and Programmes

It is not important whether a policy precedes a programme or visa versa. Both a company’s policy and its programme are critical responses to the epidemic and will evolve over time, as necessitated by conditions. Where programmes already exist, it is not necessary for them to be put on hold in order for a policy to be adopted. A programme, can in fact, inform policy decisions.³

An HIV/AIDS policy defines an organisation’s position and practices for preventing HIV transmission and for handling HIV infection amongst employees. This policy should provide guidance to supervisors who deal with day-to-day issues and problems that arise in the workplace. Furthermore, the policy should inform employees about their responsibilities, rights and expected behaviours on the job.³

The prevention, treatment and care programme, however, is the core of an organisation’s response to the epidemic. The programme’s activities will be informed and sustained by well-designed policies. The HIV/AIDS prevention, treatment and care programme seeks to inform employees about HIV/AIDS, promote behaviour changes and reduce and manage the spread of HIV. Effective HIV/AIDS programmes do not consist of once off events, but rather build on coordinated activities and services.³

The development of a comprehensive workplace programme would comprise a list of the following components, which relate to prevention, care and support activities.

- **Raising awareness activities** such as displays, distribution of pamphlets, industrial theatre, and getting actively involved on Nationally recognised days set aside for AIDS awareness activities like; World AIDS Campaign/World AIDS day and AIDS Week. Industrial theatre has proven useful at petrol stations.

- **Peer education**: This is a successful tool in changing behaviour amongst employees. Employees will respond better to an HIV/AIDS policy and programme, as the peer counsellors will usually share a common cultural and communal background and, therefore, are better equipped to communicate in a more effective manner.

- **Condom promotion and distribution**: This is often the first response companies have taken in an attempt to prevent new infections. However, condom distribution must be done hand in hand with condom education. Condoms must be accessible to employees in places within
the workplace where workers feel comfortable that they are not being monitored or observed.

- **Voluntary testing and counselling** must be promoted either as an on site service or in the community.
- **Management of STI** must be optimal, as part of a workplace health service or in the community.
- **An infection control programme**, specifically focusing on health care providers and first aid personnel.
- **A wellness programme** for infected employees consisting of ‘positive living’ elements and medical management.

### Policy and Programme Example

Anglo American has made considerable strides in developing a policy and implementing programmes aimed at mitigating the impact HIV/AIDS is having on their workforce. It was estimated that between 25% and 30% of its 44 000 South African employees, depending on the location, were HIV positive. The epidemic was believed to be adding between $4/oz and $6/oz of gold to the cost of production. This led to the development of a comprehensive response and took the form of a three-tier mitigation strategy.

The first tier aimed at prevention management to restrict the spread of HIV/AIDS. This is being done through education, promotion of condom usage and the treatment of STI. The second tier focused on caring for those infected through voluntary counselling and testing, wellness clinics, the treatment of opportunistic diseases together with a compassionate ill-health retirement system for those employees who are unable to work. Thirdly, the program advocated health research which sought to inform the company’s management of occupational health issue in the field of TB and HIV/AIDS. This meant that Anglo American are able to keep abreast of any health developments in the fields of TB and HIV/AIDS, and further ensure that mine workers receive timely and up-to-date treatment.

In 2002 Anglo American took a landmark step in signing a comprehensive agreement on the management of HIV/AIDS in the workplace with 5 unions, including the National Union of Mineworkers (NUM). At the end of July 2002, AngloGold acknowledged that it had pursued the opportunities of conducting a feasibility study on the provision of antiretroviral drugs in partnership with other role players in the industry. This agreement ensures that the company together with the union undertakes to work together in order to accelerate these efforts. This has since culminated in the decision to provide antiretroviral therapy to those employees who are infected with the HIV virus.

### Managing the Impact of HIV/AIDS on a Company

It is imperative that managers and employees are updated on information or new developments about HIV/AIDS. The updating of the HIV/AIDS programme while maintaining the visibility of its various activities and components will demonstrate openness about the disease and its human consequences. This will go a long way in demonstrating the company’s commitment to its policy and programmes.

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The ultimate value of company’s human resources is the ability to fulfil job functions efficiently. This ability comes from innate skills, prior education, experience and accumulated on-the-job training. Companies can safeguard against the loss of these skills by:

- Training two or more employees to perform one or more selected functions (multi-tasking)
- Providing antiretroviral therapy to employees and their dependants, thus managing their illness and prolonging their life and time on the job
- Altering internal production and/or supervisory processes to accommodate potential disruptions, e.g. streamlining ordering or accounting functions
- Intensifying prevention efforts and in the process working with community based programmes.3

The minimisation of the impact on company benefits is high on the priority list of employers. Companies are faced with difficult decisions and have to examine the trade-offs involved in reducing benefits. Some benefits are difficult to reduce or redefine, as their provision is a legal requirement. Some companies with retirement plans have encouraged ill employees to take early retirement and live on their pensions. This process must be carefully managed as although this may result in a marginal decrease in company health care costs, these retirement accounts could be over utilised resulting in less money for other retirees. It must be noted that the above scenario is applicable for those companies with a defined benefit contribution.

While companies are attempting to minimise the impact HIV/AIDS has on their benefit schemes, they also need to prevent income losses. The example used by FHI was ‘a convenience store’. A store could curtail consumer credit to reduce losses from non-payment of debts, however, fewer people might buy thus resulting in no real savings for the store. Insurance companies are faced with similar predicaments. Consumers have shown a reluctance to buy health or life insurance if the companies require an HIV test. Companies that limit access to certain policies may find consumers uninterested in other services or policies, which the company may offer.4

Best Practice Case Study: Debswana 200211

The Debswana Diamond Company (Pty) Ltd is the largest company in Botswana with a total of 6 169 employees. The threat of HIV/AIDS has long been recognised by Debswana. AIDS education and awareness activities began in 1988 in response to the first AIDS cases experienced at the Debswana Mine hospitals. Education was initially carried out by a team of medical doctors and nurses on a part-time basis, and was aimed at health care workers.
A small-scale Knowledge, Awareness and Practice (KAP) survey was conducted which highlighted the need to extend this education programme to the rest of the workforce. This programme was extended in 1991 and included families of employees. It included the use of posters, the distribution of pamphlets, use of multi-media, and motivational talks by people living with HIV/AIDS (PWA), seminars and workshops.

Between 1996 and 1999, the company management noticed an increase in HIV/AIDS related morbidity and mortality in the workforce. In 1996, 40% of retirements and 37.5% of deaths, within the company, were due to HIV/AIDS; by 1999 the rates had risen to 75% and 59.1% respectively. Company hospitals reported an increase in the number of patients with HIV/AIDS related conditions while, at the same time, absenteeism and under-performance were on the rise.

In 1999, the company decided to review its interventions and carried out a survey to ascertain the number of infected employees. This voluntary anonymous saliva test survey was to establish the HIV prevalence rates by job grade and age. Prior to the survey, protocols were discussed with employees and their respective unions. The company sold the concept to the employees on the basis that the survey would be used to help determine what form of treatment the company could provide to infected employees and their dependants.

The survey showed an overall HIV prevalence rate of 28.8%. HIV prevalence was highest amongst the lowest skilled workers and among the 30-34 years age category. Following the survey, the company conducted an audit of HIV infection in relation to skills levels of employees. The purpose was threefold. First, the audit was designed to assess future training and skill replacement needs. Secondly, it sought to identify critical posts in the company, in order to assist the planning of risk reduction strategies. Thirdly, the audit was designed to enable the company to assess options for and costs of interventions, notably, the treatment of HIV infected workers and their spouses.

At the conclusion of the audit, the management of Debswana had a clear understanding of its problems, potential liabilities to the employees, obligations and commitments. This lead to the company taking key strategic decisions, one which was to cover 90% of the costs of antiretroviral therapies (ART) for workers and their spouses. This was a ground-breaking response and one which stands as a benchmark for all firms.

Debswana have gone further and established a HIV/AIDS management system (AMS 16001) in response to urgent customer demand for an international recognisable HIV/AIDS management system to which their AMS can be assessed and certified. The AMS has been developed to be compatible with the ISO 9001:1994 and the ISO 14001:1996 management systems standards as well as the OHSAS 18000, in order to facilitate the integration of quality environmental and occupational health and safety management systems of
organisations.

There are a number of elements that make up a successful HIV/AIDS management system. These elements are shown in Figure 3.12

Figure 3: Elements of the AMS 16001

Pharmaceutical Response

In May 1999, Bristol-Meyers Squibb, a large pharmaceutical company announced that it would spend $100 million over five years to combat HIV/AIDS in Africa. This remains the single largest corporate contribution made in an effort to curb the epidemic. The money is used for research and community outreach programmes in five Southern African countries.

Post 1999 there has been a public outcry aimed at those pharmaceutical companies who have attempted to make a profit by selling their products to PWA. The Levy Report indicated that a key focal point from 2000 onwards was the pharmaceutical groups and their pricing and licensing policies. The year 2001 witnessed a growing agitation both locally and globally for these groups to reduce the Third World prices of the antiretroviral drugs. These pharmaceutical groups have adopted a two tier pricing structure. In for profit situations, they expect to recover a sizeable margin on antiretrovirals. However, in the expanded access scenario (when drugs are made available

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e Publications referred to during the development of these standards included:
- ISO 14001: 1996 Environmental management systems – specification with guidance for use
- ISO 9001: 1994 Quality systems: Model for quality assurance in design, development, production, installation and servicing
- OHSAS 18000: 1997 Requirements for Safety and Health Management Systems
by governments to the very poor) they are prepared to sacrifice that profit margin. It is very difficult to quantify what the pharmaceutical companies are sacrificing in terms of profit, as it would depend, largely, on the particular drugs being sold, to whom the drug is sold and on the pharmaceutical companies themselves.

By the second quarter of 2001, a combination of moral persuasion and political pressure induced major international groups to massively lower their expanded-access prices. Governmental response in South Africa was muted and it has been suggested that this was due to the fact that government held the belief that any therapeutic approach would prove unaffordable and unsustainable in Third World countries.\textsuperscript{13}

The announcement that Anglo American Corporation was prepared to investigate the cost-effectiveness of distributing antiretrovirals as part of a strategic response, resulted in pharmaceutical groups indicating that it may be possible to widen their expanded access definitions. This would cover antiretroviral distribution in the private sector as long as any was not for profit. This in turn, created a ripple effect where other companies announced their readiness to investigate the use of antiretrovirals in their own HIV/AIDS programmes. Qualified backing for these initiatives was given by COSATU.

Treating HIV positive employees has been proven to be a cost-effective measure for companies, but there needs to be a closer collaboration between the private sector and pharmaceutical companies in order to negotiate affordable prices and ensure sustainability.\textsuperscript{13}

A company cannot act in a vacuum and must seek partnerships and form coalitions through which they can negotiate with pharmaceutical companies to distribute drugs effectively and to price them reasonably. Companies should:

\begin{itemize}
\item Prioritise HIV/AIDS in their strategic planning
\item Actively seek out all opportunities for reducing HIV/AIDS treatments costs
\item Continue to develop systems to ensure rational use of drugs, and in particular antiretrovirals, as part of an integrated approach responding to the epidemic
\item Develop mechanisms for drug price negotiation at a regional and national level with other stakeholders.\textsuperscript{14}
\end{itemize}

**Company’s Role in Prevention Campaigns**

HIV/AIDS threatens not only present consumer markets but also future markets. Many of the major companies around the world are the foremost communicators, demand creators and the distributors of goods and services. It is precisely these skills that are needed to combat the spread of HIV/AIDS.
It is evident that some of the world’s greatest mass-marketing companies not only have communication capacities that can help communicate the message about HIV/AIDS through social marketing, but they also command effective distribution systems. For example, Coca-Cola can get its products into small villages that departments of health find extraordinarily difficult to service due to their inaccessibility. These and other such channels could be used for condom distribution and education campaigns here in Southern Africa.\textsuperscript{15}

Companies have a number of avenues through which to address the issue of HIV/AIDS. For example, television is a very powerful tool for portraying a particular message. The oil industry together with automotive companies often spend large amounts of money promoting road safety, and this concern for preventative education measures on the road could easily be applied to the spread of HIV/AIDS at rest and refuelling stops.\textsuperscript{15}

**Burden Shifting**

Not all companies choose to take up the torch of ‘social investment’, some choose to shift the AIDS burden cost to the public sector, households and to the individual. This shift may manifest itself in undisclosed pre-employment screening to exclude those with HIV from entering the workforce, reduced employee benefits, restructured employment contracts, outsourcing of less skilled jobs, selective retrenchments and changes in production technologies that substitute capital for labour. This enables the private sector to reduce their share of the economic cost of HIV/AIDS.\textsuperscript{16}

Rosen et al.\textsuperscript{7} point out that when an employee-subsidised health insurance plan, caps benefits for HIV disease at far less than the cost of the treatment needed, employees with HIV must either pay for their own treatment, rely on government subsidised services, community centres, non-governmental organisations (NGOs) or forgo treatment altogether. Government, together with NGOs, will only be able to meet some of the demands placed on them by those employees whose subsidies have run out. Inevitably, the cost of care will fall squarely on the household and the individual.

It can be argued that companies who decide to manage these costs have three avenues open to them. Firstly, a company can invest in HIV prevention programmes, which reduce the incidence of the infection within the workforce. Following on from this, a company can institute a wellness programme, which provides for treatment, care, and social support to employees both infected and affected by the epidemic. Finally, companies can alter their benefit policies, contract structures, and hiring practices to reduce the exposure to AIDS-related costs.

Rosen et al. make reference to a study conducted by Old Mutual in 1999, which asked 15 defined contribution funds; if and how they were responding to the rising cost of death and disability insurance. Their responses are illustrated in Figure 4.
A defined benefit pension fund provides a fixed lifetime annuity to the spouse left behind by an employee who died of AIDS, regardless of how many years the employee has worked at the company or the employee’s age at death. Defined contribution provident funds make a one-off payment of the sum of the employee’s contributions and employer contributions up to the last day of employment. This translates into the scenario whereby beneficiaries of younger employees with AIDS would receive a reduced one-off payment. It is this transference of employees from defined benefit to defined contribution retirement funds which has been one of the most common ways for firms to avoid the costs of HIV/AIDS.

A survey of 800 retirement funds carried out by Sanlam, a South African financial services firm, in 2000, found that 71% of the funds were defined contributions, compared to just 26% in 1992.

Further surveys reveal that companies are currently reviewing their health care benefit systems whilst some have restructured them by shifting more of the cost onto employees, capping company contributions, and/or reducing the benefit levels.

Outsourcing has long been a characteristic of the South African private sector. Companies outsource the non-core activities of the company to independent firms or contractors. Studies reveal that the mining and agribusiness sectors are very large contractors of independent labourers, who provide the service of full time employees but receive few of the benefits that accrue to them. It is difficult to determine whether what has been described above is as a result of an evolutionary shift in labour practice brought on by globalisation and the concept of profit maximisation, or indeed as a result of the HIV/AIDS epidemic. Rosen et al. describes how the second half of the 1990s unearthed a combination of rising labour costs from new legislation, together with affirmative action targets leading to high rates of employment turnover. This occurred while health care costs rose and South Africa opened itself up to the global markets. These factors encouraged companies to restructure their workforces, reduce production costs, limit employee benefits and shift.
to more capital-intensive production technologies. They shift cost from the private sector to the public sector and households.\textsuperscript{16}

Conclusion and Recommendations

Each company will have its own unique characteristics, be it geographical, ethnic diversity, size or practice. It therefore becomes important for a company to carefully develop a policy and programme which will best suit the needs of its workforce.

The business sector is advised to have broad-based programmes which address issues of prevention, treatment, care and support. It is possible to redesign employee benefits to use the resources to target the needs of workers without a significant increase in contributions. A workplace environment should be safe for employees should they wish to disclose their HIV status or come forward for company assistance. A community orientated approach, which takes cognisance of the context in which employees live, contributes to an effective programme. Here there is much potential for partnerships with the NGO sector.\textsuperscript{f}

Partnerships play an integral role in workplace mitigation efforts and often form the cornerstone of a good response. “The stigma and discrimination around HIV/AIDS demand meaningful responses from the public and private sectors. It is clear that no one sector alone can make a significant inroad in the fight against the epidemic. A true partnership involving the government, the private sector and the community is essential to face the problem. The business community is now realising that its very survival depends on how effectively it joins forces with other partners to face the problem.”\textsuperscript{4}

When discussing the merits of fostering partnerships it is important for the company to recognise the value of what is termed ‘social investment’. A company’s sustained involvement within the community, not only helps reduce risk to employees, but also promotes a healthy lifestyle. This in turn can enhance the company’s reputation for social responsibility with public officials, local customers and other community members.

The time to act is now. Companies must ensure that they develop the infrastructure to implement comprehensive strategies and plans to fight against the impact HIV/AIDS will have on their workforce. “The HIV/AIDS epidemic should teach South African business one thing: pro-active rather than simply responsive action. The difference will essentially decide who wins the battle.”\textsuperscript{4}

\textsuperscript{f} For instance, Enthembeni is an NGO that can assist companies in implementing strategies. These approaches emerged from the Symposium on HIV/AIDS in the Place of Work, Durban International Convention Centre, 29 March 2001.
References


