

The Private Sector and HIV/AIDS in Africa: Taking Stock of Six Years of Applied Research

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Background

- Boston University and African collaborators began conducting research on the impact of HIV/AIDS on organizations in 1999.
- Body of work now includes large companies, small companies, and government agencies in 7 countries.
- Objective of this paper is to synthesize the private sector findings, draw general conclusions, and identify research needs.
- Comparison to public sector agencies in Zambia included in this presentation for perspective.
- Sample is not representative of all countries or sectors.
- Sources listed at end of presentation.

Summary of Key Private Sector Findings and Conclusions

Large Companies

Sector	Country	Size	Estimated HIV prevalence	Cost per AIDS death or retirement (multiple of annual compensation)	Aggregate annual costs (% of labor costs)
Retail	South Africa	500	10.5%	0.7	0.5%
Agribusiness	South Africa	7,000	23.7%	1.1	0.7%
	Uganda	500	5.6%	1.9	1.2%
	Kenya	22,000	10.0%	1.1	1.0%
	Zambia	1,200	28.5%	0.9	1.3%
Manufacturing	South Africa	1,300	14.0%	1.2	1.1%
	Uganda	300	14.4%	1.2	1.9%
	Ethiopia	1,500	5.3%	0.9	0.6%
	Ethiopia	1,300	6.2%	0.8	0.6%
Media	South Africa	3,600	10.2%	1.3	1.3%
Utility	South Africa	>25,000	11.7%	4.7	2.2%
Mining	South Africa	600	23.6%	1.4	2.4%
	Botswana	500	29.0%	4.4	8.4%
Tourism	Zambia	350	36.8%	3.6	10.8%

Small and Medium Sized Companies

Country and sector	So. Africa, multiple	So. Africa, industrial	Zambia, tourism	Zambia, agriculture	Kenya, agriculture
Description of sample					
Sample size	80	34	30	29	19
Median workforce size	48	53	27	46	17
% unskilled workers	31%	31%	36%	63%	85%
Estimated HIV prevalence	13.7%	9.8%	24.3%	26.4%	10.0%
Attrition (employee turnover)					
Average annual attrition due to ill health or death (any cause)	1.4%	0.9%	1.7%	1.2%	3.7%
Proportion of total attrition attributable to ill health or death	10.4%	10.1%	14.5%	8.2%	45.2%
Managers' views					
% of managers who believe AIDS is having little or no impact on their companies	n.a.	85%	65%	63%	72%
Managers' ranking of AIDS as a business concern	9 th	9 th	5 th	7 th	3 rd
% of companies that had ever discussed AIDS as business issue	38%	26%	47%	41%	37%

Provision of HIV/AIDS Services

Sample	Education, information	Other prevention	Payment for private ART*
Small and Medium-Sized Companies			
South Africa sample (Gauteng and KZN Provinces 2004)	15%	18%	0%
Uganda sample (national 2004)	54%	35%	27%
Zambia tourism companies (Livingstone District 2005)	47%	47%	17%
Zambia agribusiness companies (Central Province 2006)	55%	55%	28%
Kenya agribusiness companies (Kericho District 2005)	32%	21%	0%
Very Large Companies in South Africa (≥ 6,000 Employees, Late 2004)			
Mining, manufacturing, financial services sectors			70-100%
Retail and transport/storage/ communications sectors			20-50%
Construction and services (e.g. security, cleaning) sectors			0%

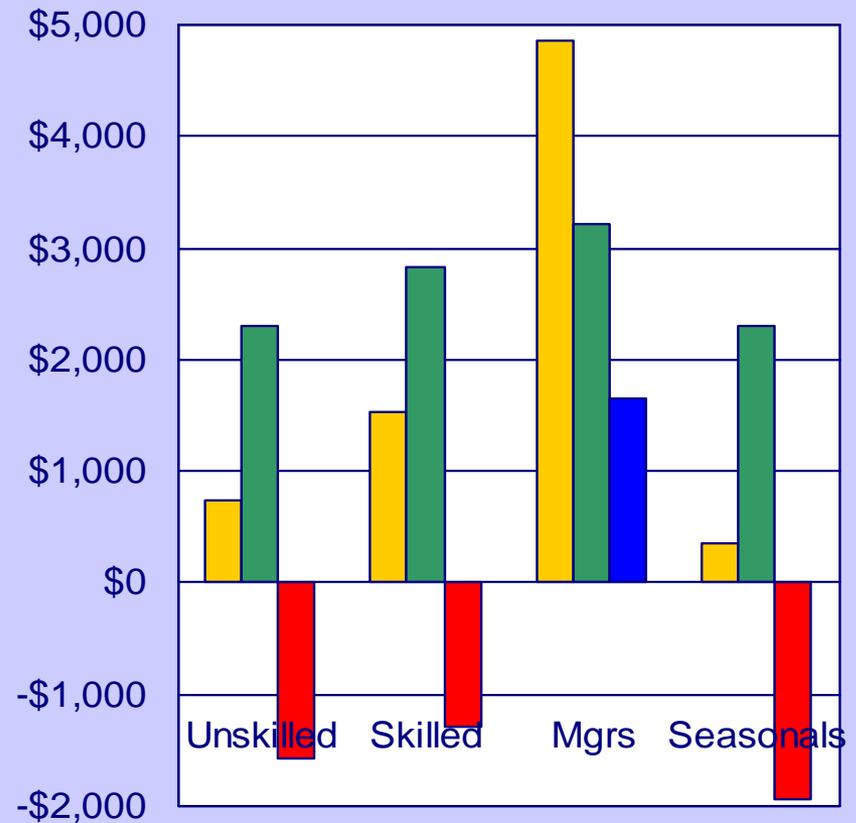
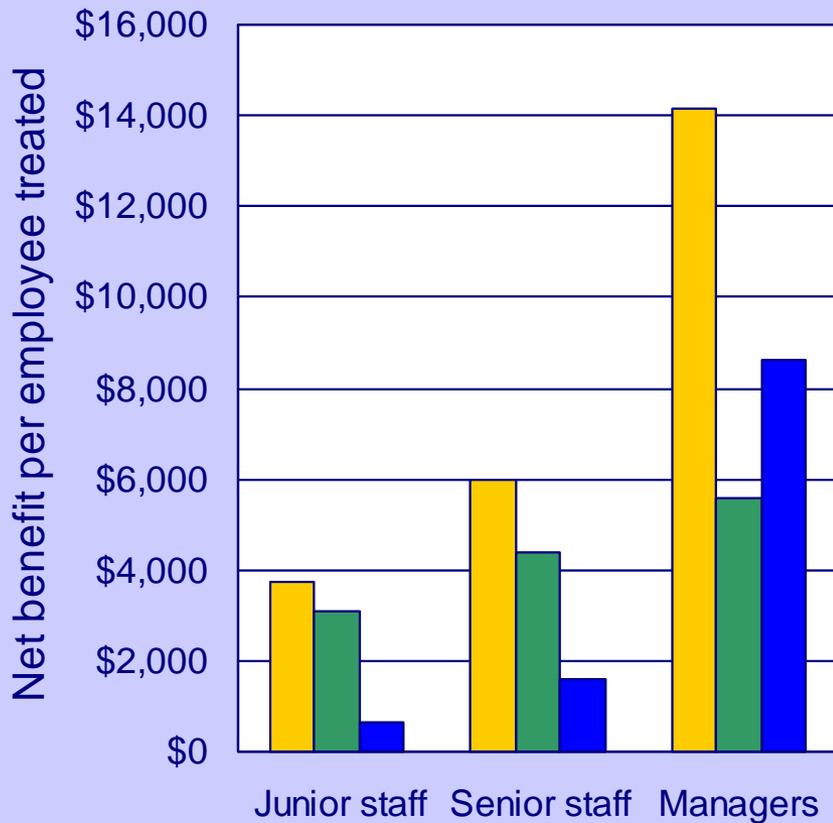
*Excluding co-payment for medical aid, which <1/3 employees join.

Returns to Investment in Treatment

If treatment costs \$360/patient/year...

Tourism Company in Zambia

Agriculture Company in Zambia



Cost without treatment

Cost with treatment

Net benefit (cost)

What Are the Implications for Private Sector Employment?

If the cost of labor to companies increases by $\approx 2-3\%$, what will be the impact on employment and wages?

- Unskilled workers:
 - Most countries have a pool of unemployed surplus labor.
 - Wages unlikely to change.
 - Number of workers employed will fall, but probably by less than the increase in labor costs.
- Skilled workers:
 - Most countries have a skills shortage; all skilled workers are already employed.
 - Deaths of skilled workers causes number employed to fall.
 - Wages may increase or decrease.
 - For an agricultural company in Kenya in which labor costs increased by 3%, wages predicted to fall slightly ($<1\%$) and long run total employment to fall more (3.4%).

Conclusions

- The impact of HIV/AIDS on firms' labor costs has so far been real but moderate: 1-3% for most, more for a few.
- A few variables explain most of the differences in costs among firms: HIV prevalence, skill level of workforce, employment conditions (contracts, benefits).
- Responses to AIDS are also associated with consistent company characteristics (size, ownership, leadership).
- Treatment is a good investment for many employers.

Conclusions (Continued)

- Employer provision of treatment can make sense even when public sector treatment is available.
- Businesses have other ways to respond to the cost of HIV/AIDS (“shifting the burden”).
- For most small and medium-sized companies, HIV/AIDS is not a pressing issue.
- Small and medium sized companies do not have the resources to develop HIV/AIDS programs.

Comparison of Private and Public Sector Impacts: Evidence from Zambia

Data Sets for Comparison

- Two large private sector companies:
 - Commercial agriculture company in Central Province
 - Tourism company in Livingstone (Sun International)
- Two public sector agencies:
 - Zambia Wildlife Authority (ZAWA)
 - Central Board of Health (CBoH) (Lusaka and Kasama Districts and University Teaching Hospital, professionals only)

Comparison of Results

Site	Size	HIV prev. (est. from DHS)	Expected mortality (10% of prev.)	Observed mortality	Cost per termination (multiple of annual comp.)	Aggregate annual costs with expected mortality (% of labor costs)	Aggregate annual costs with observed mortality (% of labor costs)
Private sector							
Agriculture co. (2005)	1,200	28.5%	2.8%	1.0%	0.9	3.6%	1.3%
Tourism co. (2005)	350	36.8%	3.7%	0.7%	3.6	10.8%	2.3%
Public sector							
ZAWA (2005)	1,450	31.2%	3.1%	3.1%	4.8	14.2%	14.2%
CBoH (2003)	2,300	23.3%	2.3%	3.1%	0.8	2.7%	3.6%

How Do the Public and Private Sectors Differ?

- Flexibility of response
 - Private sector can mitigate the impact of AIDS:
 - Raise prices.
 - Change product lines.
 - Relocate.
 - Change terms of employment contracts, hire temporary labor, outsource non-core tasks, substitute capital for labor.
 - These strategies are rarely available to government.
 - AIDS leads to diminished quantity and quality of government services delivered.
- Access to services
 - Private sector can purchase or produce HIV/AIDS services needed by employees.
 - Government agencies usually lack the budget or authority to act.

Research Agenda

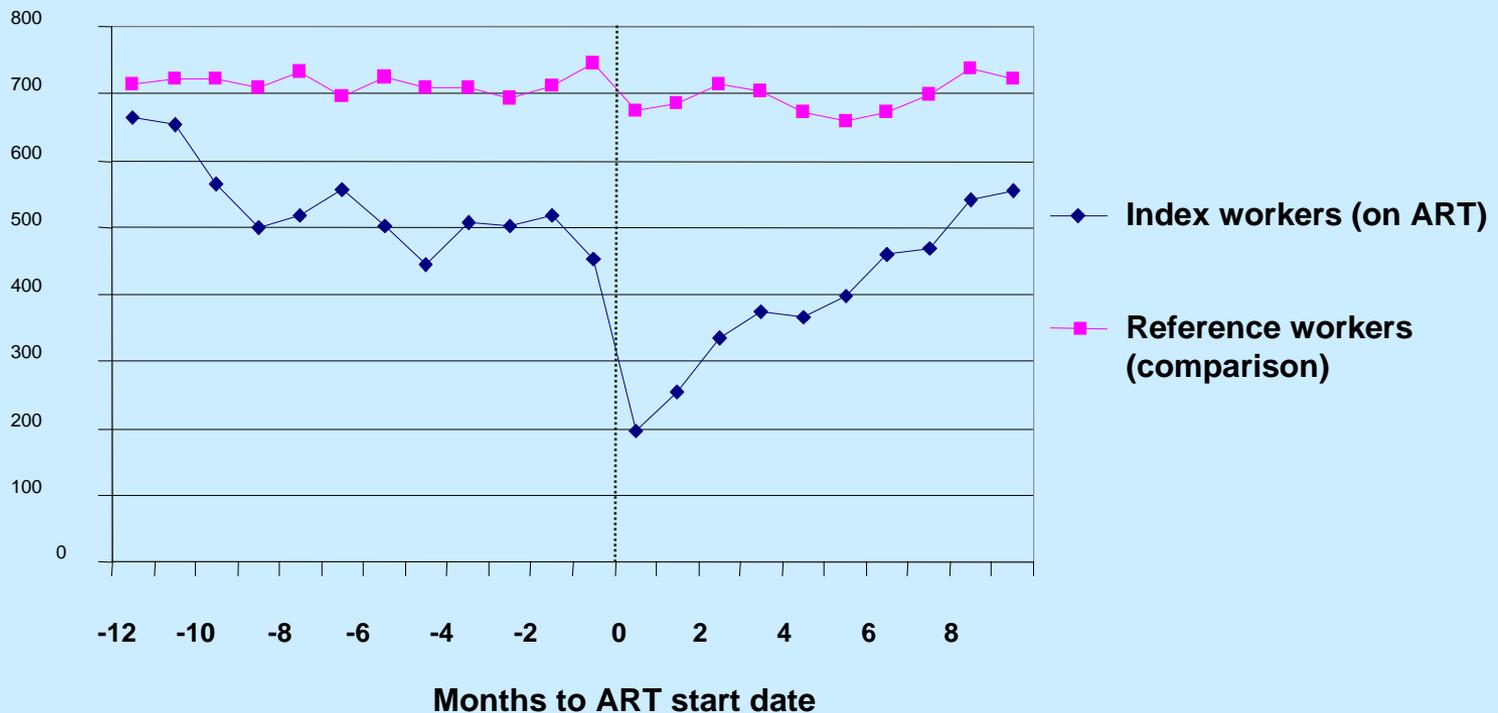
Priority Questions

- How effective is care and treatment (ART) in restoring labor productivity and reducing labor costs in the short and long terms?
- What are the benefits and costs of workplace HIV/AIDS interventions other than treatment?
- Are workplace-based interventions efficient, compared to community-based interventions?
- Should skilled workers and trainees be prioritized for interventions?
- What are the benefits and costs to employers of maintaining a healthy workforce, including but not limited to treatment of AIDS?
- How can government service delivery capacity be improved despite high rates of morbidity and mortality?

The Start of an Answer: Treatment and Labor Productivity on a Commercial Tea Estate in Kenya

Total Quantity Harvested Per Month

Quantity harvested per month (kgs)



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