

# E – BRIEFING 4

## National Action Group Forum

27<sup>th</sup> April 2004

### HIV/AIDS and the Private Sector

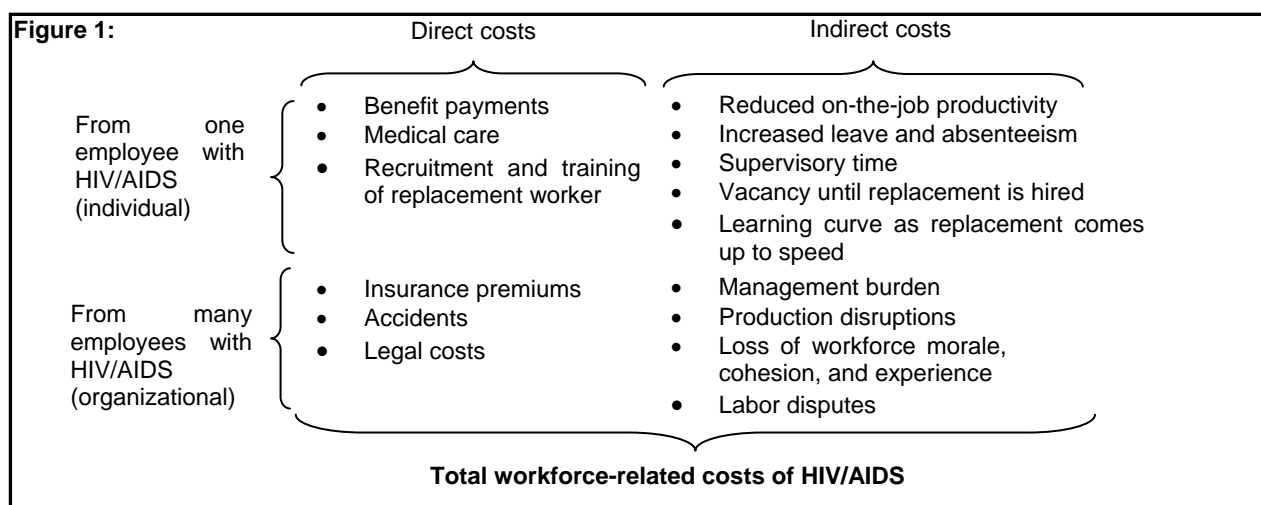
This NAG Forum e-briefing on HIV/AIDS presents the key issues for the private sector arising from the spread of the disease in Malawi and provides some guidance for businesses to address this major problem.

Many Governments across Africa, including Malawi's, have prioritised poverty reduction as their main focus. Most countries are now driving their development policies through a Poverty Reduction Strategy (PRS) with pro-poor growth as one of the main focal points. Within the strategy, HIV/AIDS is recognised as one of the major threats to growth and poverty reduction.

#### **Costs of HIV/AIDS**

Most infectious diseases primarily affect the very young and very old. HIV, on the other hand attacks the most productive sector of the population: young and middle-aged adults; employees; and parents. It deprives businesses of skilled and experienced employees; reduces productivity; increases the cost of health care and benefits; and forces managers to spend substantial amounts of time on difficult human resource, medical, financial and legal issues.

The costs of HIV/AIDS to businesses are summarised in figure 1 below:



Source: AIDS is your Business, Harvard Business Review Feb 2003

HIV/AIDS clearly increases the costs of operating a business. At the same time it reduces the demand for many goods and services through impoverishing the families of the people affected. There are also wider economic and social costs imposed by the disease on the development of Malawi, such as the reduced potential for an educated and skilled workforce, breakdown of traditional social structures and increased pressure for health services.

Sadly, Malawi has one of the highest rates of HIV infection in the world. Officially 14% of the most productive age group of Malawians, those aged 15-49, are infected with the HIV virus; in urban areas the prevalence amongst this group is 23%.<sup>1</sup> ***This implies that up to one in four***

<sup>1</sup> National AIDS Commission, 2004

**urban employees is HIV positive** and there is some evidence to suggest that the proportion is **even higher amongst skilled and managerial staff**.

In the rest of this bulletin we focus on what action you can take to reduce the impact of the virus on your business and who can provide support for employers.

### **Quantifying the Costs**

**No Action  
is not equal to  
No Cost**

If a business does not address HIV/AIDS among its workforce it will still face the costs of the disease highlighted in Figure 1. What is important therefore is to consider the cost-benefit of HIV/AIDS interventions.

Research conducted by Boston University, USA, looked at the potential 'net savings' from implementing a range of interventions by analysing the impact of HIV/AIDS on six firms in South Africa (1999 – 2001). The businesses studied range in size from fewer than 500 employees to more than 25,000 and included the mining, utility, agri-business, retail and media sub-sectors. Results of HIV prevalence surveys at the companies showed prevalence rates of 7 - 29%. The projected costs of the disease in South Africa were:

- Between \$3,000 and \$34,000 for each skilled worker contracting HIV
- Between \$8,000 and \$59,000 for each manager contracting HIV
- In total, up to 6% of the salaries and wages bill.

The variation in costs depended on the benefit structure of the businesses such as medical care, funeral benefits, sick leave, end of service benefits etc. Whilst the costs to businesses in Malawi will differ due to different pay scales and employment benefits, it is likely that the overall cost to employers in Malawi will be significant.

### **Strategies and Savings**

The main strategies for reducing the cost of HIV/AIDS comprise *prevention, treatment and human resource planning*. These are considered in turn below:

**Prevention** to help employees avoid infection, and so reduce the volume of workers incurring HIV related costs. These programmes typically include:

- *education and awareness* for employees, families and surrounding communities;
- *distribution of condoms*; and
- provision of *voluntary counselling and testing services (VCT)* that help employees to know their HIV status to inform their subsequent behaviour and actions

Studies suggest that a **very** high proportion of adults in Malawi have heard of HIV/AIDS and over 90% know one or more ways to avoid catching it. However, this has not yet brought about a sufficient change in behaviour to significantly impact on infection rates. From a business perspective, education does have a role as it can break down the stigma and taboos around HIV/AIDS, especially if conducted by peers. It can also contribute to ensuring more harmonious working relationships and practices through greater acceptance of colleagues who are HIV positive.

In addition to encouraging abstinence or fidelity, the distribution of condoms can be helpful in preventing the spread of HIV/AIDS. Experience from organisations that have distributed condoms suggest these need to be in a place that is readily accessible to both men *and* women who want to access them in a location that allows anonymity, such as male and female toilets. Some organisations have distributed condoms with wage packets as this makes them available when they are most likely to be used. However, actively making condoms available can be controversial as it can offend some workers or be seen by

spouses/long-term partners as encouraging promiscuity. Careful thought and accompanying education/explanation is required in all cases.

*Voluntary Counselling and Testing* is important in making people aware of their status and in promoting changes in behaviour. Early awareness can also assist in promoting longer life expectancy and quality of life through access to treatment for opportunistic infections and promoting other changes that improve physical and mental well being, such as better diet. Coming to terms with one's status is an important part of continued well-being.

*Example cost of a prevention programme: \$3 per employee with an estimated saving from infections averted of \$5 per employee, giving a net saving of \$2 per employee on average.*

**Care and treatment** can extend and improve the lives of those who are already infected. This makes sense from both a humanitarian as well as a business perspective.

Currently, the most effective means of prolonging the productive lives of those with living with HIV is HIV/AIDS Anti-retroviral Therapy (HAART). HAART is becoming more available in Malawi, as it is supported by the Global Fund through the National AIDS Commission (NAC). However, it should be noted that effective delivery mechanisms in Malawi are currently being explored and there are many ethical issues to be considered, for example employee confidentiality, treatment of spouses and ongoing responsibility of the employer for lifelong therapy even if the person is no longer an employee. Currently the Global Fund are exploring ways of using private sector distribution networks to provide cost effective ways of HAART distribution in Malawi.

*Example cost of HAART is \$400 per eligible worker per year. Net Savings per eligible worker in avoiding lost working time, avoided/delayed recruitment/training costs are estimated at \$113. The cost of ART drugs is coming down year on year and may in some cases be free, but the costs of the delivery, monitoring and keeping information confidential still has to be taken into account.*

It has been found that *aggressive treatment of other Sexually Transmitted Infections (STIs)* has the potential to prevent substantial numbers of new HIV infections. Facilitating treatment of STIs is important because it reduces the probability of infection and re-infection (preventing the acceleration of viral load), reduces illness and therefore helps maintain productivity.

Other effective means of prolonging the productive lives of employees living with HIV and delaying the transition from contracting HIV to developing AIDS include the prevention and treatment of opportunistic infections (e.g. tuberculosis, pneumonia, malaria, sexually transmitted infections and other bacterial infections) and nutritional support. Businesses need to think about how their employees can access adequate and confidential health care as well as promoting awareness of this issue in the workplace.

*Example cost of treatment for opportunistic infections is \$10 per employee per treatment. This equates to net savings of an estimated \$4 per employee across the whole workforce in costs avoided.*

**Human resource planning** can ensure that skilled workers are available to replace those lost to AIDS and so minimise the indirect costs of the disease on the business.

Sickness and death from AIDS will be a feature of the workplace for years to come. Businesses can predict AIDS related staff turnover by monitoring the extent of infection in the workforce and then ensuring that qualified replacement workers are available when needed. For most firms this means investing in more staffing and training, e.g. some businesses train two or even three workers for each key job on the assumption that some will die prematurely;

others opt to train employees in several jobs (“multi-skilling”) which has other productivity benefits; some offer financial incentives for skilled employees to remain with the firm. It makes sense for businesses to combine approaches, particularly for highly skilled positions.

### **Further Support and Information**

There are considerable benefits for organisations to proactively tackle HIV/AIDS. The first step is to find out more about the possibilities and learn from the experience of others who have already begun to tackle the HIV/AIDS pandemic. Sources of guidance and support for running such programmes include:

- **Malawi Business Coalition against HIV/AIDS** (MBCA) established to drive and co-ordinate HIV/AIDS activities in the Private Sector has recently launched its three-ribbon scheme to encourage businesses to move up from initial to comprehensive responses. Contact the MBCA Secretariat at the MCCCI on 01 671988.
- **Project Hope** has run HIV/AIDS workplace programmes for several years in Malawi. Contact Project Hope: 01 636704.
- **Business Consult Africa** commissioned a Workbook on Child Labour, HIV/AIDS and Gender. This provides a layman’s overview of the disease including relevant laws and cultural practices prevalent. It enables organisations to develop their own policies and procedures concerning the disease, with guidelines from international best practice. Contact Business Consult Africa on 01 675700.
- UNAIDS and the National AIDS Commission are also sources of advice and further information. Contact 01 783 329 and 01 727 900 respectively.

Websites for further information: [www.unaids.org](http://www.unaids.org), [www.gbcaids.com](http://www.gbcaids.com), [www.idpm.man.ac.uk/iasdu](http://www.idpm.man.ac.uk/iasdu)

### **About this E-briefing and the National Action Group Forum**

This e-briefing is intended to act as a means to feedback information to businesses and to organizations that work with the Private Sector about the National Action Group Forum, the Growth Strategy for Malawi and other issues of importance to making Malawi a better place to do business.

The National Action Group is a national forum for the discussion and **resolution** of issues that impact on the performance of the Private Sector in Malawi

The National Action Group Forum brings together the three main stakeholder groups who are interested in developing the private sector - that is government, donors and businesses, with input from Civil Society where appropriate.

- **Government** is represented by the Ministers of Finance, of Commerce and Industry, of Agriculture, Irrigation and Food Security and of Economic Planning and Development. There are other high-level representatives from the Reserve Bank and from key public sector organisations, such as the Privatisation Commission and MIPA.
- **Donors** that are active in Private Sector Development are represented by the Heads of Mission and their Private Sector Specialists
- **Private Sector** is represented by Chief Executives of leading companies, the Chamber of Commerce and some of the key Sub-sector/Industry Associations.

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