

# **Investing in the Epidemic: The Cost of AIDS to Businesses in Africa**

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# Introduction

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- Objectives of the study
- Analytical framework
- Companies in the study

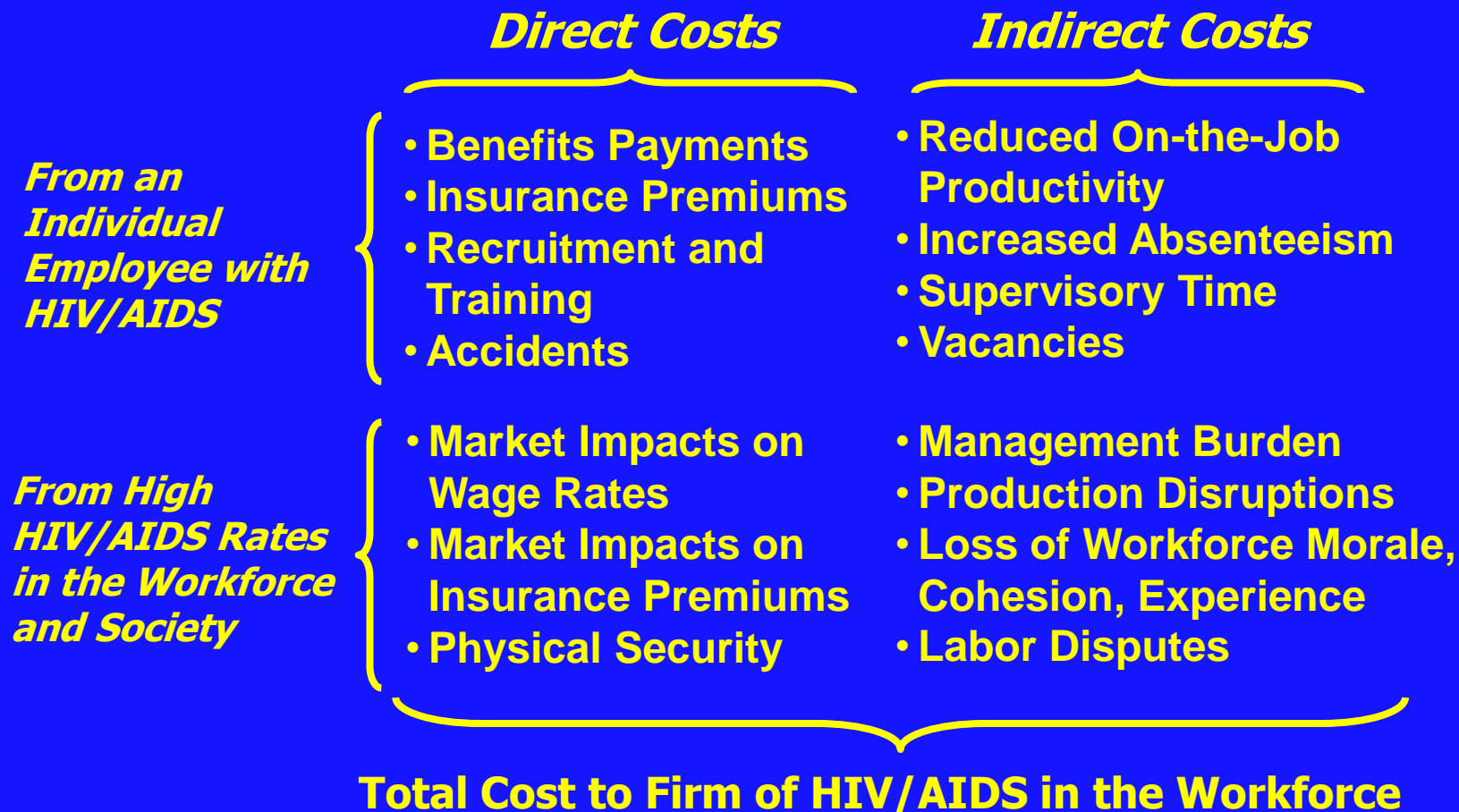
# Objectives of the Study

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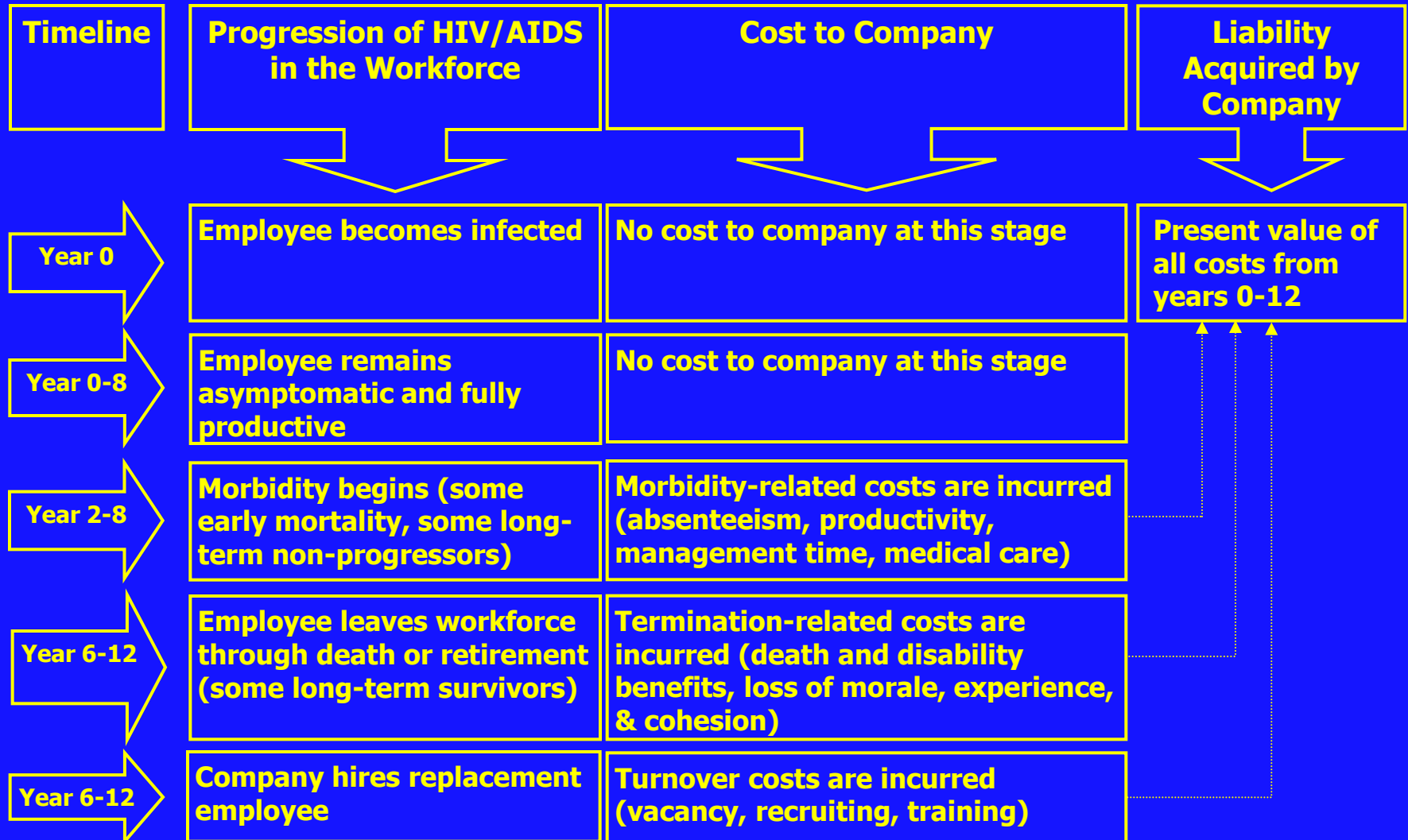
1. Evaluate the case for employers to “invest in the epidemic.”
2. Develop a methodology for estimating the cost of HIV/AIDS to organizations.
3. Calculate the costs of AIDS in the workforce to companies of different sizes and in different locations and sectors.
4. Estimate returns to investments in HIV/AIDS prevention and care.

# Analytical Framework

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# Timing of Cases, Costs, and Liability



# Companies in the Study

Site	Co. A	Co. B	Co. C	Co. D	Co. E	Co. F
Sector	Heavy industry	Agric.	Mining	Mining	Retail	Media
Location	South Africa	KwaZulu Natal	Botswana	KwaZulu Natal	KwaZulu Natal	South Africa
Size of workforce	>25,000	5,000-10,000	500-1,000	500-1,000	<500	1,000-5,000
Est. HIV prevalence	8.8% (1999)	22.9% (1999)	31.6% (2000)	24.0% (2001)	7.9% (2001)	10.2% (2001)

*Assumptions:*

*Discount rate: 7% (real)*

*Median survival time: 9 years*

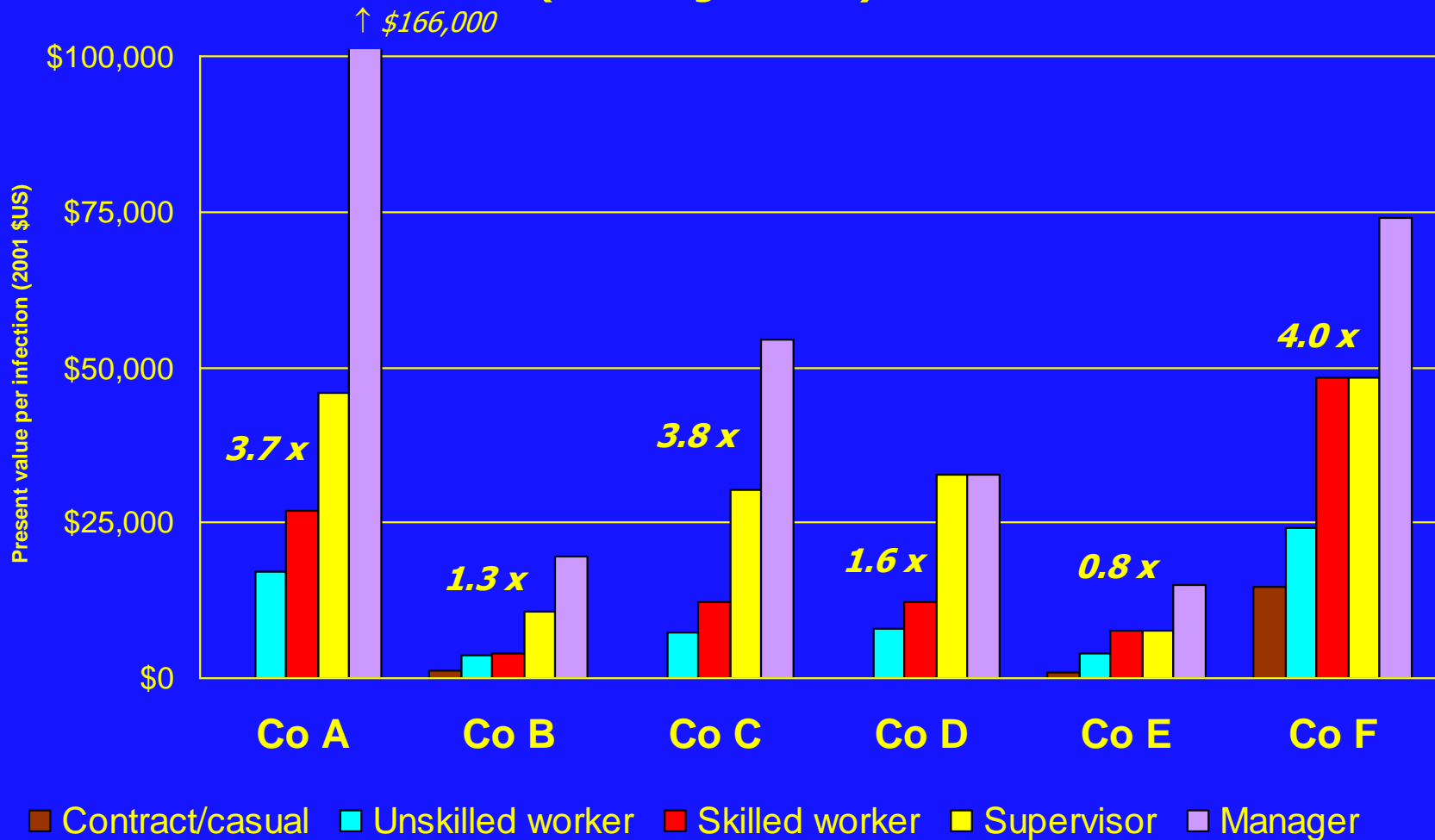
# Results

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- Cost per infection
- Aggregate costs per year
- Returns to investments

# Cost (Present Value) Per Incident Infection

(Males age 35-49)



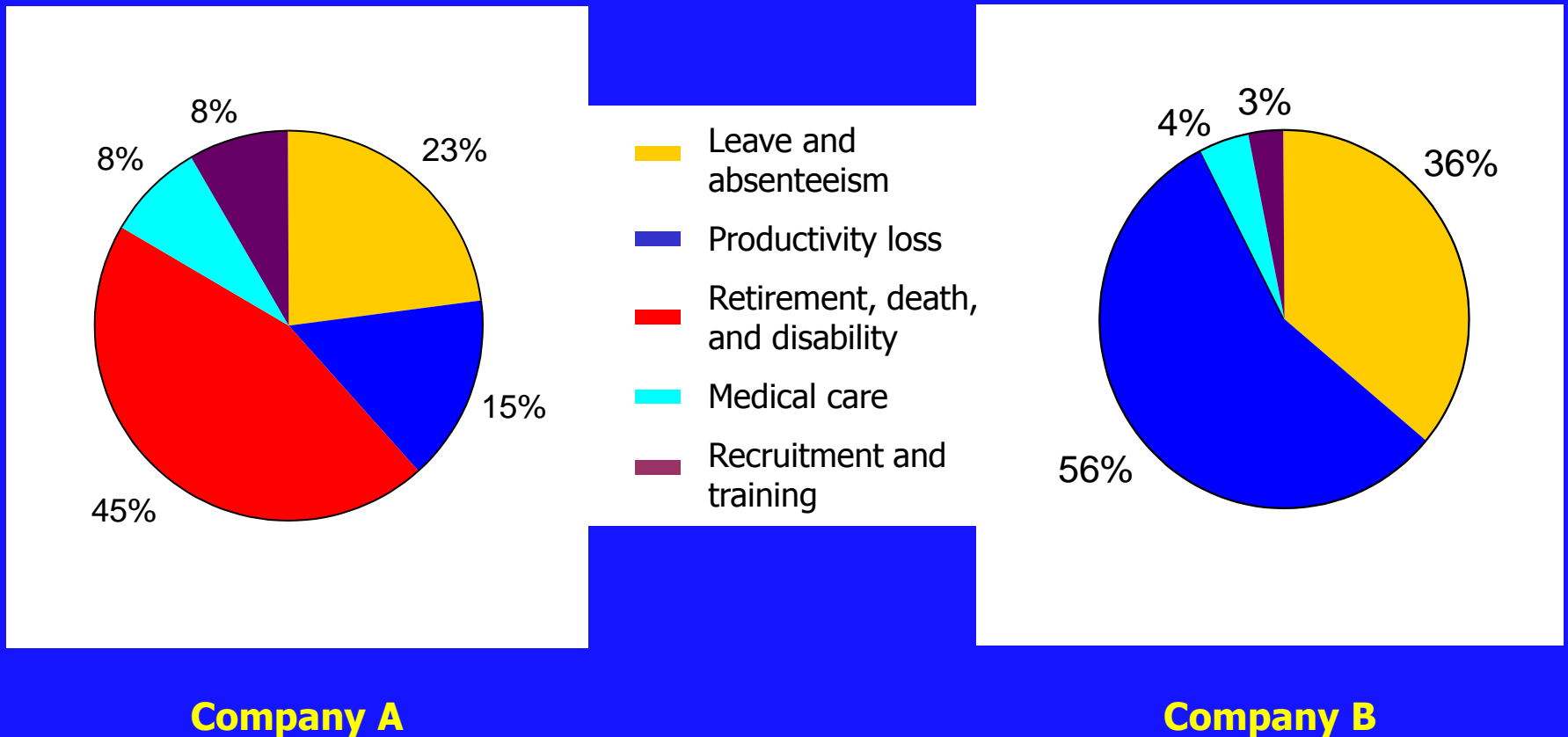


# Why Is the Cost Per Infection So Different?

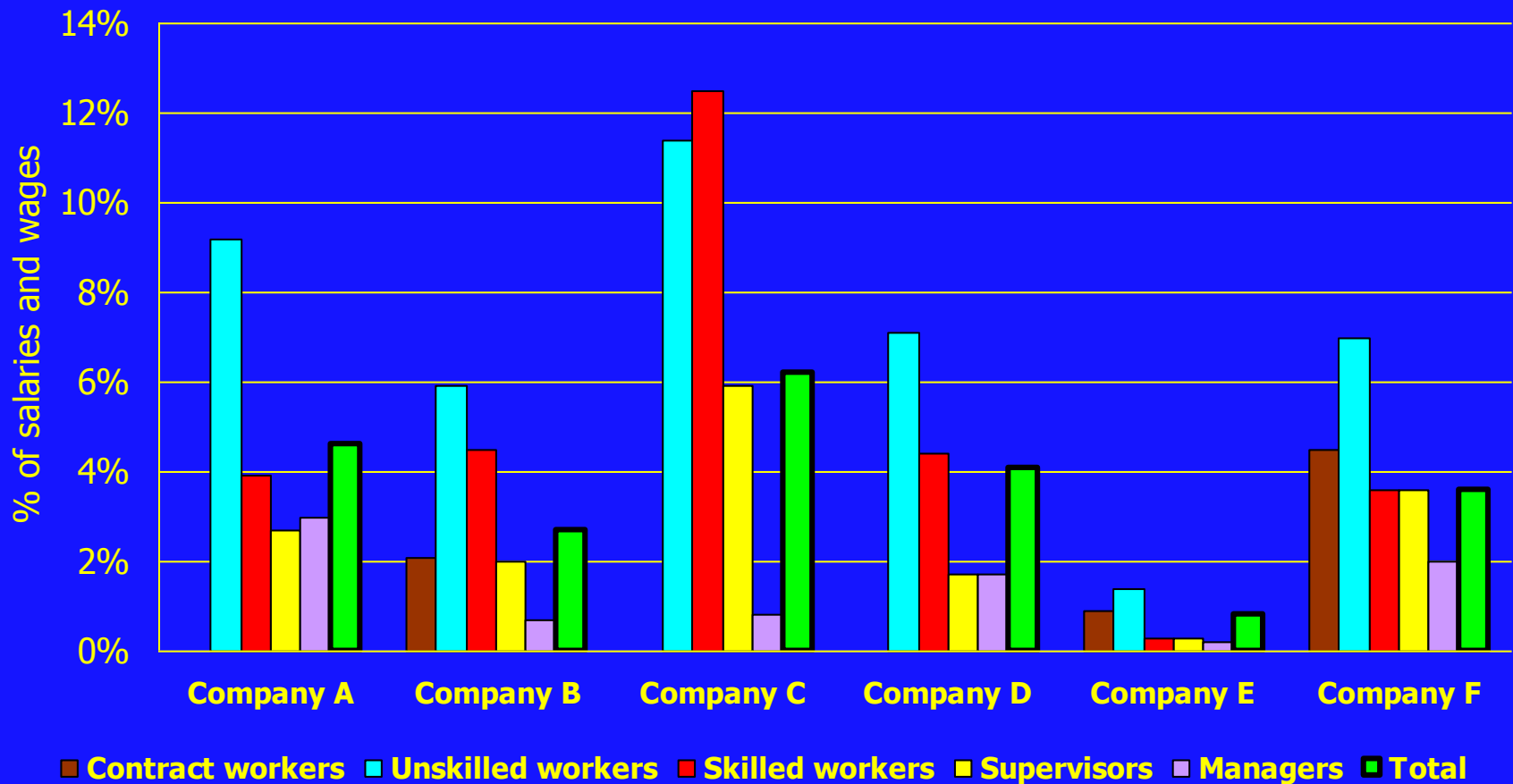
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<b>Variable</b>	<b>Higher cost to firm</b>	<b>Lower cost to firm</b>
Level of death and disability benefits	Large; defined benefit; benefit levels stable (Co A, C, F)	Premiums capped; benefit levels falling (Co B, D, E)
Medical care	Medical aid coverage for all employees (Co A, C, F)	Most use company clinics and public hospitals (Co B, D, E)
Status of unskilled workers	Permanent employees with full benefits (Co A, C, D, F)	Many are contractors with few benefits (Co B, E)
Salaries (labor productivity)	Higher, so absences and turnover cost more (Co A, C, D, F)	Lower, so absences and turnover cost less (Co B, E)

# Distribution of the Cost of an Incident Infection



# The "AIDS Tax" on Business: Aggregate Cost of Incident Infections 2001

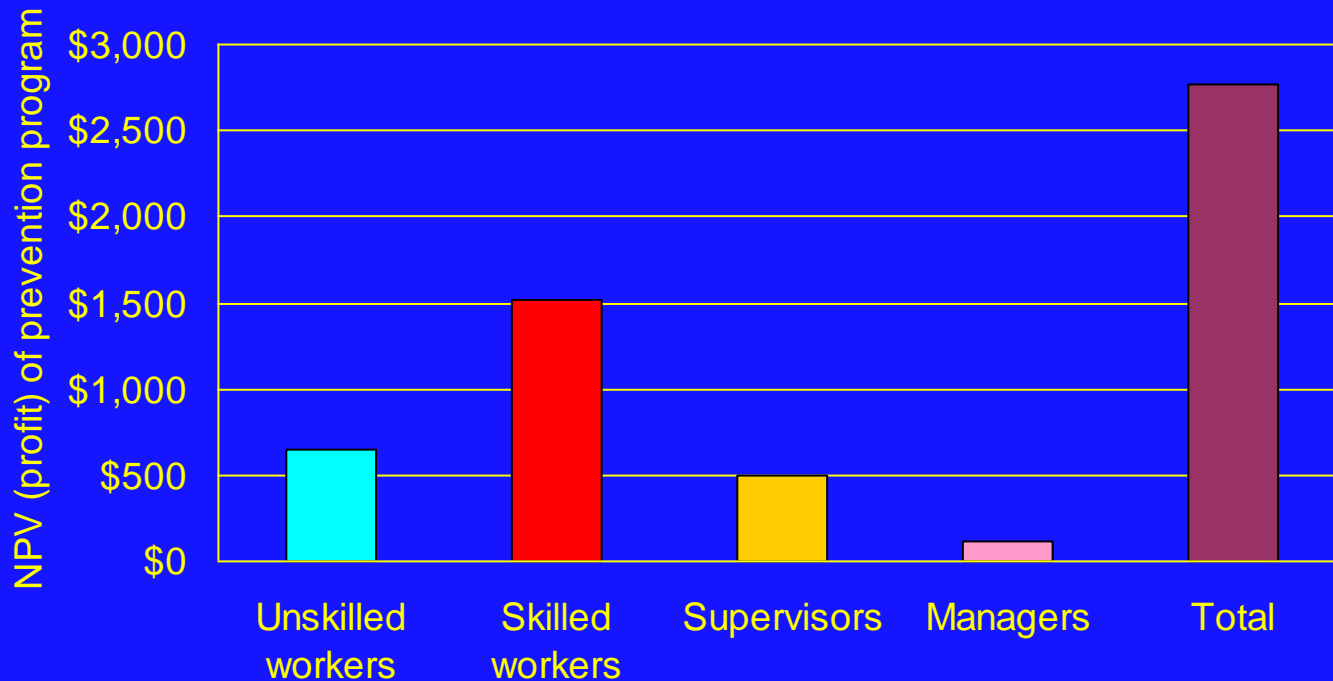


# Reducing the AIDS Tax: Profits from Prevention

**Example: Company B, males aged 35-49 (2001)**

- For an STD management program that:**
- **Costs \$3/employee/year**
  - **Reduces HIV incidence by ~ 50%**

**The profit to the company for providing the program to all employees in this age group is:**

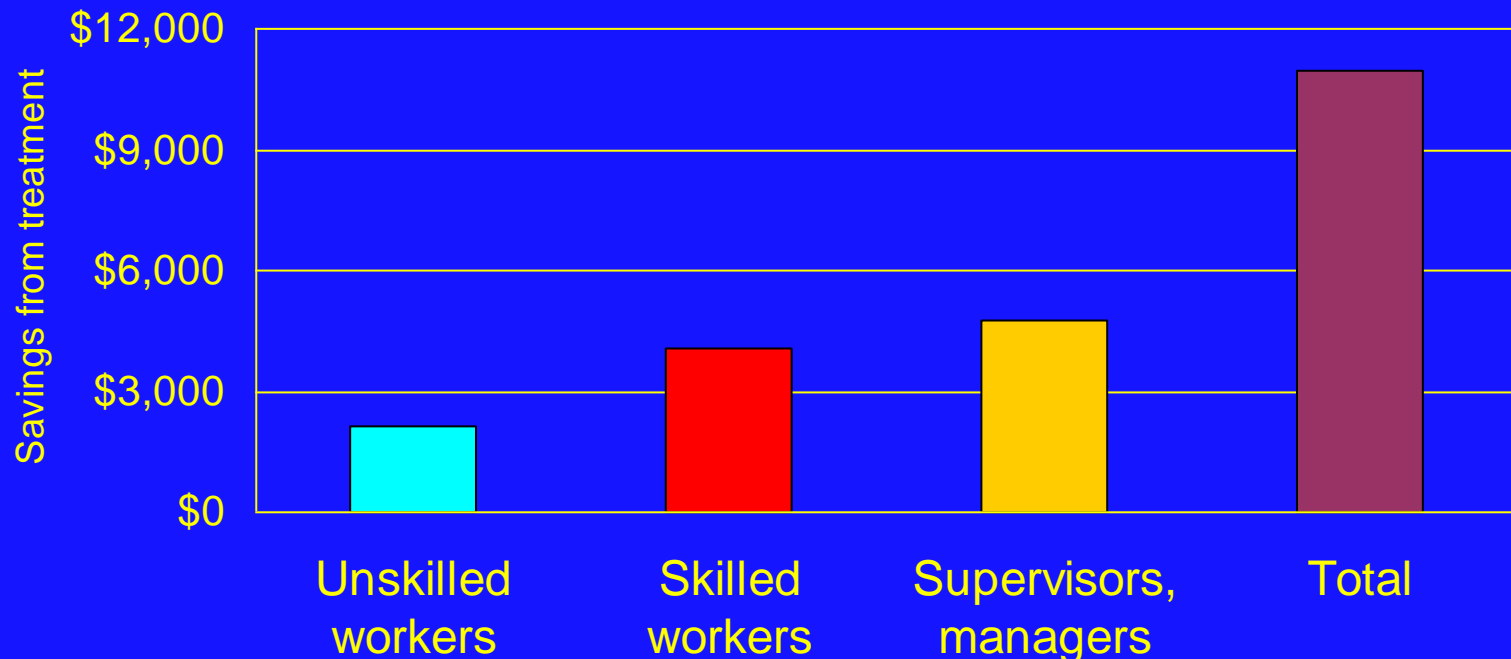


# Reducing the AIDS Tax: Profits from Treatment

**Example: Company D, African males age 35-49 (2001)**

- For a treatment program that:**
- **Extends working life by 5 years**
  - **Costs \$400/person/year**

**The profit to the company for treating all eligible employees in this age group is:**



# Conclusions

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- Shifting the burden of HIV/AIDS
- The value of intervention

# Shifting the Burden

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- Company B (and others) represents a low end estimate of the costs of workforce HIV/AIDS; Company A (and others) is probably high end.
- Company B is bearing less of the total (economic) cost to society of HIV/AIDS than is Company A.
- Company A intends to reduce its benefits and outsource unskilled tasks; Company B has already done this.
- Businesses are systematically shifting the burden of HIV/AIDS to the public sector, NGOs, workers, and households.
- The burden shift poses a public policy optimization problem: how do we induce business action on AIDS while creating and sustaining jobs and development?

# The Value of Intervention

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- Even for low-cost companies, investments in HIV/AIDS prevention and treatment can have positive returns.
- These investments have many other benefits, including
  - retaining workforce skill and experience
  - improving employee morale and discipline and reducing impacts on labor relations
  - maintaining social stability in the surrounding community.
- Businesses are systematically under-investing in HIV/AIDS programs. They will have positive financial, social, and ethical returns for many (perhaps most) companies.