

**UNIVERSITY OF KWAZULU-NATAL**

**Should Companies Be Incentivized for HIV/AIDS Programs?**

By

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## DECLARATION

I, **Sinempilo Nxele** declare that:

- (i) The research reported in this dissertation/thesis, except where otherwise indicated, and is my original research.
- (ii) This dissertation/thesis has not been submitted for any degree or examination at any other university.
- (iii) This dissertation/thesis does not contain another person's data, pictures, graphs or other information, unless specifically acknowledged as being sourced from another person.
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## **ABSTRACT**

The HIV/AIDS epidemic impact is far beyond the household level. HIV/AIDS has affected companies and economies at large. The HIV/AIDS epidemic has an increasing effect on costs and a decreasing effect on productivity and ultimately a decrease in companies' profits. The challenge facing companies is that they have to incur costs and spend on HIV/AIDS programs in order to decrease the impact on the company's bottom line (i.e. Profit) and for the developmental progress and sustainability of the company and the economy.

The objective of this study is to analyze the costs incurred by companies on HIV/AIDS and to assess whether companies should be incentivized for cost incurred through HIV/AIDS program.

This was a retrospective study conducted in the Tongaat Hulett's Company. The data used for the study was the Health and Safety summary reports of the company for the past five years.

It was found that the number of employees with HIV/AIDS has increased by 21% from 2011 to the 2014 financial year. There has been a 7% increase in the VCT (Voluntary Counselling and Testing) uptake over the past 4 years and the company has spent R7, 746,971 on HIV/AIDS programs in the past 4 years.

While the number of newly infected employees has increased by 21% over the last 4 years the staff turnover rate as a result of HIV/AIDS has not increased. This is possibly due to the increase in the number of employees on ARTs (Antiretroviral Therapy) and access to medication and staff welfare educational programs.

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# CHAPTER ONE

## OVERVIEW OF THE STUDY

### 1.1 Introduction

HIV/AIDS is a serious health and development challenge in the world. Global statistics reveal that an estimate of 36.9 Million people are infected with HIV & AIDS World (World Health Organisation, 2015). According to the research from World Health Organisation (2015), “70% of people infected with HIV/AIDS reside in Sub-Saharan Africa”. The 2013 South African Statistics revealed that the people infected with HIV/AIDS is estimated to be 5.26 Million which equates to 10% increase from the 2002 statistics. The research further revealed that approximately 10% of South African population is infected with HIV and 17% of those infected are women in their prime reproductive (UNIAIDS, 2013).

The impact of the HIV/AIDS epidemic is not only at the household level as the HIV-infected people are usually in their prime working years. The HIV/AIDS epidemic has a significant impact on companies: cost is increased and productivity decreases and this leads to declining profit (Udeh, C., Shava, H., 2014). According to Uden (2014), “in countries often already burdened by huge socio-economic challenges, HIV/AIDS threatens human welfare, developmental progress and social stability on an unprecedented scale” (Udeh, C., Shava, H., 2014) .

Laws have been passed for business to govern the way business is conducted in order to protect employees from discrimination. Businesses are required by law to respond to the incidence of HIV/AIDS. The legal framework dictates the way businesses should act with regards to HIV/AIDS in the workplace.

Research has been conducted into the cost of HIV/AIDS to businesses but what are the benefits to the company for incurring all these costs and complying with laws and regulations?

## **1.2 Motivation for the study**

HIV/AIDs programs cost companies' money and this affects the company's bottom line (i.e. Profit). Growth and sustainability of the company is also affected.

One may argue that investing in HIV/AIDS program ensures that:

- Employees are well informed, this therefore then decreases the number of people infected and affected with HIV/AIDS
- Employees who are already affected live longer thus ensuring sustainability of the business and minimizing the decrease in productivity and efficiency.

The question is, are these really benefits to companies? HIV/AIDS is an epidemic that affects the country and is just as serious and important as unemployment, lack of skilled labour and black economic development.

Sec 12H of the Income Tax Act No.58 of 1962 provides a tax deduction to employers for learnership and apprenticeship agreements in order to encourage employers to employ youth and thus combat unemployment.

The Youth Employment subsidy is another initiative from government to encourage employers to employ more youth who makes up the majority of the unemployed in South Africa.

The Skills Development Act No.37 of 2008 provides rebates to employers who train employees so as to combat the level of unskilled workers in South Africa.

The Workmen's Compensation Act of 1897 provides rebates to employers who have minimum or low fatalities and injuries due to employment in order to encourage employers to promote a safe and healthy working environment.

The Broad Based Black Economic Empowerment Act No.53 of 2003 was introduced in order to ensure that previously disadvantaged individuals are given the opportunity to grow. A BBBEE Scorecard was introduced in order to monitor companies and give them a score based on their initiatives towards BBBEE.

Small businesses are taxed at low rates which is another initiative from government to create employment and increase economic growth.

The HIV/AIDS pandemic is a government social responsibility, although it is acknowledged that private sector companies employ a major portion of the workforce and are affected by HIV/AIDS. By providing HIV/AIDS programs these companies are assisting the government. Shouldn't the government be looking at incentivizing companies that invest in HIV/AIDS programs? This would be in line with governments youth wage subsidies and incentive for skills development, complying with Employment Equity and Broad Based Black Economic Empowerment.

The study will assist in highlighting the extent to which HIV/AIDS is affecting company profits and resources. The study seeks to promote awareness of HIV/AIDS programs available to employees. The study also seeks to encourage government to assist companies that invest in HIV/AIDS programs.

### **1.3 Focus for the study**

While it would be desirable to collect data from all companies but this would be impractical and not possible. The focus of the study was confined to one company listed on the JSE stock exchange and employs 2,000 people in South Africa. Tongaat Hulett is a company in the agricultural sector which produces sugar, starch and animal feed products. The company also has components of land that they develop (Tongaat Hulett, 2015).

By 2002 it was well-known from international experience that ART (Antiretroviral Therapy) saves life, prolongs life, improves quality of life and improves and prolongs productivity at the workplace. South Africa did not have a public treatment programme at that time. Only those on medical aid or able to afford private healthcare had access to ART (Antiretroviral Therapy). Tongaat Hulett then decided in 2003 to invest in HIV/AIDS programs and saw it necessary for business, ethical, moral, humanitarian and medical reasons to do so.

## **1.4 Problem statement**

The number of people infected with HIV/AIDS in South Africa is large. An estimate of 5.51 million people in South Africa are infected with HIV/AIDS and this makes up 10.2% of the total population (Statistics South Africa, 2014). I would also elaborate on the costs of ARVs, the state of the South African Health Infrastructure which negatively affects the access to the much needed ARVs. Businesses are assisting the government with this pandemic by investing in HIV/AIDS programs. Businesses are therefore absorbing costs due to HIV/AIDS.

Employees with HIV/AIDS are sickly. This then affects staff turnover and the absenteeism rate and this affects the productivity of the company. Companies are therefore incurring costs on investing in HIV/AIDS programs so as combat the staff turnover and absenteeism rate.

This introduces a financial problem and business sustainability problem for companies because if they do not invest in HIV/AIDS programs the business runs a sustainability risk, but by investing in these programs this has a financial and sustainability implication for business under the current economic conditions.

It is important therefore to analyze the impact of HIV/AIDS on companies by investigating the costs that the companies incur with HIV/AIDS programs and also to assess whether or not businesses should be incentivized for incurring such costs.

## **1.5 AIM of the study**

The aim of the study is therefore to analyse the cost incurred by the companies on HIV/AIDS programs, and to analyze whether business absenteeism rate is affected by HIV/AIDS. The aim is also to assess the materiality of these costs to company profits and sustainability and to consider whether companies should be incentivized for incurring these costs.

## **1.6 Research questions**

- What are the costs incurred by companies on HIV/AIDS programs?
- What is the staff turnover rate as a result of HIV/AIDS?

## **1.7 Objectives**

- To identify and quantify the costs incurred by companies on HIV/AIDS programs
- To identify and quantify the staff turnover rate as a result of HIV/AIDS

## **1.8 Significance of the study**

The study seeks to highlight the cost incurred by the companies, the extent to which companies ensure the wellbeing of their employees and the extent to which companies contribute to social corporate responsibilities. This study also seeks to promote awareness in employees of the HIV/AIDS programs available to them and hopefully boost staff morale and motivation in working for companies that play a significant role in their families, communities and the country at large. The study will assist in highlighting the extent to which HIV/AIDS is affecting company profits and resources. The study also seeks to encourage government to assist companies that invests in HIV/AIDS programs.

## **1.9 Outline of the study**

This study is presented in five chapters which follow the research process undertaken:

- Chapter one provides the background information on what necessitated the study, the focus of the research and the research question and objectives to be addressed.
- Chapter Two provides a literature review, which provides an analysis of studies conducted on the subject matter both locally and internationally, the laws that govern companies on HIV/AIDS related issues and their impact on the companies.

- Chapter Three discusses the various research methods available, the methods used in this research and the reason behind using such methods.
- Chapter Four discusses the analysis and interpretation of the results and the findings related to the objectives of the study.
- Chapter Five is the concluding chapter. The conclusion, recommendations and the limitations of the study are discussed for further research.

### **1.10 Summary**

This chapter introduced the research on challenges facing companies on HIV/AIDS. It provides a high level overview of the focus of the study, the research objectives, the direction and process that will be followed in conducting the research study.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

According to UNAIDS (2013), “Human Immunodeficiency Virus” (HIV), is the virus that causes “Acquired Immunodeficiency Syndrome” (AIDS). HIV destroys the body’s immune system, slowly. A lengthy infection period (3–7 years) results in a significant number of cells belonging to the immune system being destroyed resulting in immunodeficiency. The affected person starts to have symptoms of AIDS (UNAIDS, 2013).

A person who is immune deficient and has AIDS is in a situation where his body finds difficulty defending ‘opportunistic’ infections and some cancers. If no treatment is administered, the body then yields to these infections. In developing countries, Tuberculosis often courses death among AIDS patients. There is no cure for AIDS, although with appropriate treatments the impact of AIDS may be lessened and the patients can live for many years, with the appropriate medication (UNAIDS, 2013).

HIV/AIDS is a global pandemic that has affected health and socio economic development for the past 20 years. HIV/AIDS is said to originate from the 1940s but with the first epidemic cases reported in the 1980s in the USA.

In his study Mark Cichocki (2014), estimated that 35 million people have AIDS across the globe. He state further, that approximately 2.1 million are younger than 15years (Cichocki, M. 2014). HIV/AIDS is deadly and is number one in the leading infectious killer in the world. It is estimated that around the world 25 million people have died because of AIDS to date (UNAIDS, 2013).

The World Health Organization (WHO) estimates that there are about 3.2 million children with HIV/AIDS, most of whom live in sub-Saharan Africa and who were infected by their HIV-positive mothers during pregnancy, childbirth, or breast feeding (World Health Organisation, 2015).

Statistics from UNAIDS (2013) reveal the following:

**Table 2.1 Illustrates the HIV/AIDS Statistics**

<b>NUMBER</b>	<b>2013 STATISTICS</b>
35 million	Estimated number of people living with HIV/AIDS worldwide
2.1 million	New infections worldwide in 2013
1.5 million	Deaths relating HIV/AIDS worldwide
24.7 million	People living with HIV/AIDS in Sub-Saharan Africa

**Source:** UNAIDS(2013). *Epidemic Update-2013 Global Report* [online]. Available from: [http://www.uniaids.org/documents/20131123-globalreports\\_chp2\\_em.pdf](http://www.uniaids.org/documents/20131123-globalreports_chp2_em.pdf). [Accessed 2 July 2015].

The statistics report show the pre-dominance of HIV/AIDS infected people in Sub-Saharan Africa. According to figures released in 2010, about 66% (1.2 million) of HIV related death, took place in this region. This means that about 5% of the adult population in this area is infected with South Africa being the most affected country in the world.

The table below reveal that South Africa's rate for HIV/AIDS is leading because of its population size. The other countries have a prevalence rate of more than 10%. Furthermore, the cases and prevalence rate of HIV/AIDS –related illness, like Tuberculosis, is high.

**Table 2.2 Illustrates HIV/AIDS and Tuberculosis prevalence in South Africa and neighboring countries**

	<b>SOUTH AFRICA</b>	<b>MOZAMBIQUE</b>	<b>NAMIBIA</b>	<b>SWAZILAND</b>	<b>ZIMBABWE</b>	<b>BOTSWANA</b>
Population (in thousands) total	52,776	25,834	2,303	1,250	14,150	2,021
Prevalence of HIV among adults aged 15 to 49 (%)	19	11	14	27	15	22
Estimated percentage of pregnant women living with HIV who received antiretrovirals for preventing mother-to-child transmission	90	84	90	>95	78	>95
Incidence of tuberculosis (per 100 000 population per year)	860	552	651	1,382	552	414
Prevalence of tuberculosis (per 100 000 population)	715	559	651	945	409	348

**Source** World Health Organisation (2015) . HIV/AIDS [online] . Available from <http://www.who.int/topics/en> [Accessed 2 July 2015].

Policies and medication for HIV/AIDS have been formulated. The number of people on ARTs (Antiretroviral Therapy) has grown. There is, however, a number of people still getting HIV and who need to be able to get treatment.

## **2.2 The History of HIV in South Africa**

The HIV/AIDS epidemic was discovered in South African around 1982, during the turbulent apartheid area where the HIV/AIDS problem was not a priority. Thus, HIV/AIDS grew, especially in the gay community (Cichocki, M. 2014).

However, by 1991, the HIV/AIDS infection rate amongst heterosexuals was the same rate of infections among gay men (MSM). By the mid-1990s the rate had grown by 60% but the government response was still slow (Cichocki, M. 2014).

In the 2000 the South African Health Department revealed a 5 year HIV/AIDS strategy but government support to this strategy was minimal. The then president, Thabo Mbeki, supported the

other disbelievers, refused to accept conventional HIV/AIDS science and blamed poverty for its existence (Cichocki, M. 2014).

Without government support, the five-year strategy failed simultaneously. The HIV/AIDS rate in pregnant South African women grew from 0.8% in 1990 to 30 percent 10 years later (Cichocki, M. 2014).

The attempts to prevent the disease were not effected timeously. International pressure forced the government to unveil its strategy to make HIV/AIDS medication available to the public but government response was not enough (Cichocki, M. 2014).

After 5 years of reveling the strategic plan South Africa was still behind on making medication available. Expert believe that the spread of HIV/AIDS in South Africa was due to lack of support from the government and political unrest.

Poverty is a reality for most people living with HIV. Most of whom rely on government health care facilities for medication. These government facilities are scarce and some do not have access to these facilities because living in rural area.

### **2.2.1 Who is infected?**

- *Young People*

Research by Udeh (2014) shows that youth, between the ages of 15 and 24 constitute the biggest proportion of HIV/AIDS infected people in the republic of South Africa. Many of those with newly infected status, fall into this age group.

This may be attributed to poverty which bars them from education, good jobs and the health care facilities.

Youngsters, made orphans by HIV/AIDS cannot protect themselves from it and do not receive HIV/AIDS education.

- *Women*

According to Mark Cichocki (2014), “studies, 55% of new infections are female. In the 15-24 age groups, 77% is made up of women” (Cichocki, M. 2014). This is because:

- Men in South Africa possess the social & eco power and sexism vs women is the norm. Hence women are not powerful in decision making, including the important matter of the practice of safe sex choices.
- Because women are generally financial dependent, they yield to their spouses’ demands in order to sustain the relationship. Fear makes it hard for women to make safe sex/condoms mandatory. This is the case also where women resort to prostitution.

- *Mother-to-Child Transmission*

In some countries e.g. USA, mother-to-child transmission of HIV/AIDS has actually decreased, but, in South Africa, this is still prevalent. By 2005 more than 30% of pregnant women were HIV positive. Mother-to-child transmission takes place in 25% – 30% of all pregnancies. Breast feeding after the birth, adds to this transmission scenario up to 30%. This is because the new mothers do not have clean water and readymade baby formular (UNIAIDS, 2013).

- *Men Who Have Sex with Men (MSM)*

According to Mark Cichocki (2014), “gays have been discriminated and have been omitted from HIV education targets. This has caused the rate of HIV among gays to be 33%” (Cichocki, M. 2014).

- *Migration*

In South Africa, men leave their families in the rural areas to find work in the mines, farms and factory industries, returning to their homes 2-3 times a year. This encourages migration-induced-unsafe-sex. The dismantling of apartheid aggravated this problem, bringing with it the end of travel restrictions.

## **2.3 HIV & AIDS Prevalence in South Africa**

According to Uden (2014), “it is estimated that 10% of South African population is infected with HIV and of those infected 20% of which are women in their prime reproductive ages (Udeh, C., Shava, H. 2014).

HIV/AIDS prevalence estimated by province shows that KwaZulu Natal province has the highest rate of 16.9%, with Western Cape at the lowest with a rate of 5%. A 2004 survey revealed that South Africans attend more funerals than weddings, having haircuts or grocery shopping (Cichocki, M. 2014).

## **2.4 Prevalence of HIV/AIDS Related Illnesses**

HIV/AIDS studies have revealed that the tuberculosis incidence is high, so is the incidence of HIV/AIDS. According to the World Health Organization (2014), “Tuberculosis is the most common cause of death amongst those living with HIV/AIDS” (World Health Organisation, 2014). Tuberculosis and HIV/AIDS combined are deadly because these diseases feed on each other thus causing a person infected with both to progress to active tuberculosis diseases. It is estimated that 33% of AIDS deaths worldwide are caused by tuberculosis (World Health Organisation, 2014).

South Africa has the fifth highest burden of disease from tuberculosis globally. The incidence of tuberculosis is estimated to be 490,000 cases per year and approximately 25,000 adults die from tuberculosis every year. Approximately 64% of HIV/AIDS deaths are due to tuberculosis. The HIV/AIDS prevalence in South Africa is one of the highest in the world (18.1%) and 60% of tested TB patients are HIV-positive, it is imperative that South Africa considers tuberculosis when addressing HIV/AIDS and vice versa (UNAIDS, 2013).

In South Africa, TB and HIV/AIDS rates are highest in the province of KwaZulu-Natal, a predominately rural region. Although there are many risk factors for the disease, tuberculosis most frequently affects the impoverished, those living in rural areas, individuals with compromised

immune systems, those without access to health care, and the uninsured. Tuberculosis has a long-term health effects, it therefore has several social consequences such as reduced worker productivity and increased poverty (Hart, A. 2013).

According to Hart (2013), “the people suffering from poverty have malnourishment problems and they tend to live in shacks and overcrowded areas, which increases the risk of contracting immune compromising diseases like tuberculosis” (Hart, A. 2013).

Tuberculosis also affects the working age and this increases poverty and in turn affects South Africa’s gross domestic product (GDP) (Hart, A. 2013).

In addition to the individual and social consequences of the disease, tuberculosis affects the South African economy. Individuals afflicted with tuberculosis are significantly less productive than healthy individuals. According to World Health Organisation (2014), “there is a positive correlation between the increase in tuberculosis and decreasing gross national per capita” (World Health Organisation, 2014).

Managing the two epidemics is therefore important and addressing each individual disease (UNIAIDS, 2013).

## **2.5 Impact of HIV/AIDS on Businesses and the Economy**

Companies and businesses are affected by the HIV/AIDS pandemic as HIV-infected people are usually in their prime working years. The characteristics of the impact of HIV/AIDS on businesses, include the following:

- Increased absenteeism
- Increased staff turnover
- Loss of skills
- Increased costs for funerals, insurance coverage, medical assistance
- Declining reinvestment
- Declining reliability

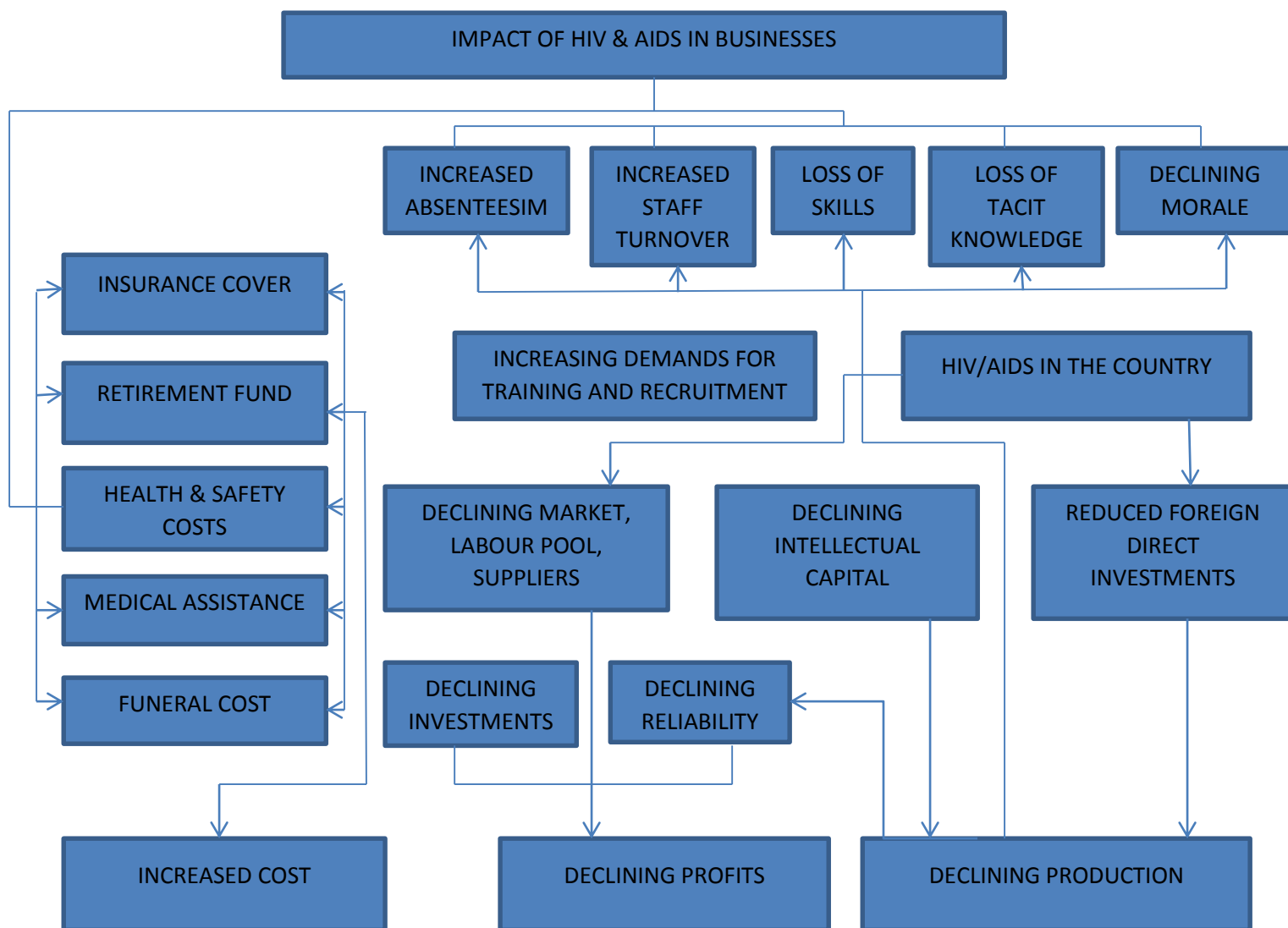
- Business Sustainability
- Increase in training (upskilling) costs of new employees to replace those affected by HIV/AIDS

People living with HIV/AIDS will not only be unable to work, but will also require significant medical care. “The forecast is that this will probably cause a collapse of economies and societies in countries with a significant AIDS population” (UK Essays, 2013).

According to Udeh (2014), “the increasing death rate caused by HIV/AIDS will result in a smaller skilled population and labor force” (Udeh, C., Shava, H. 2014). This smaller labor force will be predominantly young people, with limited knowledge and work experience which will cause a decrease in productivity. The increase in sick leave and family responsibility leave reduces productivity and the increase in death rate reduces human capital (UK Essays, 2013).

According to Udeh (2014), “HIV/AIDS increases company costs and reduces productivity. HIV/AIDS affects countries development and stability in countries that are already dealing with social economic burdens” (Udeh, C., Shava, H. 2014).



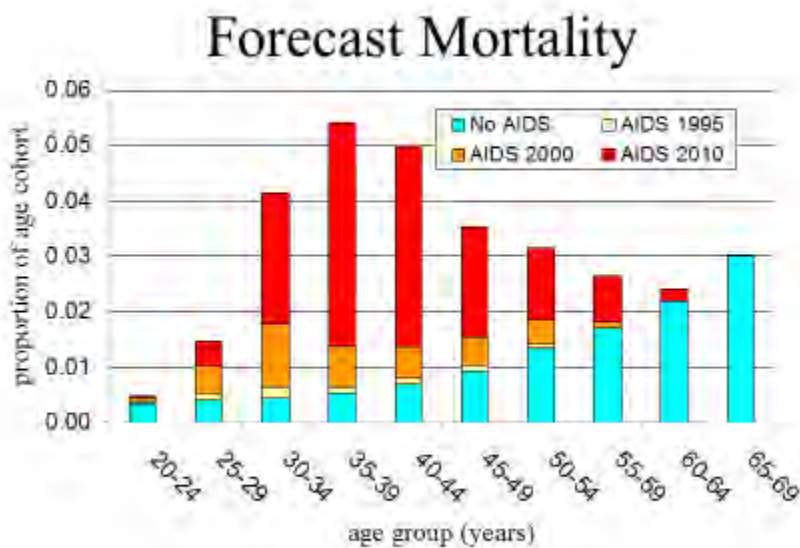


**Figure 2.1** Above Illustrates the cost implication of HIV/AIDS on business

**Source:** Adapted from Udeh, C. , Shava, H. (2014). HIV/AIDS Awareness and its impact on the profitability of business firms in developing nations. *Mediterranean Journal of Social Sciences* 5(7): 244-250. Available from: [www.mcser.org/journal/index.php/mjss/article/view/2478](http://www.mcser.org/journal/index.php/mjss/article/view/2478) [Accessed 12 October 2015].

## 2.5.1 Human Capital Productivity

HIV/AIDS has an impact on human capital productivity that has been accumulated from years of experience through schooling, formal education and on-the-job training. With HIV/AIDS attacking the labour force in their prime years (30 to 45) this means that companies are in a dilemma as there are no successors of the older work force and also no-one to transfer skills and knowledge to the newly-qualified work force.



Source: Metropolitan Life

**Figure 2.2 above illustrates the increase in the mortality rate in the age groups 30 to 45 years**

**Source :** Metropolitan Life (2010). *Mortality Rate In The Age Group 30 to 45 years* [online]. Available from : <http://www.metropolitan.co.za>. [Accessed 25 August 2015].

Statistics SA 2013 also shows HIV as the third leading cause of death. Ranked no 1 is MDR & XDR Tuberculosis which is an HIV/AIDS related illness. The proportion of male and female deaths due to HIV/AIDS disease increased by 10.4% from 2011 to 2012 and a further 21% between 2012 and 2013 (South African Statistic, 2014).

The increase in the number of work force with HIV/AIDS affects productivity as the workers become ill, thus increasing absenteeism, mortality and staff turnover rate.

### **2.5.2 Profitability and Growth**

The cost benefit of implementing HIV/AIDS program is difficult to generalize. The cost benefits for an under developed country and a developed country are is different. The cost benefit for a company in the rural areas to a company in the city will also be different. The size of the company, setting, industry sector, geographical location, ratio of skilled to unskilled workers, risk factors, HIV/AIDS prevalence in the workforce, and availability of government supported programs and facilities, etc. will also have an impact on the cost benefit analysis (International Health Organisation, 2002).

The increase of HIV/AIDS rate has increased the costs incurred by companies. These costs include recruitment and training costs in order to replace the lost skills due to death as a result of HIV/AIDS, increase in absenteeism, and decrease in productivity due to loss of skills.

According to the study conducted by the international health organization (2002), “new infections cost on average 7.3% of individuals’ annual salary depending on the employees cost to company”. The study further revealed that the benefits of providing treatment outweighs the costs irrespective of the company size and business sector (International Health Organisation, 2002).

**Table 2.3 Illustrates the impact of HIV/AIDS on the workforce and the costs to company**

PROGRESSION OF HIV&AIDS IMPACT ON THE WORKFORCE AND ASSOCIATED COSTS		
Progression of HIV/AIDS in the Workforce	Economic Impact of Individual Case	Economic Impact of All Cases
❖ Employee becomes infected with HIV virus	❖ No costs to company at this stage	❖ No costs to company at this stage
❖ HIV/AIDS-related morbidity begins	<ul style="list-style-type: none"> <li>❖ Sick leave and other absenteeism increase</li> <li>❖ Work performance declines due to Employee illness</li> <li>❖ Overtime and contractors' wages increase to compensate for absenteeism</li> <li>❖ Use of company's on-site health clinics</li> <li>❖ Increases Payouts from medical aid schemes increase</li> <li>❖ Employee requires attention of human resource and employee assistance personnel</li> </ul>	<ul style="list-style-type: none"> <li>❖ Overall productivity of workforce declines</li> <li>❖ Overall labor costs increase</li> <li>❖ Additional use of medical aid benefits causes premiums to increase</li> <li>❖ Additional medical staff must be hired at the company health clinics</li> <li>❖ Managers begin to spend time and resources on HIV-related issues</li> <li>❖ HIV/AIDS interventions are designed and implemented</li> </ul>
❖ Employee leaves workforce due to death, medical boarding, or voluntary resignation	<ul style="list-style-type: none"> <li>❖ Payout from death benefit or life insurance scheme is claimed</li> <li>❖ Pension benefits are claimed by employee or dependents</li> <li>❖ Other employees are absent to attend funeral</li> <li>❖ Funeral expenses are incurred</li> <li>❖ Company loans to employee are not repaid</li> <li>❖ Co-workers are demoralized by loss of colleague</li> </ul>	<ul style="list-style-type: none"> <li>❖ Payouts from pension fund cause employer and/or employee contributions to increase</li> <li>❖ Returns to training investments are reduced</li> <li>❖ Morale, discipline, and concentration of other employees are disrupted by frequent deaths of colleagues</li> </ul>
❖ Company recruits a Replacement employee	<ul style="list-style-type: none"> <li>❖ Company incurs costs of recruitment</li> <li>❖ Position is vacant until new employee is hired</li> <li>❖ Cost of overtime wages increases to compensate for vacant positions</li> </ul>	<ul style="list-style-type: none"> <li>❖ Additional recruiting staff and resources must be acquired on</li> <li>❖ Wages for skilled (and possibly unskilled) employees increase as labor markets respond to the loss of workers</li> </ul>
❖ Company trains the new employee	<ul style="list-style-type: none"> <li>❖ Company incurs costs of pre-employment Training (tuition, etc.)</li> <li>❖ Company incurs costs of in-service training to bring new employee up to level of old one</li> <li>❖ Salary is paid to employee during training</li> </ul>	<ul style="list-style-type: none"> <li>❖ Additional training staff and resources must be acquired on</li> </ul>
❖ New employee joins the workforce	<ul style="list-style-type: none"> <li>❖ Performance is low while new employee comes up to speed</li> <li>❖ Other employees spend time providing on-the-job training</li> </ul>	<ul style="list-style-type: none"> <li>❖ There is an overall reduction in the experience, skill, institutional memory, and performance of the workforce</li> <li>❖ Work unit productivity is disrupted as turnover rates increase.</li> </ul>

**Source:** International Health Organisation (2002). *The Economic Impact of AIDS* [online]. Available from: [www.international-health.org/AIDS\\_economis](http://www.international-health.org/AIDS_economis). [Accessed 2 July 2015].

The table above illustrates that ultimately there is a negative effect on production costs, the production process, and the demand for capital/labour, output prices and competitiveness.

Business has had to respond to HIV/AIDS due to the impact it has on growth & development and sustainability of the business. Business has since implemented HIV/AIDS programs such as free counseling, free testing and also providing ARTs (Antiretroviral Therapy) to those in the work force infected with HIV/AIDS. All these are costs incurred by the business which affects business profitability and growth.

### **2.5.3 Effect on taxable population**

HIV/AIDS kills the working age, this reduces the labour force and in turn reduces taxable population. Reduction in taxable population results into reduced government resources and therefore reduced health care services and other social grants.

A decrease in the taxable population reduces economic growth as the costs to take care of the sick increases training and recruitment costs increases, productivity decreases, this causes a decrease in company growth, which results into reduced profits and reduced taxable revenue and in turn results into less money for the government expenditure on infrastructure and other development costs and ultimately this slows down the economic growth.

### **2.5.4 Effect on GDP**

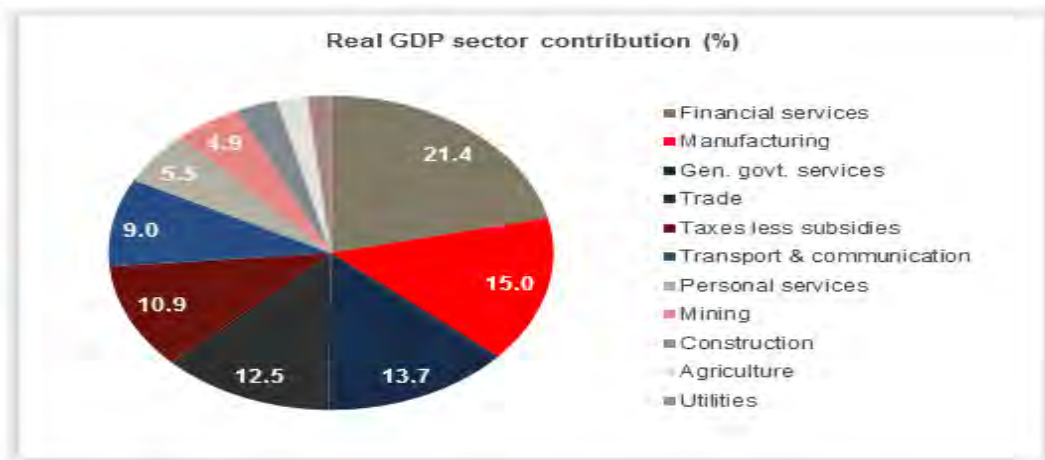
UNAIDS, the World Health Organization (WHO) and the United Nations Development Program have documented a correlation between the decreasing life expectancies and the decrease in gross national product in countries with more than 10% prevalence rates (UNAIDS, 2013).

Most business in South Africa have a rate of 10- 40 percent of the workforce which is likely to be infected with HIV/AIDS (South African Business Coalition on HIV/AIDS, 2014), but the impact varies from one company to the next. Labour and capital-intensive industries, as well as those with a high mobility of labour, are most affected. The HIV/AIDS pandemic is more prevalent in sectors mining, metals processing, agribusiness and transport sectors. The research done indicates a

staggering rate of 23% infection within the skilled and unskilled work force of the above mentioned sectors (South African Business Coalition on HIV/AIDS, 2014).

Figure 2.3 below illustrates the contribution of the different sectors to the Gross Domestic Product (GDP). We can see that the labour intensive sectors combined are the largest contributors to GDP. Manufacturing (15%), Mining (4.9%), Agribusiness (5.5%) and Transport Sector (9%) together they contribute 34.4% to GDP (Trading Economics, 2015).

Figure 2.4 below Illustrates the Correlation between the decreasing GDP in sectors that are labour intensive. Figures in red illustrate decrease in the GDP and we can see as illustrated in the schedule that the decreases are only in labour intensive sectors.



**Figure 2.3 above illustrates the Contribution of the different sectors to the GDP in South Africa**

**Source:** Trading Economics (2015). *Economic Statistics South Africa. Gross Domestic Product (GDP), 4th Quarter 2014* [online]. Available from: [www.tradingeconomics.com/south-africa](http://www.tradingeconomics.com/south-africa) [Accessed 12 October 2015].

**Table 2.4** Illustrates the Correlation between the decreasing GDP in sectors that are labour intensive.

<b>Table Percentage change in the quarterly gross domestic product by industry</b>												
Year <sup>1/</sup>	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale, retail and motor trade; catering and accommodation	Transport, storage and communication	Finance, real estate and business services	General government services	Personal services	Total value added at basic prices	GDP at market prices
1994	7.9	0.5	2.7	5.8	2.9	2.5	4.6	3.7	1.0	4.9	3.0	3.2
1995	-19.9	-3.1	6.5	2.0	3.5	5.9	10.6	3.5	0.8	5.5	3.0	3.1
1996	24.0	-0.8	1.4	10.8	2.0	3.7	6.1	6.8	1.9	2.7	4.2	4.3
1997	0.9	1.7	2.7	3.9	3.4	0.4	7.6	4.7	0.8	0.0	2.6	2.6
1998	-5.3	-0.1	-0.2	-6.3	-5.9	1.3	5.5	2.3	-0.7	6.2	0.7	0.5
1999	6.2	-1.4	0.6	-0.5	-1.4	7.6	5.2	5.1	-0.9	3.9	2.7	2.4
2000	4.7	-1.1	8.1	3.1	5.6	8.1	8.3	3.2	-0.9	4.8	4.4	4.2
2001	-3.3	-0.1	3.2	-3.7	4.9	1.9	5.9	8.2	-0.9	2.2	2.9	2.7
2002	6.5	1.0	2.8	3.5	5.8	2.3	9.0	6.3	0.7	2.5	3.8	3.7
2003	0.7	3.4	-1.5	3.0	7.7	2.7	6.3	4.8	2.8	5.6	3.0	2.9
2004	0.9	1.5	4.9	6.8	9.1	5.4	4.9	7.1	1.9	1.7	4.5	4.6
2005	2.8	1.0	6.2	5.3	11.9	7.0	5.3	5.7	4.3	3.8	5.3	5.3
2006	-5.5	-0.6	6.4	3.4	10.4	6.0	5.1	9.6	3.1	5.2	5.5	5.6
2007	3.0	-0.6	5.4	3.4	15.5	5.6	7.5	7.3	4.7	5.5	5.4	5.4
2008	19.4	-5.3	2.3	-3.5	9.9	1.8	3.5	5.6	5.6	3.8	3.3	3.2
2009	-1.9	-5.1	-10.6	-1.8	8.5	-1.1	-0.2	1.1	3.2	-0.8	-1.4	-1.5
2010	-0.3	5.3	5.9	2.4	0.7	4.4	1.7	1.2	2.7	0.4	2.9	3.0
2011	1.3	-0.7	2.9	1.4	0.4	3.8	3.0	4.1	4.5	2.4	3.0	3.2
2012	0.6	-2.9	1.9	-0.1	2.1	3.6	2.5	3.0	3.6	2.1	2.2	2.2
2013	1.5	4.0	0.7	-0.6	2.7	1.9	2.0	3.0	3.1	1.8	2.3	2.2
2014	5.6	-1.6	0.0	-0.9	2.9	1.3	2.3	2.2	3.0	1.4	1.6	1.5

**Source: SA, S. (2015). Gross Domestic Product (GDP), 4<sup>th</sup> Quarter 2014. S. SA**

According to the Occupational Care South Africa (OCSA) it is estimated that South Africa loses between R12 – to R16 Billion per annum due to absenteeism. Cost associated with absenteeism include employees actual salary, cost for casual employees. These factors can collectively lead to a decrease in the company’s productivity, and ultimately profits, especially for smaller businesses (Mudly, 2015).

## **2.6 Business Response to HIV& AIDS**

The survival of its work force is important for the development & growth of the businesses and the economy of the country. The government and businesses have thus responded to HIV/AIDS due to its significant impact on the economic development of the country as a whole and policies have since been developed and implemented in order to address HIV/AIDS in the work place.

The law is an important regulatory factor that governs the way people behave. Laws have been passed for business to govern the way they are conducted in order to protect employees from discrimination. Businesses are required by law to respond to HIV/AIDS. The legal framework dictates the way businesses should act with regard to HIV/AIDS in the workplace. The law seeks to entrench human rights in the workplace as workers are scared of human violations (as a result of the stigma which surrounds this disease); the law is therefore designed to address these concerns (Department of Labour, 2012).

## **2.7 Policies, Laws and Regulations on HIV & AIDS**

HIV and AIDS continue to negatively impact on the livelihood of millions of persons living with or affected by the pandemic in South Africa. Within the world of work, HIV/AIDS impact severely on productivity. As a consequence of ill health, there is increased absenteeism, low morale and an increase in staff turnover due to early death and possibly a change in markets and demands for services.

### **2.7.1 Code of Conduct**

In 2000 South Africa published a Code of Good Practice on Key aspects of HIV/AIDS and employment in line with the Employment Equity Act. The code's primary objectives were to guide the employers, workers and trade unions to develop and implement HIV/AIDS workplace policies and programs. The code was intended to protect and provide dignity and workers' rights through the elimination of unfair discrimination against people living with or affected by HIV and AIDS (Department of Labour, 2012).



The primary objective of this code is to provide guidelines to assist employers, workers and their organizations to develop and implement comprehensive gender-sensitive HIV/AIDS workplace policies and programs (Department of Labour, 2012). These policies and programs must be developed within the framework of decent work in the formal and informal sectors in both the public and private sectors to:

- a) Eliminate unfair discrimination and stigma in the workplace based on real or perceived HIV status, including dealing with HIV/AIDS testing , confidentiality and disclosure;
- b) Promote access to education, equitable employee benefits and employment protection;
- c) Manage grievance procedure in relation to HIV/AIDS;
- d) Create a safe and healthy working environment;
- e) Promote appropriate and effective ways of managing HIV/AIDS and TB in the workplace, and
- f) Give effect to the international and regional obligations of the Republic of South Africa on HIV/AIDS and TB in the world of work.

### **Key Principles of the Code**

The guiding principles in this code are based on International Conventions and Recommendations, The Constitutions of the Republic of South Africa and National laws which include:

**a) Respect for human rights, fundamental freedom and equalities**

The response to HIV/AIDS must be recognized as a contributing factor to the realization of human rights, dignity, fundamental freedoms, responsibility and equality for all, including workers and their dependents.

**b) HIV and AIDS is a workplace issue**

HIV/AIDS is a workplace issue and must be treated like any other serious illness or condition in the workplace. HIV/AIDS must be included among essential elements of the national, provincial, local and sectorial response to the pandemic with full participation of all stakeholders.

**c) Reduce HIV related stigma and unfair discrimination and promote equality of opportunity and fair treatment**

Elimination of unfair discrimination remains a key principle of the protection of the rights of the individual. There must be no unfair discrimination against or stigmatization of workers on the ground of real or perceived HIV/AIDS status. It is the responsibility of every worker and employer to eliminate unfair discrimination in the workplace.

**d) Gender equality**

Women and girls are at greater risk and more vulnerable to HIV/AIDS infection and are disproportionately affected by HIV/AIDS compared to men as a result of gender inequality. Women's empowerment is the key factor in responding to HIV/AIDS and the world of work. Measures must be taken in the world of work to ensure gender equality, prevent violence and harassment, protect sexual and reproductive health and rights and involve men and women workers, regardless of their sexual orientation in the HIV/AIDS response.

**e) The right to access and continuation of employment**

Real or perceived HIV/AIDS status is not a valid cause for termination of employment. Workers with HIV related illness must not be denied the possibility of continuing to carry out their work unless proven medically unfit to do so. As with many other conditions workers with HIV/ADS must be reasonably accommodated and be able to work for as long as medically fit. Medical examination should be limited to the capacity of a worker to perform the task(s) of a particular job.

**f) Prevention**

Prevention of all modes of HIV transmission and TB is a fundamental priority for the country. In keeping with this principle the workplace must facilitate access to comprehensive information and education to reduce the risk of HIV transmission and HIV-TB co infection and STIs (Sexually Transmitted Infections).

**g) Treatment care and support**

Treatment care and support services for HIV/AIDS must be accessible to all workers and their departments. All workers must have access to affordable health services, social security , insurance schemes or other employment related benefits either through the employer, the state or non-government organizations. Programs of care and support must include measures of reasonable accommodation in the workplace for persons living with HIV or AIDS related illness.

**h) Social Dialogue/consultation**

Implementation of policies and programs on HIV/AIDS should be based on cooperation and trust among government, employers and workers and their representative. Employers and workers should engage in the design, implementation and evaluation of national and workplace programs, with the active involvement of persons living with HIV/AIDS.

**i) Occupational health and safety**

The workplace must be healthy and safe for all workers and they must benefit from the programs to prevent specific risks of occupational transmission of HIV and related transmissible diseases, such as TB, especially in jobs most at risk, including the health care sector.

**j) Testing, confidentiality and disclosure**

Workers and their dependents must enjoy protection of their privacy, including confidentiality related to their own HIV/AIDS status and that of co-workers. Workers must not be required to undergo HIV/AIDS testing or other forms of screening for HIV unless found to be justified by the labour court. The results of HIV testing must be confidential and not endanger access to jobs, tenure, job security or opportunities of advancement (Department of Labour, 2012).

### **2.7.2 The Constitution**

The South African Constitution Act No.108 of 1996 is the supreme law of the country and all other laws must comply with the Constitutional law. The Bill of Rights found in the Constitution sets out a number of provisions, which protect the rights of employees. One of the most important rights in this Bill is the right to equality.

The reason why HIV/AIDS is treated as separate listed ground “(included in the list of established grounds which consist of race, creed, religion ethnic group etc.)” for non-discrimination under the Employment Equity Act (EEA) is because , HIV/AIDS is a national epidemic that affects a large number of people in South Africa and affected people face a wide range of unfair discrimination and stigmatization in all aspects of life, and the Equality Act should recognize this to ensure non-discrimination on the basis of HIV/AIDS (Department of Labour, 2012).

### **2.7.3 Labour Relations Act**

The Labour Relations Act (LRA) No.66 of 1995 sets out the rights and duties for both employers and employees as well as the rights given to Trade Unions and Employer Organizations (Department of Labour, 2012). The Labour Relations Act ensures that employees with HIV/AIDS are not unfairly dismissed.

### **2.7.4 Employment Equity Act**

The Employment Equity Act No.55 of 1998 provides guidelines for employers and trade unions to adopt and implement in order to ensure that individuals with the HIV/AIDS infection are not unfairly discriminated against in the workplace. This includes provisions regarding, creating a non-discriminatory work environment; dealing with HIV testing, confidentiality and disclosure and providing equitable employee benefits (Department of Labour, 2012).

The Act also provides guidelines for employers, employees and trade unions on how to manage HIV/AIDS within the workplace. The HIV/AIDS epidemic affect employees and equally has an effect on relations dynamics in the workplace at varying levels, thus necessitating a holistic

response which takes all of these factors into account. The Act therefore includes principles on the following:

- a. Creating a safe working environment for all employers and employees;
- b. Developing procedures to manage occupational incidents and claims for compensation;
- c. Introducing measures to prevent the spread of HIV/AIDS;
- d. Developing strategies to assess and reduce the impact of the epidemic upon the workplace;  
and
- e. Supporting those individuals who are infected or affected by HIV/AIDS so that they may continue to work productively for as long as possible.

The Policy Principles also include the following:

- a. The promotion of equality and non-discrimination between individuals with HIV infection and those without, and between HIV/AIDS and other comparable health/medical conditions.
- b. The creation of a supportive environment so that HIV/AIDS infected employees are able to continue working under normal conditions in their current employment for as long as they are medically fit to do so.
- c. The protection of human rights and dignity of those living with HIV/AIDS is essential to the prevention and control of HIV/AIDS.
- d. The disproportionate impact of HIV/AIDS on women and the fact that this should be taken into account in the development of workplace policies and programs.
- e. Consultation, inclusivity and encouraging full participation of all stakeholders, all key principles which should underpin every HIV/AIDS policy and program (Department of Labour, 2012).

### **2.7.5 Occupational Health and Safety Act**

The Occupational Health and Safety Act (OHSA) No.85 passed in 1993 and covers all employees, except those in the mining industry, who fall under the Mine Health and Safety Act<sup>43</sup> (Department of Labour, 2012). Its relevance here is the clause which requires that an employer:

Provide and maintain as far as reasonably practicable, a working environment that is safe and without risk to the health of his employees.

Employers must ensure that employees are not exposed to harmful substances or dangerous machinery. If blood is spilt in the workplace, employees must be aware of the precautionary steps to take so as to limit the exposure to the possibility of infected blood.

This places a duty of care on employers to ensure that:

- a) Steps are taken to assess the risk of occupational HIV/AIDS infection;
- b) The risk of possible HIV/AIDS infection is minimized;
- c) Staff training is undertaken on safety steps to be taken following an accident; and
- d) Universal infection control procedures are used in any situation where there is a possible exposure to blood or blood products.

### **2.7.6 Compensation For Occupational Injuries and Diseases Act**

The Compensation for Occupational Injuries and Diseases Act (COIDA) No.130 passed in 1993 gives employees the right to compensation for accidents and illness that they got while working. Should an employee become infected with HIV/AIDS as a result of a workplace accident, the employee can claim within the framework of this Act.

### **2.7.7 King Report on Corporate Governance**

The Second King Report on Corporate Governance now requires companies to not only report on financial figures but to also report on non-financial risk factors to stakeholders. HIV/AIDS is one such non-financial risk factor that companies need to report on (Department of Labour, 2012).

### **2.7.8 South African Bureau of Standards**

The new SANS 16001 standard as published by the South African Bureau of Standards provide companies with guidelines against which they can measure HIV/AIDS programs. The use of this standard as a benchmark compels the companies to set and achieve specific objectives which will be verified by qualified auditors.

The auditors will provide certification for compliance with the requirements. Continued compliance to standards is required and must also meet the requirements ISO 90001, ISO 14001 and OHSAS 18001( Department of Labour, 2012).

### **2.7.9 Workplace Policy**

Companies are required to have a policy that clearly illustrates company's response to HIV/ AIDS through preventions programs, treatment programs, support for staff living with HIV/AIDS, stigma and discrimination among others covering employees, family and the community. HIV/AIDS can serve as an important entry point for businesses to effectively address the health, safety, gender and social responsibility issues of its workforce and surrounding communities (South African Business Coalition on HIV/AIDS, 2014).

## **2.8 HIV/AIDS Programs implemented by the different companies**

### **2.8.1 Harmony Gold HIV/AIDS Program**

Harmony gold is a company listed on the Euronet exchange, it has operations in Papua New Guinea and in South Africa. Harmony Gold manages its HIV/AIDS through its clinic by providing health care, education and awareness program (Harmony Gold, 2015). According to Harmony Golds Annual Report (2015), "During the 2015 financial year, 4 016 employees were registered on the ARV programme (FY2014: 4 640) at an average monthly cost of R515 per person (FY2014: R549)" (Harmony Gold, 2015, p.65-70) Harmony encourages all HIV positive employees to

participate in the wellness programme, which includes counselling, treatment of infections and antiretroviral therapy, to which all employees have access (Harmony Gold, 2015, p.65-70).

Pre-counselling and voluntary counselling and testing are offered to all employees through ongoing interventions at all Harmony healthcare centres. A total of 19 234 (FY2014: 33 531) employees received voluntary counselling and testing during the year and of these, 14 933 (FY2014: 14 060) employees confirmed their status (Harmony Gold, 2015, p.65-70).

### **2.8.2 De Beers HIV/AIDS Program**

De Beers family of companies include operations in Canada, Botswana, Namibia and South Africa with 15,000 employees. De Beers was one of the first companies to provide ART (Antiretroviral Therapy) for all of its employees and their spouse/life partners (Human Rights and Business Dilemmas Forum, 2010).

The Family of Companies is working to achieve a 'vision of zeros'. This means: zero new HIV infections in employees or partners; zero babies born with HIV/AIDS from mothers registered on its treatment programmes; and zero deaths from HIV/AIDS as employees and partners access its treatment programmes (Human Rights and Business Dilemmas Forum, 2010).

Programmes include wellness advice, medical consultations, pathology, counselling and support, prophylactic medication to prevent opportunistic infections such as tuberculosis, as well as nutritional supplements.

Testing is available to employees, spouses, life partners and contractors. It has also been extended into local communities through private-public partnerships. ART (Antiretroviral Therapy) is also provided to employees, their spouses and life partners without payment.



### **2.8.3 Levis Straus HIV/AIDS Program**

Levis Straus operations are based in UK, Mexico and South Africa. More than 1,000 employees in these three countries received direct, in-person HIV/AIDS education through the HIV/AIDS Prevention, Treatment and Care Program pilots in those countries.

Levis Straus provides access to HIV/AIDS prevention, treatment and care for our employees; providing tools for suppliers that will allow them to address HIV/AIDS with their own workers; and educating and supporting our retail organization in their efforts to mobilize consumers. HIV/AIDS Prevention, Treatment and Care Program offer suppliers in countries such as Mexico, Dominican Republic, Haiti, Kenya, Lesotho and China assistance in implementing workplace programs that can help keep their workers safe and productive ( Levis Straus ,2014).

### **2.8.4 Padenga Holdings Limited HIV/AIDS Program**

Padenga Holdings is company based in Zimbabwe and is listed on the Zimbabwe Stock exchange. It operates 2 clinics that provides health services to employees, their families as well as the wider community. Padenga has implemented an employee wellness programme. Apart from providing voluntary counselling and testing (VCT) services at the company clinics, the company also provides incentives to boost employee participation in the various initiatives and distribute related information and educational material (Padenga Holdings ,2013).

### **2.8.5 Standard Bank's HIV/AIDS Program**

Standard Bank addresses gender issues to reduce HIV/AIDS risk for women. The Bank provides employees and their families' access to family planning services and information about sexually transmitted infections and mother-to-child transmission of HIV/AIDS as part of its comprehensive HIV/AIDS program, which also includes education and awareness-raising, voluntary counseling and testing, and specialized care. Additionally, the program addresses domestic violence, a pressing social problem in South Africa, through education and awareness raising (Standard Bank, 2010).

### **2.8.6 Peer education at Ford Motor Company**

Peer educators are an integral part of Ford Motor Company's comprehensive HIV/AIDS workplace program in South Africa. Selected employees are trained not only to inform colleagues about HIV/AIDS, but also to help break down barriers of stigma that prevent employees from accessing services. This has helped to create a safe and confidential environment where employees can participate in the program without fear of discrimination. Peer educators provide employees with information on HIV/AIDS and also STI and tuberculosis treatment. They are also responsible for organizing educational events and handling employee referrals to testing and treatment facilities (Ford Motor Company, 2010).

They do so with the languages and methods that are most appropriate to the local cultural context and express information in a way that is optimal to their colleagues' understanding. Ford Motor Company also employs youth peer educators to address HIV/AIDS among younger employees through age-appropriate, innovative communication methods. This focus on youth is crucial given the high rates of HIV/AIDS among youth in the region. These youth peer educators are working to raise awareness in the wider community, especially workforce feeder communities.

According to Ford, peer educators are absolutely critical to the success of the company's HIV/AIDS workplace program (Ford Motor Company, 2010).

### **2.8.7 Telkom's workplace voluntary testing and counseling program**

The program in place at Telkom is outstanding because of its scale and intention to remove the stigma of HIV/AIDS. The Telkom family is given widespread health screening that includes VCT (Voluntary Testing and Counselling) and ARTs (Antiretroviral Therapy) to those infected.

According to Telkom (2013) , "The Thuso (meaning "help") HIV/AIDS Workplace Program reaches all of Telkom's more than 30,000 employees and their families — more than 70 percent of whom live in regions with HIV/AIDS prevalence rates higher than 30 percent" (Telkom ,2013, p.82-99). Since the program's inception in 2004, 63% employees have been tested of whom 3.3% were found to be HIV positive. Sixty-five percent of spouses and partners of Telkom employees have taken an HIV test and know their status. The Thuso program has reduced the impact of sick

leave incidents from 25-40 days to 5–6 days, which has helped to significantly increase labor productivity (Telkom ,2013, p.82-99).

### **2.8.8 Xstrata Company workplace and community treatment, care, and support program**

Xstrata Coal South Africa, a subsidiary of Xstrata, employs approximately 8,000 people, including contractors, at its thermal coal operations in South Africa (Xstrata ,2008). Since 2004 the company has provided a comprehensive workplace and community treatment, care, and support program that is linked to mining operations in two of Mpumalanga province’s health districts Nkangala and Gert Sibande where the majority of Xstrata employees and their families reside. The program was jointly designed and is managed by Re-Action! Consulting, a health and sustainability consultancy.

The Xstrata program has invested in a number of initiatives aimed at integrating TB and HIV/AIDS service delivery at both the workplace and community levels. For example, workplace TB screening drives have been organized in partnership with the Provincial Health Department. Community health workers are trained to work on both HIV/AIDS and TB, to systematically visit households, and to link those in need with health facilities and the company's workplace program, as appropriate. Above all, the company ensures that it is working in tandem with the public sector through what WHO terms the PPM (public-private mix) approach to ensure that company HIV/AIDS and TB activities are aligned with government strategies and guidelines (Xstrata ,2008).

### **2.8.9 Johnson & Johnson and mothers2mothers (m2m)**

The partnership between Johnson & Johnson and mothers2mothers (m2m) in South Africa was born out of a mutual commitment to prevention of mother-to-child transmission (PMTCT) by enhancing the uptake of PMTCT services (Johnson & Johnson, 2014). According to Johnson & Johnsons (2014), “m2m utilizes an innovative model of engaging HIV-positive women who are new mothers to serve as Mentor Mothers (MMs) to pregnant women. The support from peer

mothers is critical to providing a stigma-free and empathetic environment that encourages them to get tested, access the health services necessary to prevent transmission to their unborn children, and disclose their status to their families. m2m hires and trains Mentor Mothers as an integral part of the health system and empowers them with education and employment tools that can be leveraged outside of m2m" (Johnsons & Johnson, 2014).

Johnson & Johnson supports m2m as a financial partner but also works closely with it to enhance the management and execution (M&E) tools and provide strategic guidance on key aspects of the m2m model.

According to Johnson & Johnsons (2014),"compared to baseline data, rates of women who agree to HIV testing have often doubled once the m2m program was introduced. At the Chris Hani Clinic in East London, South Africa, for example, testing rates increased from 40 percent to nearly 100 percent within one year of implementation. As of 2007, the Johnson & Johnson-m2m partnership has provided services to more than 7,400 pregnant women in South Africa, 77 percent of these consented to testing, and more than 1,060 HIV-positive women received psychosocial support and care throughout their pregnancy"(Johnsons & Johnson, 2014).

### **2.8.10 SPAR GROUP**

SPAR provides a wellness service to its employees through onsite clinics. According to SPAR Annual Report (2014) "SPAR invested R3 million in these services in 2014 (R2.9 million in 2013)" (The Spar Group Limited, 2014). The clinic services are provided free of charge to all employees: permanent and temporary. Through these clinics, employees have access to support initiatives that focus on health and wellness, alcohol and substance abuse.

The group has an HIV/AIDS policy and management framework in place and HIV-positive employees are provided with counselling and support. HIV/AIDS awareness campaigns and training are provided on an ongoing basis, including training of peer counsellors to deal with workplace challenges relating to HIV/AIDS. A decision was taken to provide all employees with annual access to a medical examination. This is voluntary but the uptake has been encouraging (The Spar Group Limited, 2014).

### **2.8.11 HULAMIN LIMITED**

Hulamin believes that the good health of employees is essential to motivation, capability and productivity. To this end, we offer benefits for employees and their families and friends. The enhancement of employee health also contributes to reduced absenteeism and promotes good working relationships (Hulamin Limited, 2014, p.59).

A Health Care Centre is managed by employees with the appropriate skills, competencies and qualifications in the field of medicine and Occupational Health Nursing Practices to manage these three components. Several health care programs are in place include occupational health risk assessment and control measures.

In 2014, 1 081 employees went through Voluntary Counselling and Testing (VCT). Hulamin also provide antiretroviral (ARV) support to employees who are HIV positive. A total of R423 797 was spent on HIV/AIDS management in 2014 ( Hulamin Limited ,2014, p.59).

### **2.8.12 SAPREF**

As from 2013, SAPREF provides Voluntary Counselling and Treatment (VCT) to it staff members and to service providers through the use of the companies on site clinic. The clinic also provides other screening such as blood pressure, sugar and cholesterol (SAPREF, 2013, p.13).

### **2.8.13 Illovo SHE Report**

Below are figures extracted from the Safety Healthy and Equipment report of Illovo from the company's 2014/15 annual integrated report. Illovo has 17,239 employees receiving VCTs (Voluntary Testing and Counselling) and has 9,783 employees who have tested for HIV/AIDs through the company's HIV/AID awareness, testing and counselling program (Illovo Sugar, 2015).

**Table 2.5 Illustrates the Illovo SHE Report**

Number of employees and contractors receiving VCT	<b>17 239</b>
HIV prevalence rate	<b>21%</b>
Number of employees tested for HIV/AIDS	<b>9 783</b>

**Source:** Illovo Sugar (2015). *Interim Reports for 6 Months Ended 20 September 2015* [online]. Available from: <https://www.illovosugar.co.za> [Accessed 26 October 2015].

## **2.9 The GAP**

The above literature review shows the history of HIV/AIDS in South Africa, the prevalence of HIV/AIDS and its impact on businesses and the economy. The business and government sectors have responded to HIV/AIDS and the laws and regulations have since been implemented in relation to HIV & AIDS that companies or businesses have to adhere to. The costs that companies incur in response to ensuring compliance to such laws and regulations have been identified. The research above illustrates the cost of HIV/AIDS to companies and the control measure implemented by companies and the government but what are the benefits to the company for incurring all these costs and complying with laws and regulations?

One may argue that investing in HIV/AIDS program ensures that:

- Employees are well informed, thus reducing the number of people infected with HIV/AIDS
- Employees that are already affected live longer because of treatment thus ensuring sustainability of the business and minimizing the decrease in productivity and efficiency.

Are these really benefits? The answer is no because the costs incurred by companies on HIV/ AIDS programs are in order to maintain stability of the company and, but not necessarily, to grow the company.

Policies and regulations on HIV/AIDS only do the following:

- Created awareness of the pandemic to employees

- Protect employees who are affected or infected by HIV/AIDS from discrimination
- Provide testing and treatment to employees thus ensuring that HIV/AIDS is detected early and treated so as to increase life expectancy of employees who are infected.

By incurring all these costs on HIV/AIDS programs the companies are not growing because the profits made that could have been used for capital injection into business for growth is now used to provide testing and treatment to employees in order to maintain workforce stability. HIV/AIDS is an epidemic that affects the country just like unemployment.

Sec 12H of the Income Tax Act No.58 of 1962 provides a tax deduction to employers for learnership and apprenticeship agreements in order to encourage employers to employ youth and thus combat unemployment.

The Youth Employment subsidy is another initiative from government to encourage employers to employ youth which makes up the majority of the unemployment rate in South Africa. The National Youth Development Agency (NYDA) is a government department that assists the youth with entrepreneurship skills and getting a company registered. This is government initiative to combat unemployment.

The Skills Development Act No.37 of 2008 provides rebates to employers that train employees so as to combat the level of unskilled workers in South Africa (Department of Labour, 2012).

The Workmen's Compensation Act of 1897 provides rebates to employers that have minimum or low fatalities and injuries as a result of employment in order to encourage employers in making sure that the working environment and conditions for employees are safe and healthy (Department of Labour, 2012).

Broad Based Black Economic Empowerment Act No.53 of 2003 has been introduced in order to ensure that previously disadvantaged individuals are given the opportunity to grow. A BBBEE Scorecard was introduced in order to monitor companies and give them a score based on their initiatives towards BBBEE.

Small businesses are taxed at low rates which is another initiative from government to create employment thus reducing the unemployment rate and increasing economic growth.

HIV/AIDS is just as serious and important as unemployment, lack of skilled labour and black economic development. HIV/AIDS affects families, companies and the South African economy at large just like unemployment. We have seen how HIV/AIDS affect the GDP thus impacting on the country's development and growth in a negative way.

HIV/AIDS has not only affected companies through loss of labour force, increase in absenteeism, increase in recruitment and training costs but companies have had to implement HIV&AIDS programs thus costing the company time and money. Companies are now also providing infected and affected employees an additional employment benefit thus increasing the cost of labour or of employing an individual. Providing Medical Care to employee on site is tax free to the hand of the employee and does not attract a fringe benefit or tax implication for the employee.

Companies have inherited these costs which should be a government social responsibility. Companies are employing the majority of the employment force and are thus helping the government by providing HIV/AIDS programs to the work force. The government should consider looking into incentivizing companies that provide such programs.

## **2.10 Summary**

This chapter introduced the HIV/AIDS world statistics; the history of HIV/AIDS in South Africa, the prevalence of HIV/AIDS in South Africa was also discussed. The impact of HIV/AIDS on businesses and the economy was discussed; the business response to HIV/AIDS and the policies, laws and regulation on HIV/AIDS were also discussed.

The research study will discuss in details the costs that companies incur in relation to HIV /AIDS as well as the impact of these costs on company profits.



The research study will also discuss whether or not government should look into incentivizing companies that invest in HIV/AIDS programs and the different incentive measures that can be implemented by government.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The literature review outlined the history of HIV/AIDS, the previous research that has been done on the Impact of HIV/AIDS on companies and the gaps identified in the previous research done. This chapter outlines the different research methods and designs and the chosen methods used in this research study.

#### **3.2 Research methodology**

Bougie (2013), defines the Research as, “an organized and systematic analysis or investigation into a specific problem, with a purpose of finding an answer or a solution to the problem. Research is also a means of obtaining knowledge through various objective methods and procedures. According to Bougie (2013), "research methodology specifies the process, methods and procedures followed for collecting, measuring and analyzing the data that the researcher used in the study" (Bougie, R., Sekaran, U., 2013). In order for one to have their research objective answered it is therefore important to devise a good methodology.

#### **3.3 Objectives**

The objectives are to identify and quantify the:

- Costs incurred by companies on HIV/AIDS
- Staff turnover rate as a result of HIV/AIDS

### **3.4 Location of the study**

According to Bougie (2013), "It is impractical and uneconomical to involve all the members of the population in the research given that the population associated with this research is large" (Bougie, R., Sekaran, U., 2013). Probability sampling would not be appropriate for this study as the number of companies is too wide.

Due to the sensitivity and the nature of the study, the sampling design deemed most appropriate for this study is non-probability sampling which includes both convenience and purposive sampling. It is convenient as the company selected is willing to provide the information and restrictive in the sense that it is a company amongst the top 50 companies listed on the JSE (Johannesburg Stock Exchange) and can provide the desired information relevant for the study.

According to South African Business Coalition on Health on Aids (2014), "the mining, metals processing, agribusiness and transport industries are affected the most by the pandemic. It is estimated that 23% of employees in these industries are infected with HIV/AIDS. It was also found that the prevalence rate is three times more among skilled and unskilled workers than among supervisors and managers" (South African Business Coalition on HIV/AIDS, 2014)).

The company selected is in the agricultural sector and labour intensive. This, according to research studies, is one of the sectors where HIV/AIDS is prevalent. Due to sensitivity of the topic it is unlikely that companies would be willing to disclose information, this study was therefore conducted in KZN. The research is confined to one business in the agricultural sector which is amongst the top 50 companies listed on the JSE stock exchange and it has a staff complement of 2,000 employees in South African operations. The company selected was Tongaat Hulett (Pty) Ltd.

#### **About Tongaat Hulett**

Tongaat Hulett is a company in the agricultural sector, focusing on producing sugar from sugar cane, producing starch products and animal feeds (Tongaat Hulett Limited, 2015).

The business incorporation is dated back from the mid-1800s, from the merger of the Tongaat Group Limited and the Huletts Corporation Limited. The company is listed on the Johannesburg

Stock Exchange and the London Stock Exchange. The staff complement is 42 000 people, working in 27 locations and in 6 countries namely, South Africa, Botswana, Namibia, Swaziland, Mozambique and Zimbabwe (Tongaat Hulett Limited, 2015).

### **3.5 Population and Sample Size**

The population will be Tongaat Hulett (Pty) Ltd number of employees for the past 4 years. Sampling is not required because the study is a retrospective analysis of Tongaat Hulett (Pty) Ltd Safety and Health Reports for the past 4 years.

### **3.6 Data Collection**

#### **3.6.1 Quantitative and Qualitative Approach research methods**

Quantitative research involves conducting an investigation through use of statistical, mathematical techniques and converting data or information into numbers (Bougie, R., Sekaran, U., 2013). Qualitative Research is exploratory research that generates non-numerical data (Bougie, R., Sekaran, U., 2013).

Quantitative Research involves structured interviews, observations, review of records and documents for financial information. Qualitative Research involves focus groups, in-depth interviews, analyzing opinions and interpreting data by observing what people do and say (Bougie, R., Sekaran, U., 2013). Qualitative research refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things (Bougie, R., Sekaran, U., 2013). Qualitative research is subjective and quantitative research is objective.

Data can either be collected from primary or secondary sources. According to Bougie (2013), "primary data refers to information obtained first hand by the researcher on the variables of interest for the specific purpose of the study whilst secondary data refers to information gathered from sources that already exist e.g. literature" (Bougie,R.,Sekaran, U. , 2013). The method used to

collect data will be informed by the type of data required. According to Bougie (2013), "the data can be collected by the use of interviews, administering questionnaires or surveys, observations or focus groups" (Bougie, R., Sekaran, U., 2013).

There is no one best research design because of the complexity of social reality and the limitations of all research methodologies, hence the need to combine several methods, an approach which Denzin (2011) describes as triangulation. Triangulation allows multiple data sources thereby expanding knowledge to understand critical issues (Denzin, N., Lincoln, Y.S, 2011).

A quantitative research approach has been used where secondary data (i.e. Tongaat Hulett Reports) will be analyzed retrospectively for the past 4 years.

Below is an example of Tongaat Hulett reports that will be analyzed.

**Table 3.1 Below Illustrates Tongaat Hulett's Group Safety, Health and Environment Report.**

HEALTH STATISTICS : FEBRUARY 2015											
HIV and AIDS :VCT and ART											
	Sugar SA	Starch	Developments	Amazimnyama	SA Total	Triangle	Hippo Valley	Tambankulu	Xinavane	Mafambise	Overall Total
<b>VCT UPTAKE</b>											
Average monthly complement YTD 2014/15 (permanet employees at all levels) (No.)	2,628	703	60	51	3,442	6,261	5,021	410	4,390	3,590	23,114
Employees known to be HIV+ in 2013/14 carried over to 2014/15 (No.)	611	63	-	-	674	1,130	1,193	243	-	282	3,522
Avg. monthly complement less employees known to be HIV+ over to 2014/15 (No.)	2,017	640	60	51	2,768	5,131	3,828	167	4,390	3,308	19,592
Employees presenting for VCT this month (No.)	204	-	-	-	204	184	23	-	-	-	411
Employees presenting for VCT YTD 2014/15 (No.)	1,390	396	60	-	1,846	2,770	2,784	144	4,310	3,273	15,127
Percentage of employees presenting fo VCT YTD 2014/15 (%)	689	62	100	-	851	54	73	86	98	99	1,261
Employees knowing their status YTD 2014/15 (No.)	2,001	459	60	-	2,520	3,900	3,977	387	4,310	3,555	18,649
Percentage of employees knowing their status YTD 2014/15 (%)	76	65	100	-	241	62	79	94	98	99	675
<b>VCT POSITIVITY</b>											
Employees confirmed HIV+ ON VCT this month (number of new cases) (No.)	4	-	-	-	4	5	1	-	-	-	10
Employees confirmed HIV+ on VCT YTD 2014/15 (number of new cases) (No.)	23	2	-	-	25	176	54	34	782	140	1,211
Percentage of employees presenting for VCT who test HIV+ on VCT YTD 2014/15(%)	2	-	-	-	2	6	2	24	18	4	56
<b>HIV PREVELANCE</b>											
Complement this month (permanent employees at all levels) (No.)	2,653	703	60	51	3,467	6,075	4,928	410	4,188	3,552	22,620
Current employees known too be HIV+ (No.)	614	65	-	-	679	1,126	1,216	274	782	422	4,499
Percentage of current employees known to be HIV+(%)	23	9	-	-	32	19	25	67	19	12	173
<b>ART UPTAKE</b>											
New employees on ART this month (No.)	9	-	-	-	9	4	6	-	-	-	19
Employees currently on ART(No.)	238	24	-	-	262	1,194	1,217	247	420	306	3,646
Employees discontinuing ART this month (No.)	2	-	-	-	2	45	8	-	-	2	57
Employees discontinuing ART YTD 2014/15 (No.)	22	-	-	-	22	181	31	-	-	13	247
<b>ART COSTS</b>											
Total ART Costs This Month (LAB/ARV Actual Payment in Rands).	94,356	29,516	-	-	123,872	18,560	34,952	-	-	-	177,384
Total ART Costs YTD 2014/15 (LAB/ARV Actual Payment in Rands).	823,697	243,228	-	-	1,066,925	226,398	430,475	6,539	-	-	1,730,337
Total ART Costs 2013/14 (LAB/ARV Actual Payments in Rands).	1,065,490	301,340	-	-	1,366,830	282,216	411,936	5,603	-	-	2,066,585
<b>REASONS FOR DISCONTINUING ART THIS MONTH</b>											
Death (No.)	-	-	-	-	-	2	6	-	-	2	10
ILL-Health Retirement (No.)	1	-	-	-	1	-	-	-	-	-	1
Normal Retirement (No.)	-	-	-	-	-	2	-	-	-	-	2
Termination (Resignation/Dismissal/Retrenchment) (No.)	-	-	-	-	-	1	-	-	-	-	1
Transfer Out (Medical Aid/State) (No.)	1	-	-	-	1	38	2	-	-	-	41
Voluntary (Default) (No.)	-	-	-	-	-	2	-	-	-	-	2
<b>CONTRACT/SEASONAL EMPLOYEES VCT UPTAKE</b>											
Contract/seasonal employees presenting for VCT this month (No.)	65	-	-	-	65	42	28	10	-	-	145
Contract/seasonal employees presenting for VCT YTD 2014/15 (No.)	2,577	396	5	-	2,978	1,274	1,602	535	3,471	4,748	14,608
<b>CONTRACT/SEASONAL EMPLOYEES ART UPTAKE</b>											
Contract/seasonal employees commencing for VCT this month (No.)	1	-	-	-	-	8	5	5	-	-	18
Contract/seasonal employees discontinuing for VCT this month (No.)	-	-	-	-	-	2	4	-	-	-	6
Contract/seasonal employees currently on ART (No.)	11	-	-	-	-	146	568	261	-	-	975
Contract/seasonal employees discontinuing ART YTD 2014/15 (No.)	-	-	-	-	-	30	12	-	-	-	42

### **3.7. Ethical Requirements**

All the ethical requirements were taken into consideration during and after the research study. The sensitivity of the HIV/AIDS subject was also taken cognizance of as consent was sought from the company and the individual respondents in this study. The company was assured of the confidentiality and anonymity. The researcher also explained the purpose of the study and possible benefits that could be derived from the study to all the participants in the case study.

The data collection methods considered to be appropriate for this study is quantitative approaches where:

- Inspection/Observation/Review of company medical costs records and leave form records will be done(i.e. Secondary Data);

The study is for academic purposes, the time to conduct the research was therefore limited. Data collection will be carried out over a period of 6 weeks, from 17 August 2015 to 28 September 2015.

### **3.8 Summary**

In this chapter the research methods that have been used are discussed as well as the rationale behind the methods chosen for this study.

## CHAPTER FOUR

### PRESENTATION AND DISCUSSION OF RESULTS

#### 4.1 Introduction

The presentation and interpretation of the results are approached in two sections in relation to the objectives of the study. The analysis of data will follow closely the responses from the Occupational Nurses and the Human Resource Managers and it will be accompanied by relationships with existing literature and previous research where applicable.

The following HIV/AIDS programs are in place at Tongaat Hulett:

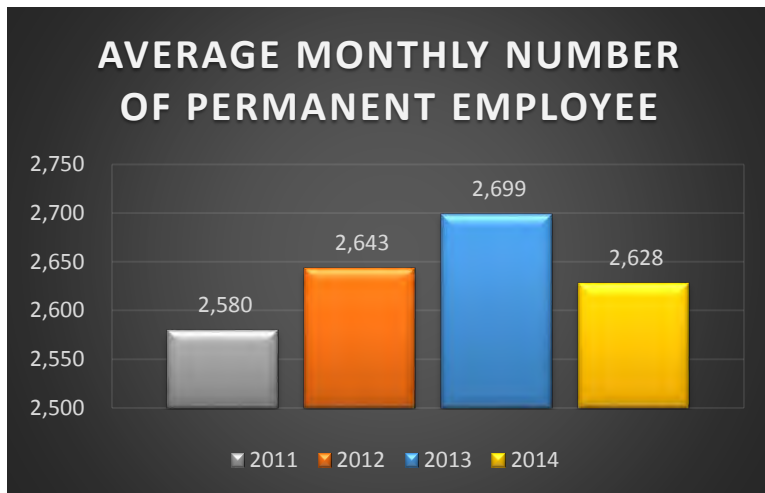
- Prevention of HIV/AIDS: Awareness, education and training. Commemoration of World Aids Day. Condom promotion and supply. Promotion and referral for Male Medical Circumcision.
- Free testing and ART (Antiretroviral Therapy) medication
- Support of HIV+ employees: Counselling. Employee Assistance Programme. Non-discriminatory work practices.
- Community Outreach Programmes.

#### 4.2 Objectives of the study

In order to satisfy the requirements of each objective, the reports were analyzed and where necessary, correlations with independent variables have been studied.

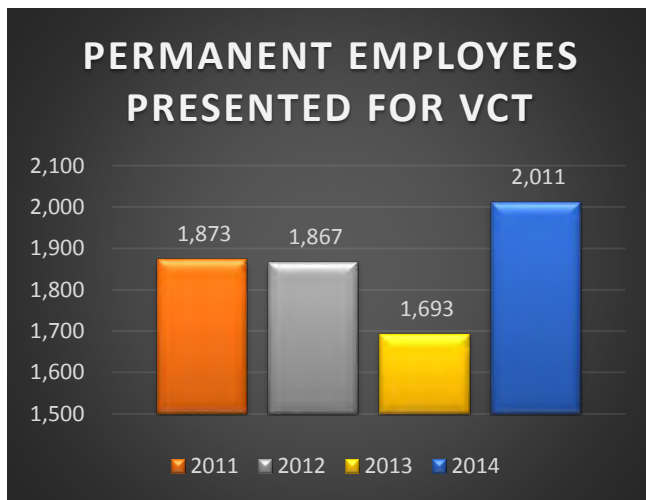
- **4.2.1 Objective 1: To investigate the cost incurred by the company on HIV/AIDS programs**





**Figure 4.1 above illustrates the average number of permanent employees.**

The employee numbers fluctuate year on year. In 2014 because of the drought affecting sugarcane growth, the company took a decision to not fill some of the vacant positions and certain departments were centralized so as to increase efficiencies and reduce personnel costs.



**Figure 4.2 above illustrates the average number of permanent employees presented for VCT (Voluntary Testing and Counselling).**

The VCT (Voluntary Testing and Counselling) uptake on permanent employees has increased by 7% over the past 4 years. The increase is due to programs in place thus encouraging employees to test and know their HIV/AIDS status.

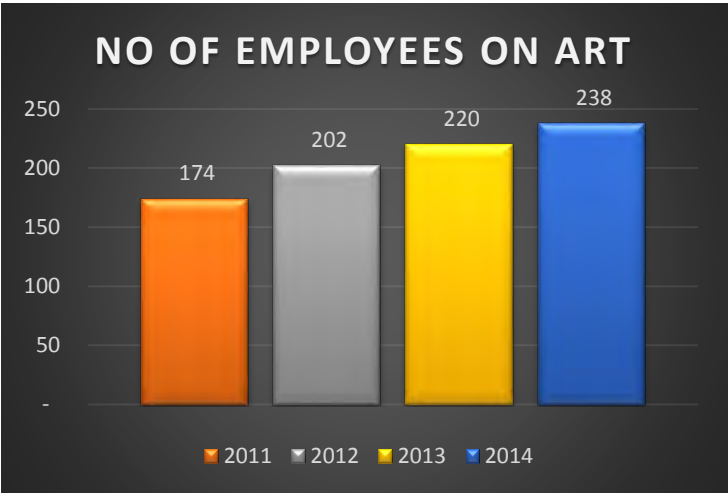


**Figure 4.3 illustrates the number of permanent employees knowing their HIV/AIDS status.**



**Figure 4.4 illustrates the number of HIV positive employees.**

The HIV/AIDS prevalence in the workforce of Tongaat Hulett Sugar SA has increased by 21% over the last 4 years. Most of the employees affected by HIV/AIDS are non-skilled employees who cannot read or write. The increase is due to a lack of awareness in some employees of the HIV/AIDS programs available in the work place; in others it is due to their not understanding HIV/AIDS material provided for them due to a language barrier. The increasing trend follows the national and international level trend where HIV/AIDS prevalence is increasing year on year. In South Africa the prevalence rate from 2011 to 2014 has increased by 2% (World Bank, 2014).



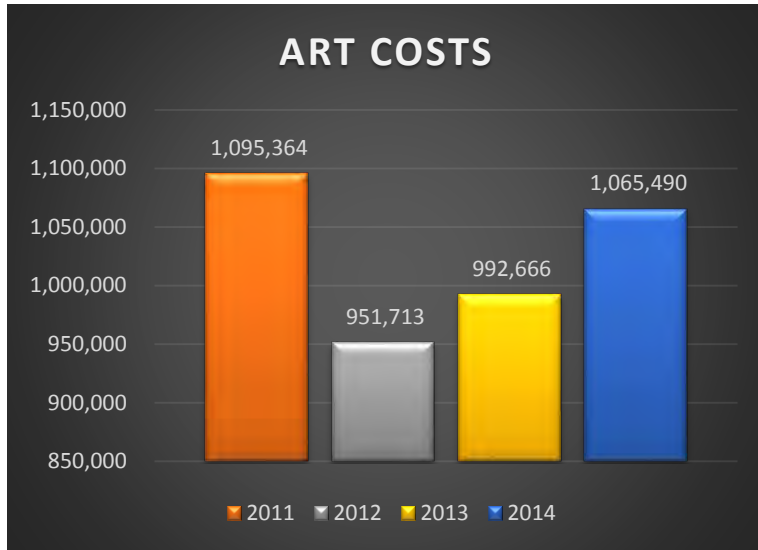
**Figure 4.5 illustrates the number of employees on ART (Antiretroviral Therapy).**

The ARTs (Antiretroviral Therapy) provided by the company have increased by 36.78% over the past 4 years. More employees are doing voluntary testing, this results in an increase in the number of employees knowing their status and, in turn, results in an increase in the number of employees on antiretroviral drugs.



**Figure 4.6 illustrates the number of contract employees presented for VCT (Voluntary Testing and Counselling).**

It is interesting to note that not only does the company provide VCT (Voluntary Testing and Counselling) and ARTs (Antiretroviral Therapy) to permanent staff but contract workers are also provided with these health care benefits at the company's cost.



**Figure 4.7 illustrates the ART (Antiretroviral Therapy) costs incurred by the company**

The cost of ARTs fluctuate year on year due to some employees defaulting on the treatment.

The cost incurred by the company over the past 4 years is R4, 105,233.



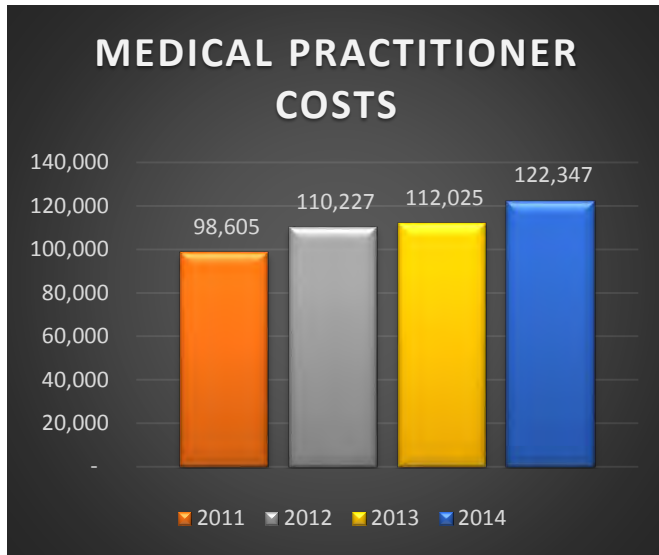
**Figure 4.8 illustrates the Wellness Day costs incurred by the company**

The Wellness Day costs also fluctuate year on year. The company has incurred costs of R475, 823 over the past 4 years. An annual wellness day is a program hosted by the company where employees are encouraged to do voluntary testing for example, diabetes, cholesterol, body mass index. Organisations like the South African Sugar Association, Alcohol and Drug Abuse, Child Welfare, Legal Wise, Dentists, Optometrists are also invited to this annual wellness event to teach employees about a healthy lifestyle.



**Figure 4.9 illustrates the Training & Awareness costs incurred by the company**

The training costs have increased over the last 4 years and the total costs incurred by the company over the past 4 years is R117, 316.



**Figure 4.10 illustrates the Medical Practitioner costs incurred by the company**

The costs of employing a full time occupational nurse is increasing year on year. The costs incurred by the company over the past 4 years is R443, 204.

The costs incurred by the Tongaat Hulett Sugar SA operation and the Tongaat Hulett Group vary year on year due to employees who drop out and voluntary default in taking medication.

Tongaat Hulett HIV/AIDS programs started in 2003 and over the last 4 years the company has incurred a total cost of R7, 746,971. These costs extrapolated since 2003 equate to an estimated cost of R23 Million.

Per enquiry with the clinic staff nurses it was noted that HIV/AIDS is prevalent in the ages of 21 years and above, it affects most age groups, male and female irrespective of marital status. The enquiry also revealed that the occupational level of infected individuals ranges from unskilled workers to junior management/supervisors.

- **4.2.2 Objective 2: To investigate the staff turnover rate as a result of HIV/AIDS**

To investigate the staff turnover rate the Human Resource Managers were asked to reveal the medical boarding numbers as a result of HIV/AIDS over 5 years.

Table 4.1 below illustrates that HIV/AIDS has no impact on staff turnover rate. The investigation shows that death rate, medical boarding, work terminations and resignations relating to HIV/AIDS sickness are minimal. While the number of newly infected employees has increased by 21% over the last 4 years, the staff turnover rate as a result of HIV/AIDS, has not increased. This is possibly due to the increase in the number of employees on ARTs (Antiretroviral Therapy) and access to medication and staff welfare educational programs. As stated above the number of employees on ARTs has increased by 36% thus possibly increasing the employee's life span.

**Table 4.1 illustrates the impact of HIV/AIDS on staff turnover rate**

<b>TONGAAT HULETT SUGAR SOUTH AFRICAN OPERATIONS</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of Deaths			1	
No of Ill Health Retirements		1		1
Normal Retirement				
Termination / Resignation/ Dismissal			1	
<b>TONGAAT HULETT SUGAR GROUP INCLUDING FOREIGN OPERATIONS</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of Deaths		4	9	10
No of Ill Health Retirements				1
Normal Retirement		4		2
Termination / Resignation/ Dismissal		1	3	1

### **4.3 Summary**

The results obtained from the analysis of data have revealed several interesting findings. Some of the most important findings are the cost incurred by companies and the fact that HIV/AIDS has affected all gender and age groups. The results have also revealed that there

is no correlation between HIV/AIDS and Staff turnover rate and no correlation was found between HIV/AIDS and absenteeism rate.

Another interesting finding was the general consensus that HIV/AIDS is a joint business and government problem. However it was suggested that government should incentivize companies that invest in HIV/AIDS programs either by way of Income tax deduction, rebates system or supplying of medical treatment at a reduced cost.

The company has seen a significant improvement in the death rates after investing in HIV/AIDS programs and has seen improvement in employee morale due to availability of treatment and management of HIV/AIDS.



## **CHAPTER 5**

### **CONCLUSIONS, AND RECOMMENDATIONS**

#### **5.1 Introduction**

The overview of research on costs incurred by companies providing HIV/AIDS programs, the impact of HIV/AIDS on staff turnover rate and absenteeism rate, are discussed in this chapter. This chapter also discusses the conclusions with reference to the problem statement, research questions and objectives as outlined in Chapter One. Recommendations for further research and study are also discussed.

#### **5.2 Conclusion**

The objectives of the study were addressed by of analysis company reports and through discussion with occupational nurses.

##### **5.2.1 Objective 1: The cost incurred by the company on HIV/AIDS programs**

The findings regarding the cost incurred by the company on HIV/AIDS programs reveal that over the past 4 years the company has spent a total of R7, 746,971 on HIV/AIDS programs. The findings also reveal that over the past 11 years, since the start of HIV/AIDS programs, an estimated cost of R23Million has been incurred by the company.

The fact that the age group of infected employees ranges across all age groups and gender of the labour force is a concern. Most people in this age group are still strong and growing in their careers, they are an asset to the company. If employees who are at

their productive stage are the most affected employees this then affects the company's sustainability plan and progression plan.

### **5.2.2 Objective 2: Staff turnover rate as a result of HIV/AIDS**

Staff shortages affect productivity and efficiency. When an employee is sick he still gets paid his full day salary/wage. The company is forced to employ a temporary/casual employee in order for the job to continue and so that productivity and efficiencies are not affected. Employing a temporary/casual employee is an additional cost to the company. On average a casual employee is paid R105 a day.

The findings regarding the staff turnover rate as a result of HIV/AIDS revealed that there is a negative correlation between staff turnover rate and HIV/AIDS. The staff mortality and turnover rate was minimal with recruitment costs incurred for replacement of these employees amounting to R32, 000 over the past 4 years. The costs of retraining new employees to be efficient in their jobs could not be quantified and this could result in a major setback for the company as this involves time and additional costs.

### **5.3 Recommendations arising from this study**

This study examines the impact of HIV/AIDS on companies and whether companies should be incentivized for investing in HIV/AIDS programs.

HIV & AIDS is an epidemic that affects the country just like unemployment. Companies have responded to HIV/AIDS by implementing programs to prevent the infection rate from increasing as well as to support the already infected employees.

By investing in these programs, company profits are affected as the company could have used the financial resources spent on HIV/AIDS, programs on other areas of the business for business growth. Tongaat Hulett alone has spent R7Million in the past 4 years and R23Million in the past

11 years. The question one should ask oneself is, how much did the other 9 companies identified in Chapter 2 spend on their HIV/AIDS programs?

The government has identified unemployment as a pandemic and has therefore implemented incentives to companies to employ the youth in order to combat unemployment.

Just like unemployment, there needs to be incentives for companies that invest in HIV/AIDS programs so that the companies can continue doing or providing this social responsibility to its employees.

With the current economic climate where costs are forever increasing, global warming and drought, companies are also feeling the pressure and in order for them to meet their profit margins and satisfy stakeholders, there are on a drive to reduce costs. If the government does not provide an incentive to the companies that invest in HIV/AIDS programs the companies will eventually not invest in such programs as a cost saving measure on their side, in order to reduce their costs and meet their profit margins.

HIV/AIDS is just as serious and important as unemployment, lack of skilled labour and black economic development. HIV/AIDS affects families, companies and the South African economy at large just like unemployment. We have seen how HIV/AIDS affect the GDP in Chapter 2, thus impacting on the country's development and growth in a negative way.

Companies have inherited these costs which should be a government social responsibility. Companies are employing the majority of the employment force and are thus helping the government by providing HIV/AIDS programs to the work force. I believe the government must look into incentivizing companies that provide such programs.

The following incentive recommendations are suggested:

- Sec 12H of the Income Tax Act No.58 of 1962 provides a tax deduction to employers for learnership and apprenticeship agreements in order to encourage employers to employ youth and thus combat unemployment.

Just like Sec12H of the Income Tax Act No.58 of 1962, a section of the Income Tax Act can be introduced which provides a tax deduction to employers that invest in HIV/AIDS programs.

- The Youth Employment subsidy is another initiative from government to encourage employers to employ youth which makes up the majority of the unemployment rate in South Africa. This is a government initiative to combat unemployment.

Just like the Youth Employment Subsidy, the government can introduce a subsidy for companies that invest in HIV/AIDS programs.

- A lower tax rate can be applied to companies that invest in HIV/AIDS programs e.g. instead of a 28% Tax rate, companies that invest in HIV/AIDS programs, can be taxed at 27%.
- The Skills Development Act No.37 of 2008 provides rebates to employers who train employees so as to combat the level of unskilled workers in South Africa (Department of Labour, 2012).

Just like the Skills Development rebate, the government can introduce a rebate for companies that invest in HIV/AIDS programs.

- Companies that invest in HIV/AIDS programs can be given a higher rating on the BBBEE (Broad Based Black Economic Empowerment) score card.

## **5.4 Limitations of the Study**

All studies have some limitations. The following limitations were identified:

- Due to time constraints and sensitivity of the subject matter, the data was collected from 1 company which is one of the top 40 companies listed on the JSE with the hope of generalizing the results for all businesses in South Africa that invest in HIV/AIDS programs.

The findings of the study could not be generalized for all businesses due to only 1 company reports being analyzed. Whilst the method used for this study was appropriate, it is not reliable in terms of generalization.

## **5.5 Recommendations for further research**

The recommendations for further research are based on the findings and limitations identified in this study. Despite its limitations, the present study does provide a starting point for further research in this subject. Recommendations for further research include:

- In this study, the sampling frame used was limited as it was based on one JSE listed company in KZN. A further study should include a number of companies.
- Future studies should consider use of probability sampling techniques so that the findings can be more reliable and can be used with greater accuracy in generalizing the findings to apply to the entire population of companies in South Africa.
- Further studies should be considered which will test whether HIV/AIDS has any impact on the absenteeism rate and, whether business sustainability and reliability is affected by HIV/AIDS.
- Further studies can also include testing whether HIV/AIDS has an impact on company investments and an impact on a company's funeral and insurance costs.

## **5.6 Summary**

Despite the limitations identified above, the research objective has been met and the study has raised a number of salient issues. This has implications for the way in which government taxes companies that invest in HIV/AIDS programs. . The finding of this study closes some of the gaps in the academic literature relating to the cost of HIV/AIDS on companies. None of the studies done before have actually quantified these costs.

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23 July 2015

**Mrs Sinempilo Nxele (203504786)**  
Graduate School of Business & Leadership  
Westville Campus

Dear Mrs Nxele,

**Protocol reference number: HSS/0860/015M**  
**Project title: Should companies be incentivised for HIV & AIDS Programs?**

**Full Approval – Expedited Application**

In response to your application and amendment received on 09 July 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

**Amendment:**

- **Research Methodology**

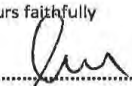
**Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.**

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

**The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.**

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

  
.....  
**Dr Shenuka Singh (Chair)**

/ms

Cc Supervisor: Dr Muhammad Hoque  
Cc Academic Leader Research: Dr Muhammad Hoque  
Cc School Administrator: Ms Zarnia Bullyraj

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