

# AIDS takes an economic and social toll

*Impact on households and economic growth most severe in Southern Africa*

By **Belinda Beresford**

Johannesburg

In Southern Africa, as elsewhere in the continent, the AIDS epidemic is not just a health crisis. It is also “a major threat to development and to human society,” as Executive Director Peter Piot of the Joint United Nations Programme on AIDS (UNAIDS) put it at a conference in Nairobi in April. While wreaking havoc on the present generation, the disease jeopardizes the future as well, undermining African economies and societies in ways that often are not immediately apparent.

Taking a narrow economic approach, however, some have argued that AIDS is unlikely to inflict severe damage on national economies because those infected are, in their great majority, the poor and unskilled, who contribute little in pure economic terms. This view ignores not only the human dimension, but also the broader social and economic

it begins by killing those parts responsible for building society, the women and breadwinners who sustain and safeguard the community as a whole. Ultimately, AIDS undercuts economic growth and harms development, but its impact is felt first at the “cellular” level, among African households.

Of all parts of Africa, the Southern African region has the highest infection rates (see map, page 21). In South Africa and Botswana, 15-year-olds currently have a one-in-two chance of dying of HIV/AIDS. The US Census Bureau last year forecast that Botswana, Zimbabwe and South Africa would experience negative population growth as a result of HIV. Slowly won development gains, such as life expectancy, education and

estimated number of infected people may rise from 5.2 million to 8.2 million, or nearly 17 per cent of the total population. Such projections, of course, do not take into account new medical breakthroughs or changes in people’s behaviours, which could impede the disease’s progression.

**HIV/AIDS damages society just as it does the human body: it begins by killing those parts responsible for building society, the women and breadwinners who sustain and safeguard the community as a whole.**

**Families hit hard**

Among households, the direct costs of HIV/AIDS can be measured in the lost income of those who die or who lose their jobs because of their illness. Household savings fall, consumption on items other than health and funerals

declines and expenditure patterns are distorted as families struggle to cope with the demands of the sick and dying.

Mr. Robert Greener of the Botswana Institute of Policy Analysis told *Africa Recovery* that while government revenue from its diamond industry has been relatively unaffected by the AIDS crisis, that of households has been hit hard. Overall poverty rates will not necessarily get worse, “but the rate of improvement will not be what it was. We found that HIV will have a major effect on how [people] can invest in their own future.” He estimates that between 17 and 25 per cent of households will lose an income earner in the next 10 years, with total income falling by 15 per cent in the poorest homes. A government AIDS-impact study estimated that overall household per capita income will fall by 8 per cent, and as much as 13 per cent for the poorest quarter.

Households which otherwise might have remained above the poverty line are pushed below it. This in turn can feed the epidemic. As the UN programme, UNAIDS, has pointed out, at least two of the behavioural responses to poverty can exacerbate the epidemic: migration in search of work and employment in the sex trade. When people are mired in poverty, “taking care to avoid HIV/AIDS may seem a less immediate concern for many people than simple survival.” Combating poverty, in turn,

Farmers in Zambia: Loss of a family member to AIDS can push households deeper into poverty.



Das Fotoarchiv / Henning Christoph

aspects of development. It likewise ignores the existing evidence of the many insidious ways in which AIDS already is harming key sectors in those countries most seriously affected by the epidemic.

Harvard University economist Jeffrey Sachs pointed out at an international AIDS conference in South Africa last year that HIV/AIDS damages society just as it does the human body:

literacy, are being eroded. In Botswana, it has been forecast that HIV will cut in half life expectancy at birth.

South Africa, once seen as the economic powerhouse for the region, is thought to have the greatest number of infections in the world — an estimated one in nine of the population has HIV. The spread of the virus is not expected to peak for another five years, when the



can help make people less vulnerable to AIDS. A study in Bushbuckridge, South Africa, found that providing micro-loans to groups of women gave the women some financial autonomy, enabling them to better negotiate safer sex.

On a wider scale and over time, the erosion of household incomes and opportunities can damage the fibre of entire communities and societies. Extended family networks, which can cope with the normal traumas of life in poor countries, often begin to fray when multiple orphans are dumped on them and when the breadwinners can no longer support themselves, let alone anyone else. The transfer of knowledge across generations is lost, and socialization is reduced.

### Health facilities under strain

Not only do overall household incomes fall, but also what money remains tends to be diverted to meet the needs of the sick. Family expenditure on healthcare rises, eventually consuming savings and other resources in an attempt to keep death at bay, and to pay for funerals when the battle is lost.

On a grander scale, countries' health systems themselves become overburdened. Already understaffed and underfunded, Africa's health infrastructure is struggling to cope with the enormous demands placed on it. Public health facilities in particular come under strain, as many private clinics and doctors choose not to offer treatment for HIV/AIDS. The lack of supplies can put healthcare workers at risk of becoming infected themselves.

AIDS distorts health-spending priorities. According to UNAIDS, up to 80 per cent of hospital beds in Zambia and Zimbabwe (as well as Côte d'Ivoire) are occupied by HIV-positive patients. For governments, the epidemic poses a number of dilemmas: to spend limited resources on trying to prevent further infections, helping those already infected, or combating other serious health problems, such as tuberculosis, malaria and cholera.

### Empty schools

Many poor households affected by AIDS may not be able to afford to send their children to

school. Even in countries where schooling is free, there are other costs such as uniforms and books. Specifically to address this problem, the World Food Programme has proposed that "take-home rations" should be added to school feeding projects to give families an incentive to send their children to school.

Such a programme could particularly help female children, since cultural conditioning means that girls are more likely to be kept out of school to become caregivers.

Where HIV infection rates are lower, school attendance, especially of girls, tends to be higher.

Moreover, children may be the only able-bodied members of a household if the adults are sick — or dead — and are likely to concentrate more on survival and raising their siblings than on education. Studies in Zimbabwe have found that of the AIDS orphans on commercial farms, not one was attending secondary school and almost half the primary school pupils had dropped out by the time their parents had died. According to estimates, more than 7 per cent of Zambia's 1.9 million households are now

headed by children aged 14 or less.

In some cases, students also may be subject to disproportionately high infection rates. At one South African university, it has been estimated that two-thirds of students will be HIV-positive by the time they graduate. As such students and pupils die, not only do Africa's economies lose potential skilled workers, but the governments' educational investment in them also is wasted. Similarly, families' expenditures on their schooling have been in vain, and they lose not just a loved one, but a possible source of future revenue.

Infection rates among teachers also are high. According to South African economists Peter Badcock-Walters and Alan Whiteside, in 1998 the mortality rate among educators was 39 per 1,000, or 70 per cent higher than in the 15-49 year age segment of the population. In Zambia, during the first ten months of last year, 1,300 teachers died of AIDS — two-thirds of the annual number of newly qualified teachers.

### Macroeconomic impact

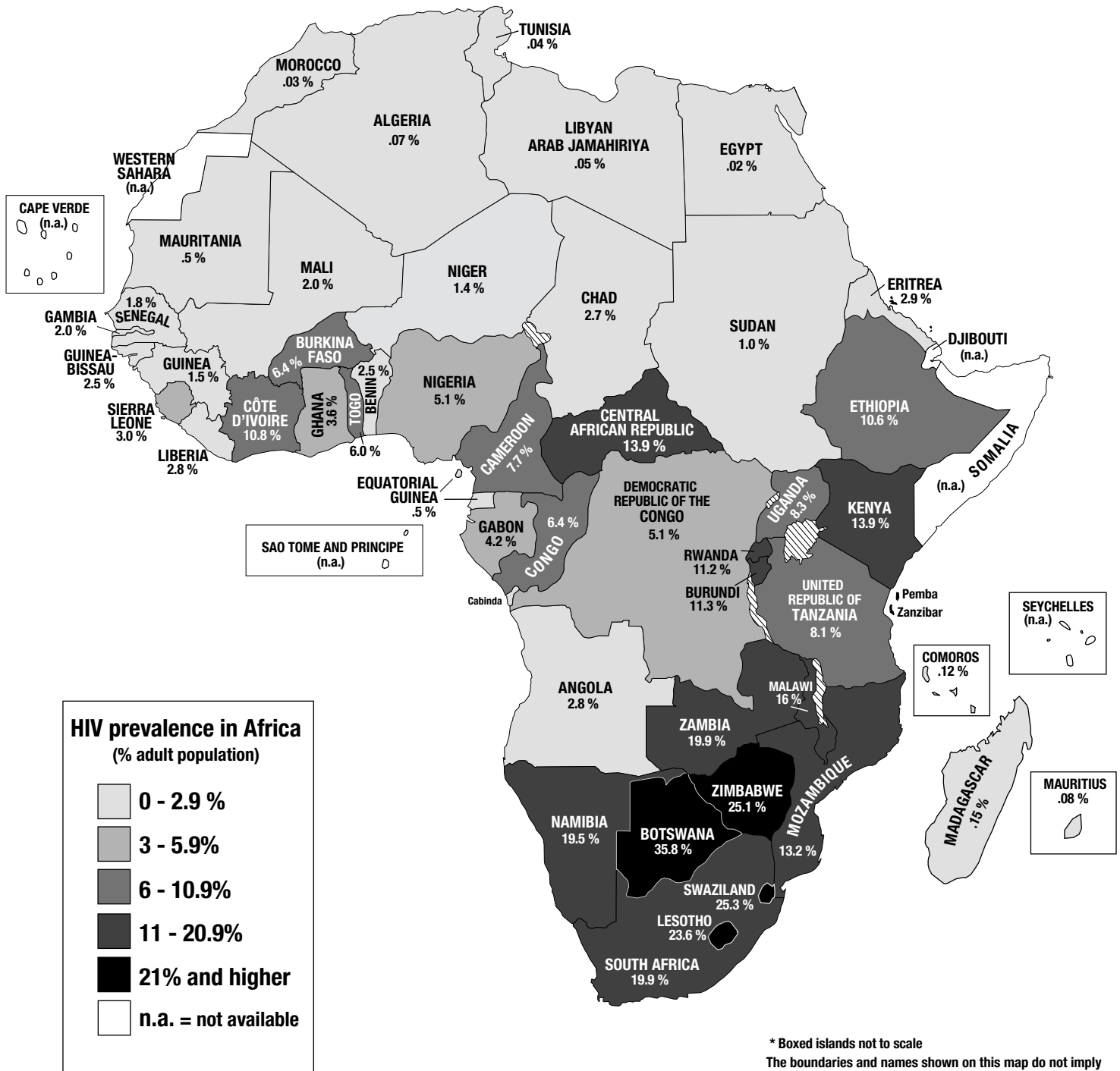
In many different ways, the devastation of AIDS among individuals and families ultimately affects a country's overall economic performance. The loss of experienced workers

*turn to page 22*



UNDP / Ruth Massey

# HIV prevalence in Africa



Source: UN Africa Recovery from UNAIDS, Report on the Global HIV-AIDS Epidemic, June 2000.

and skilled professionals saps production in key sectors. More insidiously, AIDS can erode the people's morale, weakening their confidence in the future, further harming productivity and undermining their willingness to save and invest.

Foreign investors also are becoming increasingly concerned about the implications of the HIV/AIDS epidemic, at a time when Africa is seeking to attract more international investment. For foreign investors, notes Mr. Gordon Smith, chief economist of Deutsche Bank in South Africa, "uncertainty means sell rather than hold," much less invest more money.

According to some estimates, annual per capita economic growth in Africa is 0.7 per cent less because of the cumulative impact of AIDS. Such estimates are seriously unreliable, however. There is a paucity of accurate data both on AIDS itself — precisely who is infected, in which economic sectors — and on how the illness actually affects different economic activities. Nor can the impact of AIDS be easily separated from other factors. "AIDS is part of a whole. It will have a macroeconomic impact," admitted Mr. Whiteside, the South African economist. "But you cannot disimpact AIDS from labour legislation, for example."

Nevertheless, numerous studies agree that AIDS can seriously slow down economic growth, to varying degrees. UNAIDS has estimated that when HIV prevalence rates rise to more than 20 per cent, gross domestic product

Former mineworkers in Lesotho, some of whom have AIDS, produce AIDS educational materials.



Das Fotobachiv / Ludger Schladensky

(GDP) in those countries can be lowered by as much as 2 per cent a year. In South Africa, the investment bank ING Barings has projected that HIV/AIDS could drag down GDP by 0.3-0.4 per cent a year. Another study has indicated that by the end of the decade, AIDS could have knocked South Africa's GDP by 17 per cent, or \$22 bn.

The UN Development Programme (UNDP), in its Botswana Human Development reports, cites government studies that HIV/AIDS will result in GDP being between 24 per cent and 38 per cent lower by 2021. Mr. Greener says that 2 per cent of the workforce in that country is showing clinical signs of AIDS. He predicts that over 25 years, GDP could be 40 per cent lower than without HIV/AIDS. "There will be an increased cost of skills," he says. "There is a need to put in place practices to maintain productivity and prevent a skills-related bottleneck."

### Farm output erodes

The agricultural sector is one of the hardest hit in sub-Saharan Africa, where it is often the largest contributor to the economy. As people sicken, the areas they cultivate may shrink, and yields decline as physical weakness reduces farmers' effectiveness. Food security is jeopardized, as labour, time and money is diverted to deal with the illness. Agricultural households may revert to subsistence rather than cash crop farming, and the quality and quantity of food may decline.

In Malawi, death rates among employees of

the Ministry of Agriculture and Irrigation have doubled, almost all because of HIV/AIDS. In Namibia, studies indicate that agricultural extension workers spend a tenth of their time attending funerals.

"The effect of AIDS on food production is both immediate and long-term," Dr. Piot of UNAIDS has pointed out. This has been confirmed concretely by a study from Zimbabwe, which looked at the impact of an adult death on the household's ability to produce different foods. It estimated reductions of 61 per cent for maize, 49 per cent for vegetables and 37 per cent for groundnuts (see graph, page 23). But AIDS also hits long-term agricultural capacity. Livestock is often sold to pay funeral expenses, and orphaned children often lack the skills to farm or look after livestock in their care.

### High infection among miners

The mining industry is notorious for its high rates of HIV infection, particularly where there are single-sex hostels and attendant male-to-male sexuality and commercial sex. Migrant labour adds to the problem, with workers carrying infection to and from their employment on trips home, including in other countries. Areas of Lesotho are now being devastated by HIV as sick workers return from South African mines, a situation exacerbated by the economic reliance of the small country on their remittances.

Although there have been anecdotal reports of infection rates as high as 60 per cent, some mining companies say this is exaggerated and

### Southern Africa: labour force losses due to HIV/AIDS (%)

	by 2005	by 2020
<b>Botswana</b>	<b>-17.2</b>	<b>-30.8</b>
<b>Lesotho</b>	<b>-4.8</b>	<b>-10.6</b>
<b>Malawi</b>	<b>-10.7</b>	<b>-16.0</b>
<b>Mozambique</b>	<b>-9.0</b>	<b>-24.9</b>
<b>Namibia</b>	<b>-12.8</b>	<b>-35.1</b>
<b>South Africa</b>	<b>-10.8</b>	<b>-24.9</b>
<b>Tanzania</b>	<b>-9.1</b>	<b>-14.6</b>
<b>Zimbabwe</b>	<b>-19.7</b>	<b>-29.4</b>

Source: UN Africa Recovery from ILO and UN Population Division data.

claim rates among their employees are close to the national average. The mining companies in South Africa are regarded as being at the forefront of businesses taking action on HIV/AIDS.

In Botswana, the highly mechanized diamond sector, which uses a smaller and more stable workforce, is likely to be relatively unaffected by HIV, unlike the gold mines in neighbouring South Africa. Few families realize direct earnings from diamonds and most of the revenue from the sector goes to the government. It therefore filters into the rest of the economy only through government expenditure. Thus, to an even greater extent than in many other countries, GDP, in per capita terms, does not reflect personal incomes. "Government is shielded, but people are not," observes Mr. Greener. "So that impact falls on the household."

**Companies bear the costs ...**

According to a Deutsche Bank study, while the HIV infection rate among unskilled and semi-skilled workers in South Africa is expected to peak at just under 33 per cent by 2005, for highly skilled workers it is expected to be around 13 per cent. Nevertheless, such skills are scarce, and the impact of AIDS will be disproportionate. One study found that highly skilled workers are on average about three times as productive as unskilled workers, and productivity losses could account for about 54 per cent of total economic costs.

Employers will face other costs as well, for example through increased medical claims and insurance payouts. South Africa's Metropolitan Life insurance company has calculated that by the end of this decade payroll expenses could be 30 per cent higher as a result of HIV/AIDS related costs, including pension and sick leave payouts. Absenteeism rises as employees take time to nurse the sick or attend funerals.

"There will be a decline in workers' morale as they become gripped with fear and uncertainty as they see people around them dying," said Ms. Tsetsele Fantan, head of the HIV/AIDS programme at the Botswana diamond company Debswana. "There will be accidents as they start to lose concentration.

Management resources will be eaten away by problem solving."

Skills shortages have been a perennial problem for businesses in Africa, a situation that HIV is making worse as more skilled workers

**Many firms have introduced AIDS awareness programmes, in conjunction with health checkups and free treatment of sexually transmitted diseases.**

die. Difficult or expensive to replace, the result can be a vicious circle as public and private infrastructure starts to decay. There have been reports of power failures in Zambia because there were not enough engineers to maintain the facilities. As HIV takes its toll, financial resources for training are being spread to cover more people, to ensure that enough will be available. Anecdotal reports suggest that some companies train several workers for every one they need — they assume natural attrition in the form of HIV will remove the extra hires.

**... and take AIDS prevention seriously**

Many large companies began planning responses to HIV/AIDS years ago, including researching the likely impact on their workforce. Although there are sometimes legal concerns about employee testing, companies often do surveillance studies using saliva samples as part of other health checks. The South African mining firm AngloGold, for example, conducts anonymous tests on its miners, with their consent, during their checkups for tuberculosis. According to a manager at South African Breweries, 40 per cent of the company's workforce in KwaZulu Natal is HIV positive.

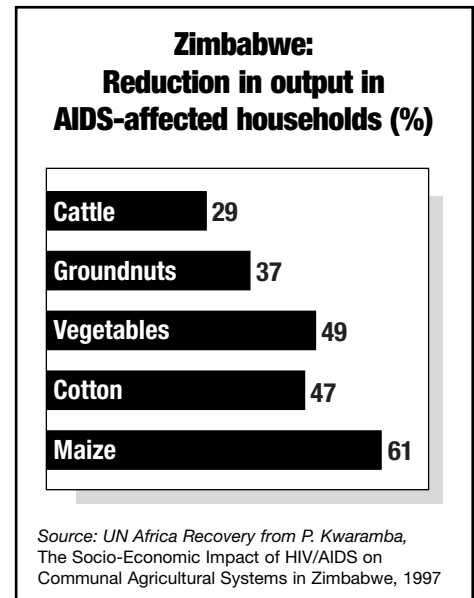
By planning ahead, the private sector has been able to shield itself to an extent. Some companies have sought to divest themselves of risk by outsourcing activities such as long distance transport, where workers tend to have high rates of HIV. One study by the Medical Research Council of South Africa found that approximately 90 per cent of truck drivers at one particular rest stop were HIV positive.

Some companies have concluded that the costs of introducing prevention and treatment measures could be lower than not doing so. The Anglo-American Corporation is just one organization looking at providing anti-retroviral drugs to its infected workers, especially if drug prices continue to fall. In Botswana, Debswana has announced plans to provide anti-retroviral

therapy to each HIV-positive employee and one dependent, a move that is also being considered by one of its parent companies, De Beers.

Many firms have introduced AIDS awareness programmes, in conjunction with health checkups and free treatment of sexually transmitted diseases (STDs). AngloGold's research centre, Aurum, calculated that the company was saving money by treating STDs, in that it contributed to lower infection rates.

The South African power parastatal, Eskom, has been running HIV/AIDS programmes to educate staff and help those infected to remain healthy. The company, which employs approximately 32,000 people, claims to have infection rates "substantially less" than the national rate. Mr. Baningi Mkhize, the occupational medical services manager, says the company was inundated with employees wanting to take advantage of a voluntary counselling and testing programme. Staff who develop full-blown



AIDS can join Aid for AIDS, a managed care programme that concentrates on the disease. Eskom itself earmarks R125 (\$17) per employee for its HIV/AIDS programme, projecting to spend R150 per person the next financial year.

In their efforts, employers are increasingly being helped — and prodded — by their trade unions. The Congress of South African Trade Unions, the largest union federation in the country, is planning to launch a campaign to get employers to pay for anti-retroviral drugs for infected workers. ■