

# Introduction

As we approach the fourth decade of the HIV/AIDS epidemic, it is becoming increasingly clear that HIV/AIDS has diverse implications and affects virtually all aspects of society. In the hardest hit regions of the world, the epidemic is increasing poverty and reversing decades of improvements in health, education, and life-expectancy. The illness and death of unprecedented numbers of working-age adults are leaving millions of children orphaned, undermining social cohesion, reducing labour productivity and supply and, many argue, putting a brake on economic growth. The combination of growing vulnerability and diminishing financial and human resources may also be impacting on both demand for government services and their supply, with a number of analysts speculating that HIV/AIDS will progressively reduce the ability of government institutions to fulfil their mandate. In the case of development-oriented institutions, such as ministries of health or social development, it is argued that such erosions of capacity may occur in the face of increasing HIV/AIDS-related demand for services—whittling away at public sector effectiveness precisely when governmental leadership and support are needed most to combat the effects of the epidemic. As noted by Loewenson and Whiteside:

Countries ravaged by HIV/AIDS are facing a double jeopardy. On the one hand, their capacity for planning and implementing development strategies is greatly compromised by the loss of human capital and the diversion of scarce resources due to HIV/AIDS. On the other hand, strong national capacity is becoming even more crucial as countries face the formidable challenge posed by the epidemic ... <sup>1</sup>

Such outcomes are not inevitable, however. Strong, well-resourced, well-managed institutions that take steps to alleviate the effects of AIDS-related illness and death on their staff will cope better in the face of the

epidemic than weaker, poorly resourced and less proactive ones. The ultimate implications of the epidemic will therefore be bound up with two issues: pre-existing capacity and effectiveness and, crucially, the extent to which institutions acknowledge HIV/AIDS as a problem and put in place measures to mitigate its effects.

This book explores the extent to which government institutions in Southern Africa—at present the region worst affected by the virus—are in a position to effectively mitigate the effects of the virus on their staff and functioning. In so doing, it examines the present and probable future impact of the epidemic on human and financial resources, the steps taken by institutions to mitigate these effects, and the barriers to the implementation of such strategies. It documents the findings of three institutional case studies conducted in Botswana, Lesotho, and Malawi in the first quarter of 2004.

#### **THE MACRO-ECONOMIC EFFECTS OF HIV/AIDS**

In contrast to most other infectious diseases, HIV/AIDS strikes the most productive members of society hardest. Whereas other infectious diseases tend to be most prevalent among the very young, the weak and the elderly, individuals in their late teens and twenties are most likely to contract HIV and, owing to the lag between contracting HIV and developing the symptoms of AIDS, are likely to become ill and die in their thirties and early forties. Thus, the Joint United Nations Programme on HIV/AIDS (UNAIDS) estimates that of the approximately 38 million people living with HIV/AIDS worldwide, all but two million are between the ages of 15 and 49.<sup>2</sup>

The implications of this are diverse and are only just beginning to be understood. One school of thought suggests that, by increasing mortality and reducing fertility, the epidemic will reduce the size and growth of populations in high-prevalence countries, effectively increasing the resources and opportunities available to future generations.<sup>3</sup> This view, however, has found limited support. It is more commonly argued that, in the absence of universal, comprehensive treatment, Southern Africa and other hard-hit regions will experience growing socio-economic problems.

There is a wealth of research concerning the implications of HIV/AIDS at the individual and household level. We already have evidence that the wealth and assets of affected families are being reduced, families broken up, and livelihoods threatened. There is less

evidence available to illuminate the community and macro-level implications of the epidemic. There is data to suggest that rising levels of poverty may be impacting negatively on saving, consumption, and investment in children's education.

Findings from the private sector indicate that both higher staff turnover and expenditure on benefits and health care have pushed up the cost of doing business. It is argued that these effects will negatively impact on tax revenues and domestic and foreign investment, levels of human capital and, ultimately, the macro-economy as a whole.

As argued in a recent publication by the International Labour Organisation (ILO):

Over time ... HIV/AIDS destroys the human capital built up over the years and weakens the capacity of workers to produce goods and services for the economy ... [In this way] the epidemic cumulatively reduces the human and organisational resources of countries in ways that diminish the capacity to sustain productive activities.<sup>4</sup>

#### **HIV/AIDS AND GOVERNMENT INSTITUTIONS**

Linked to such macro-economic factors, it is argued that the illness and death of working-age adults could detrimentally affect the capacity of governments, especially in the delivery of basic social services. Much of what is written about the impact of HIV/AIDS on public institutions is still largely speculative in nature, but experience and research in the private sector suggests that HIV/AIDS may reduce the operational effectiveness of government institutions in much the same way as it does business enterprises.

As noted by De Waal, complex modern institutions are framed around decades-long working lives. The running of a bureaucracy, such as a company or other workplace, depends on staff that have not only professional skills but also many years of experience and extensive networks of personal contacts.<sup>5</sup> This view is shared by the ILO, which argues in a recent publication that:

The quality and range of public services—education, health, law and order, water and sanitation, telecommunications and roads—are dependent not only on government revenues and other sources of finance, but also on the stock of public employees with the requisite skills and expertise.<sup>6</sup>

Yet, by causing the illness and death of adults, HIV/AIDS increases staff turnover, disruption, and attrition as:

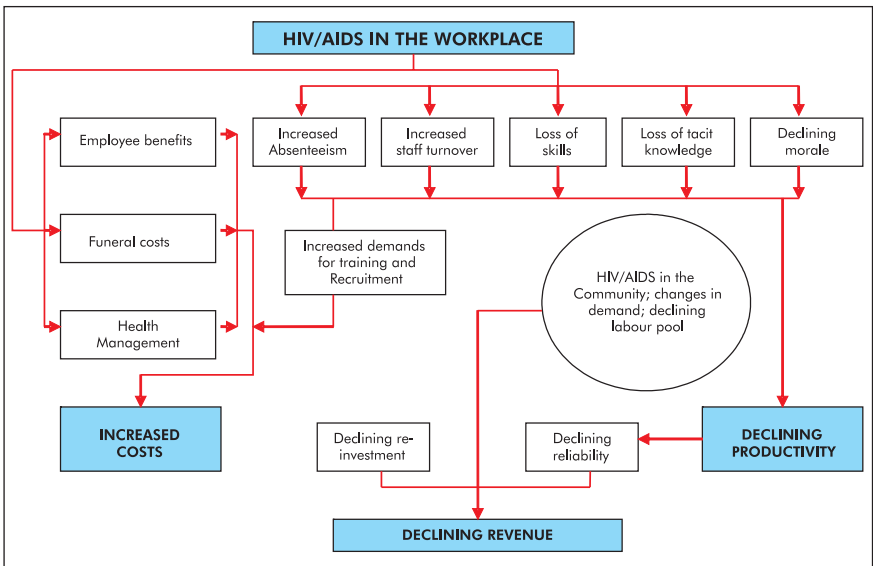
- people themselves become increasingly ill;
- sick staff die or take early retirement;
- staff, particularly women, take time off or resign in order to care for ill members of their families; and
- people take time off to attend the funerals of friends, colleagues, and family members.

The implications of such disruption and attrition—which is defined for the purposes of this book as the loss of employees in an organisation through resignation, retirement, death, morbidity, and absenteeism—are likely to vary according to, among other factors, the number of people infected, their role in the institution, its ability to cope with absenteeism, and the nature and extent of staff benefits.<sup>7</sup> As discussed by Barnett and Whiteside, some workplaces are likely to have features which make it more or less likely that workers will contract HIV, while certain institutional characteristics may make some better able to cope with the effects of AIDS-related attrition than others. They describe this as the respective susceptibility and vulnerability of an organisation.<sup>8</sup>

At the broadest level, however, HIV/AIDS stands to decrease productivity and increase the costs incurred by employers (Figure 1).<sup>9</sup> It is argued that labour losses will increase workloads and, where staff must cope with additional responsibilities, stigma and discrimination or the death of people around them, declining morale. Illness and death in the workplace and the surrounding community will also result in the loss of skills and institutional memory. This is what Daly terms ‘tacit knowledge’; knowledge gained from experience in the work and company environment.<sup>10</sup> High turnover may also hamper the transmission of skills to others. On the financial side, illness and death will increase expenditure on recruitment and retraining. As mentioned above, it will also increase spending on staff benefits, such as funeral benefits, medical boarding and, where institutions provide medical assistance, maintaining the health of employees.

Beyond the immediate institution, it is speculated that HIV/AIDS in the population at large will progressively limit the resources available to government departments in other ways. Widespread illness and death, together with growing poverty, may result in a reduction in public revenues as taxpayers become unable or unwilling to pay their dues. As

Figure 1: The implications of HIV/AIDS for government institutions



Adapted from K Daly, 2000

the size of the budgetary pie shrinks, available money may be reoriented towards coping with the epidemic’s impact. Spending on health and social support and development, in particular, is likely to absorb a growing share of countries’ budgets, at the expense of less obviously HIV/AIDS-related activities such as education, agricultural support, policing or defence.<sup>11</sup> Combating the virus is also likely to absorb an increasing share of the money allocated to health and welfare, drawing resources away from other often already overstretched functions. By 1999, for example, it was estimated that treating HIV/AIDS was absorbing as much as 66% of health spending in Rwanda and over 25% in Zimbabwe.<sup>12</sup> In the long term, poverty and reduced access to education may combine with disproportionately high levels of illness and death in the 15-49 age group to reduce the size and quality of the labour pool—making it increasingly difficult to find and attract healthy and suitably skilled personnel. Even ‘unskilled’ labour may be in increasingly short supply. As argued by the ILO:

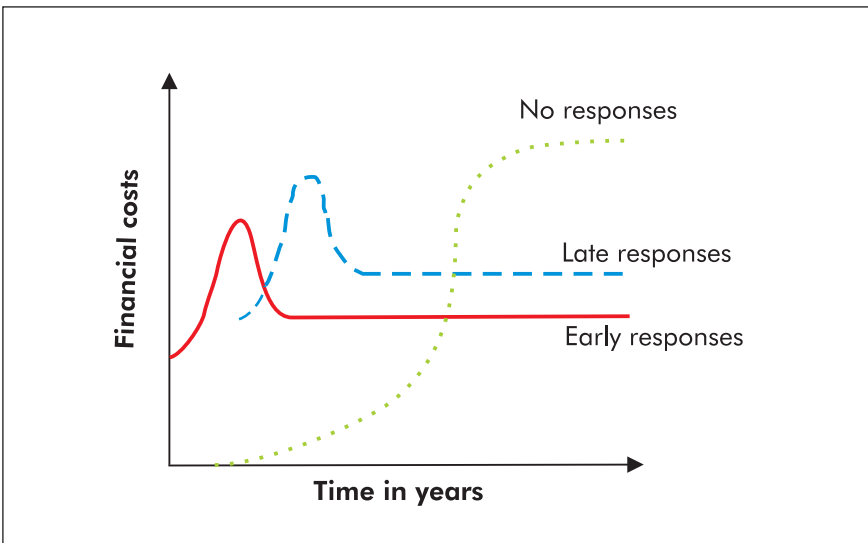
It is a mistake to believe that labour is in unlimited supply in developing countries, or that it can be replaced without cost. There is

evidence that even so-called unskilled labour has built up a capital of location and task-specific skills that are very hard to replace.<sup>13</sup>

Increased costs, and declining productivity and resources may in turn “diminish the reach, quality, responsiveness, and resilience of government institutions”.<sup>14</sup> At the same time, the epidemic is likely to increase demand for some services—especially those concerned with health and welfare—and to change the nature of demand for other services. This could result in government institutions falling increasingly out of step with the requirements of the public. It could also create what Homer-Dixon has referred to as an ‘ingenuity gap’, whereby diseases such as HIV/AIDS create an increasing demand for ideas to solve practical, social, and technical problems, but simultaneously reduce the capacity of society to provide good ideas.<sup>15</sup>

It is thus critical that effective responses are put in place to prevent the spread of HIV/AIDS and to mitigate its effects on public sector employees and institutions. As argued by Daly, early investments in education and prevention campaigns and health care provision, although initially costly, have long-term benefits. They help to reduce

**Figure 2: Conceptual cost curves of responses to HIV/AIDS**



Source: L Aventin & P Huard, in K Daly, 2000

absenteeism, staff turnover, and recruitment and retraining costs. They can enhance productivity by improving employee morale, helping to attract and retain skilled workers, and fostering greater levels of employee commitment and respect for human rights. Lastly, they can reduce financial liabilities by decreasing spending on health and benefit payouts.<sup>16</sup>

A failure to respond is likely to result in increasing material and human costs, while delays in responding will increase initial intervention and ongoing costs, so that the benefits of timeously investing in preventing and managing HIV/AIDS far exceed any initial financial outlay (Figure 2). A study of responses to HIV/AIDS among businesses in Southern Africa, for example, suggests that these returns are as high as six to eight times the cost of the intervention.<sup>17</sup>

#### **AIMS AND OBJECTIVES OF THE STUDY**

The aim of this study was to gain an understanding of the extent to which selected government institutions within the region have put in place comprehensive responses to the epidemic, the efficacy of present activities, and the factors influencing their effectiveness. Specific objectives were to gather information on:

- the extent of the current and future impact of HIV/AIDS on government institutions;
- existing capacity and constraints to effective service delivery;
- the extent to which institutions have developed appropriate mitigation strategies;
- the extent to which such strategies have been implemented; and
- the reasons for this, including facilitating factors, blockages, and constraints to implementation.

#### **STRUCTURE OF THE BOOK**

In examining these issues, Chapters 2 and 3 establish the background to the study. Chapter 2 briefly explains the research methodology used in the study, while Chapter 3 examines prevailing best practice with respect to managing HIV/AIDS in the workplace. Chapters 4, 5 and 6 document the findings of the three case studies.

Each of these chapters begins by establishing the national HIV/AIDS policy framework within which government institutions in each country

function and the institutional context. They then go on to examine the impact of HIV/AIDS on each institution, and the responses in place to mitigate the effects of the epidemic on the institution's staff and operations. Chapter 7 draws together the key findings of each case study, their probable implications, and key policy issues for the future.