

ECONOMIC IMPACT OF HIV AND AIDS ON THE BUSINESS PROCESS OUTSOURCING AND OFFSHORE CONTACT CENTRE INDUSTRY IN SOUTH AFRICA

by

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DECLARATION

By submitting this dissertation electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

A handwritten signature in black ink, consisting of a large, stylized initial 'P' followed by a horizontal line extending to the right.

Date: 01 December 2009

ABSTRACT

Profitable organisations depend, not only on a healthy workforce, but also on an environment conducive to creating wealth and long-term economic growth. The private sector plays a key role in fighting the negative economic impact of HIV and AIDS. Companies in South Africa affected by HIV and AIDS have to compete in global markets where their bottom line could be directly and indirectly affected due to the complexities of compounding factors in managing profitable business operations.

The South African Business Process Outsourcing and Offshoring (BPO&O CC)¹ sector is no exception. The BPO&O CC sector, like any other business sector, needs business enabling factors such as transparency, well-educated employees, low interest rates and favourable operating conditions to enable them to compete against global competitors. It makes good business sense to the BPO&O CC sector to respond to the epidemic because of the direct impact of HIV and AIDS on the sector resulting from increased costs, loss of productivity and overall threats to the foundations of economies in which companies within the BPO&O CC sector operate.

The current and future workforce is placed at an increasingly high risk as the epidemic disproportionately affects people during their most productive years. In this context, it seems important to understand how HIV/AIDS could potentially have a devastating economical impact on the BPO&O CC sector, and what could be done to mitigate the possible economic impact of HIV and AIDS on the BPO&O CC sector.

¹ BPO&O CC – Business Process Outsourcing and Offshore Contact Centre

OPSOMMING

Wingsgewende maatskappye wêreldwyd is nie alleenlik afhanklik van fisiek gesonde werknemers nie, maar ook van positiewe werksomgewings wat kan bydra tot algemene besigheidswelvaart en langtermyn ekonomiese groei. Feitlik alle privaat maatskappye vervul uiters belangrike rolle in die voorkoming en negatiewe ekonomiese impak van MIV en VIGS. Maatskappye in Suid Afrika, spesifiek geraak deur MIV en VIGS, ding steeds op internasionale markte mee, waar basislynprestasies direk en indirek deur MIV en VIGS beïnvloed word hoofsaaklik as gevolg van 'n reeks ingewikkelde faktore, kritiek in die bestuur van wingsgewende besigheidsondernemings.

Die Suid Afrikaanse “Outsourcing and Offshoring (BPO&O CC)” sektor is geen uitsondering nie. Die “Outsourcing and Offshoring (BPO&O CC)” sektor, soos enige ander besigheidssektor, is direk afhanklik van 'n reeks faktore, positief vir die skep van 'n gesonde werksomgewing en besigheidswelvaart in die algemeen. Hierdie faktore sluit deursigtigheid, goed geskoolde werknemers, lae inflasiekoerse en voordelige werksomstandighede in, ten einde maatskappye werklik in staat te stel om in die internasionale besigheidsmark te kan meeding.

Dit is sonder twyfel voordelig vir die “BPO&O CC” sektor in Suid Afrika om proaktief teen die MIV en VIGS epidemie op te tree ten einde 'n toename in produksiekostes, produktiwiteitsverliese en ander verliese wat gelei mag word binne die ekonomieë waarin die “BPO&O CC” sektor besigheid doen, teen te werk. Die huidige en toekomstige werksmag in Suid Afrika word deur MIV en VIGS bedreig en raak veral werknemers in die mees produktiewe periodes van hul werkslewens. Binne hierdie konteks blyk dit van die uiterste belang te wees om die potensieel vernietigende impak van MIV en VIGS in die “BPO&O CC” sektor te verstaan en doelgerig op te tree om dit daadwerklik teen te werk.

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TABLE OF CONTENTS

ABSTRACT	iv
OPSOMMING	v
ACKNOWLEDGEMENTS	vi
Chapter 1	11
INTRODUCTION.....	11
CHAPTER 2.....	14
LITERATURE REVIEW.....	14
2.1 Decline in Population and Labour Supply	16
1.2 Decline in Labour and Total Factor Productivity.....	16
1.3 Direct and Indirect Cost to the Private Sector.....	18
1.5 Government Spending.....	19
1.6 Household Spending	20
CHAPTER 3.....	22
RESEARCH OBJECTIVE.....	22
CHAPTER 4.....	23
OVERVIEW OF THE AIM-B MODEL.....	23
CHAPTER 5.....	24
RESEARCH PROBLEM	24
Expected Results	24
CHAPTER 6.....	26
RESEARCH METHODOLOGY	26
6.1 Research Design.....	26
6.2 Sampling	28
6.2.1 Sample Size and Selection of Sample	28
6.3 Data Collection.....	29
6.3.1 Data Management	29
6.3.2 Data Analysis Strategies	29
CHAPTER 7.....	30
SURVEY	30
7.1 Discussion of Survey Questions.....	30
CHAPTER 8.....	34
RESULTS	34

8.1 Management and Senior Management (Operational and Support).....	34
8.2 Impact on Recruitment Cost and training Cost.....	34
8.3 Loss of Skilled Labour.....	35
8.4 Increased Absenteeism and Decline in Staff Morale.....	36
8.5 Staff Turnover and loss in Productivity.....	37
8.6 Increased Operational Cost.....	38
8.7 Impact on Death Benefits.....	39
8.8 Impact on Health Care.....	40
CHAPTER 9.....	48
RECOMMENDATIONS.....	48
9.1 Recommendations at Industry Level.....	48
9.2 Recommendations at Business (Organisational) Level.....	49
8.2.1. Planning.....	50
8.2.2 Prevention.....	50
8.2.3 Management of employees.....	50
8.2.4 Confidentiality and elimination of discrimination.....	51
8.2.5 Stakeholder engagement.....	51
CHAPTER 10.....	52
CONCLUSION.....	52
REFERENCES.....	54
APPENDICES.....	60
BPO&O HIV and AIDS Economic Impact Study South Africa - Survey.....	61

LIST OF FIGURES

Figure 1: HIV prevalence among adults aged 15-49 years by province, South Africa 2005.....	14
Figure 8.1: Estimated HIV prevalence in the BPO Industry.....	39
Figure 8.2: Percentage of organisation with a formal HIV and AIDS Strategic response.....	39
Figure 8.3: Percentage of organisations with a formal HIV and Aids policy	41
Figure 8.4: Percentage of organisations with a formal HIV and AIDS committee	42
Figure 8.5: Percentage of organisations offering VCT	43
Figure 8.6: HIV and AIDS education and awareness campaigns within organisation6.6s.....	43
Figure 8.7: Percentage of organisations with HIV and AIDS peer education programmes	44

ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
AIM	AIDS Impact Model
ASGI-SA	Accelerated Shared Growth Initiative
BPeSA	Business Process enabling South Africa
BPO&O CC	Business Process Outsourcing and Offshoring Contact Centre
Dti	Department of Trade and Industry
GAS	Government Assistance and Support programme
GDP	Gross Domestic Product
GNP	Gross National Product
HIV	Human Immunodeficiency Virus
HSRC	Human Science Research Council
ILO	International Labour Organisation
KAP	Knowledge, Attitude and Practice
SABCOHA	South African Business Council Against HIV and AIDS
VCT	Voluntary Counseling and Testing
UNAIDS	Joint United Nations Programme on HIV/AIDS
USAID	United States Agency for International

Chapter 1

INTRODUCTION

AIDS primarily kills young and middle-aged adults during the prime of their lives and their most productive years. The impact of HIV and AIDS is unlike any other known disease such as malaria, diarrhea and other common infectious diseases. Also unlike other common diseases, HIV is not primarily a disease of poverty. In many countries, HIV prevalence during the early stages of the epidemic has been greatest among people with relatively high incomes or education levels, such as managers and technical workers (Ryder 1990; Melbye 1986).

The Minister of Trade and Industry, Mandisi Mphahlele, gave an overview of the South African Government's commitment to the growth and sustainable development within the Business Process Outsourcing and Offshoring (BPO&O CC) sector in South Africa. Minister Mphahlele stated that "the South African government has identified the Business Process Outsourcing and Off-shoring (BPO&O CC) sector as one of the top three priority sectors² to stimulate growth within its Accelerated Shared Growth Initiative (ASGI-SA). The BPO&O CC sector is identified for its potential, not only to attract and attain local and foreign investment, but also create employment opportunities in the economy."

The BPO&O CC industry in South Africa is relatively new, but estimates suggest, in a headline report prepared by McKinsey & Company, that this sector could create between 65 000 and 100 000 jobs (15 000-25 000 direct, 45 000-75 000 indirect), attract between US\$90-175m in foreign direct investment (in real terms), and result in a Gross Domestic Product contribution of between 0.3-0.5% by 2009 (2005:3). The BPO&O CC sector will grow globally by 50% over the short term. The Department of Trade and Industry (the Dti), has in an effort to realise the South African vision for South Africa to be recognised as a Tier 2 player in the international market, introduced an incentive programme to attract investment in the BPO&O CC sector (Mokopanele, 2009).

This incentive is offered to local and foreign investors establishing projects that aim primarily

² President Thabo Mbeki listed the Chemicals, Business Process Outsourcing, and Tourism industries on 11 February 2005 during his State of the Nation Address for additional support because of their growth potential. Priority sectors account for twenty-two percent of the Gross Domestic Product, employ twenty-three percent of South Africa's total employment, and contribute over fifty-five percent of South Africa's foreign exchange earnings.

to service offshore clients. Nimrod Zalk (as cited in Mokopanele, 2009) states that “the incentive is in the form of grants towards approved qualifying expenditure for start-up and expanding BPO&O CC operations. Government has set aside R1bn in investment incentives over the next five years in order to achieve this. These incentives are on par with global benchmarks to provide grants equal to half of the salary of each job created and a skill-training grant.”

The minister stated in her keynote address at the opening day of the National BPO&O CC Policy Conference, held under the theme "Now and Beyond", “that it is also anticipated that there will be some unmet demand, as existing centres will not be able to maintain or grow their supply for a number of reasons. (Appel, 2008). Some of the reasons stated include, talent and infrastructure bottle-necks, performance issues and the requirements of some companies to develop global footprints. Minister Mpahlwa, however, also explained that evidence exists that rapid development is possible. More than 25 000 direct and indirect jobs have been created since the launch of the Government Assistance and Support programme (GAS) in 2007.

Government Assistance and Support Programme (GAS) has, since its inception, created and attracted R658 927 995 in investment value. Minister Mpahlwa, during her keynote speech, questioned whether South Africa was maximising the potential offered by the sector in terms of economic growth, employment opportunities, labour absorption and skills development. Rod Jones from C3 Africa highlights skills shortages in the industry as well as alarmingly high industry attrition rates.

He describes attrition in the South African BPO&O CC Call Centre Report (2008, p 61) as “a really frightening trend is the fact that one quarter of KZN contact centers have attrition rates of over 25%, compared to just 10.3% in Gauteng and 9.7% in the Western Cape.” Jones also argues that the “large percentage of contact centre work carried out in the KZN region comprises of high volume debt collecting and outbound telesales both activities traditionally manifest high attrition. The largest attrition rates are experienced in the largest contact centres – 30% of these contact centres experienced attrition of over 25% (207/2008, p 63).

There is no evidence available to link the high attrition rates to the HIV prevalence on a regional and/or national scale, but the Human Science Research Council has highlighted that KZN has the second highest prevalence rates in South Africa (Figure 1). It could therefore be

argued that the high attrition rate, combined with the HIV and AIDS prevalence rate, will have a significant impact on the noted skills shortages within the industry.

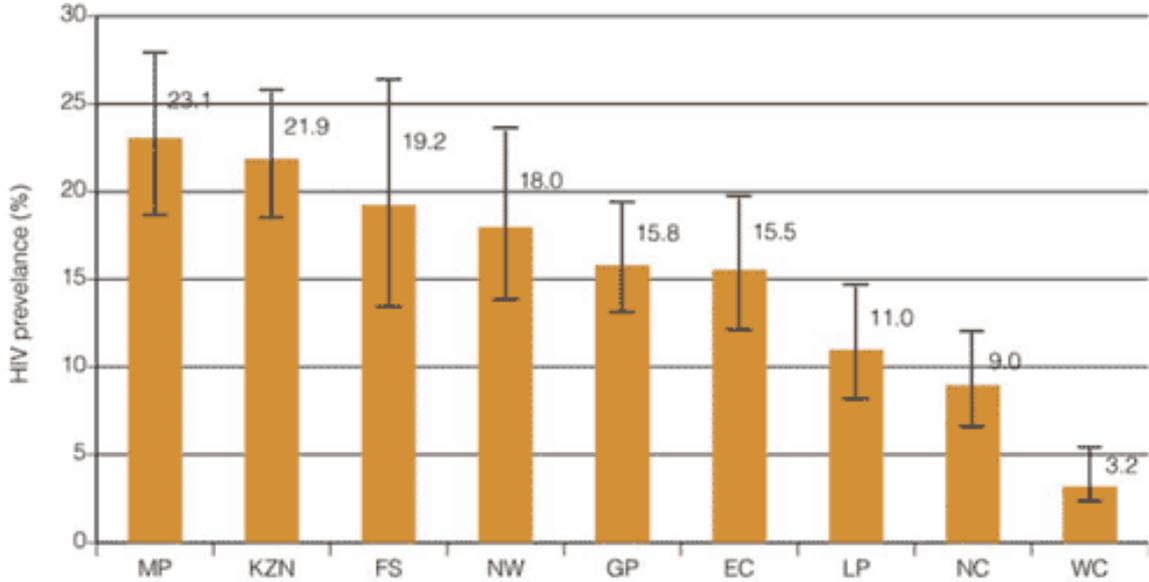


Figure 1: HIV prevalence among adults aged 15-49 years by province, South Africa 2005

Source: <http://www.hsrb.ac.za/Factsheet-40.phtml>

South Africa, according to the Dti is seen to offer a balance of high quality and low costs as a destination for off-shoring business processes. As an example, one could typically expect annual cost savings of approximately 50% in US\$ terms, in running a 1000-seat call centre when compared to a near shore location such as Ireland.

Increases in resolution on first call rates in Ireland are almost 30% higher than a major industry player such as India. South Africa could only use this cost saving model as a value proposition to attract foreign investment, if HIV and AIDS have had no economical impact on the business sector and labour market.

The following section will provide a brief overview of literature available on the impact of HIV and AIDS on the general South African industry and not only on the BPO&O CC industry. There are to date no known HIV and AIDS related research articles within the BPO&O CC industry.

CHAPTER 2

LITERATURE REVIEW

In 1997 the President of South Africa, Nelson Mandela, told the World Economic Forum “the severity of the economic impact of the disease³ is directly related to the fact that most infected persons are in peak productive and reproductive age groups. AIDS kills those on whom society relies to grow crops, work in mines and factories, run schools and hospitals and govern nations and countries...”⁴. This scenario has not changed much over the last decade. HIV and AIDS still continue to impact people in their peak productive years due to premature death and is still killing some economic active members in society (Merson, 2006).

The literature review will highlight the real impact of HIV and AIDS on Southern Africa and more specifically South Africa. It will also highlight why HIV and AIDS is a real threat, not only to the South African macro and micro economy, but more specifically the fast growing BPO&O CC sector within South Africa.

Professor Alan Whiteside from the University of Natal has highlighted in the early 1990s that Southern Africa has the highest HIV prevalence in the world and that all hopes that Southern Africa may become the “continental powerhouse”⁵ for economic development is diminishing fast. The UNAIDS, 2007 AIDS Epidemic Update, December 2007 reported that South Africa has the highest rate of HIV infections in the world with more than 5 million people living with HIV.

South Africa, as a middle-income country, is of significant economic and political importance to the rest of the African continent and the future course of the HIV and AIDS impact in South Africa will have broad implications for Africa overall. It is therefore, resonating with the words of Dr Peter Piot, Executive Director, UNAIDS, 2007, important for South African and South African business sectors to understand the trends in the epidemiology of HIV and AIDS. This will enable South Africa and business to take stock of where, among whom and

³ President Nelson Mandela was referring to HIV and AIDS.

⁴ President of South Africa, Nelson Mandela, Davos, Switzerland, 1997. Speech reprinted in *AIDS Analysis Africa (Southern Africa Edition)*, 7:5, 1997.

⁵ Professor Alan Whiteside from the university of Natal addressed the Brookings Institute, the Council on Foreign Relations, and the U.S. Agency for international Development (UNAIDS) conference on June 28, 2001.

why new HIV infections are occurring. This understanding will enable businesses to review, plan, match and prioritise their responses to meet resulting needs.

Researchers from the Harvard Business Review conducted a study in February 2003 to calculate the financial impact of the HIV and AIDS epidemic on six corporations in South Africa and Botswana. The research indicated that AIDS Tax⁶ increased medical costs, decreased productivity as well as other direct and indirect costs related and normally associated with the occurrence of HIV and AIDS in organisations.

The report estimated an impact as much as 5.9% of the corporations' labour costs (Rosen et al, 2003). The research further postulates that the six companies could have reduced the "AIDS Tax" by as much as 40.4% if they have had provided antiretroviral drugs at no cost to employees with HIV and AIDS. It is also stated that the companies would have been in a better position to show a positive return on their investments in terms of short, medium and long term cost of HIV and AIDS prevention and treatment campaigns.

It is almost impossible to discuss the diverse macroeconomic impact of HIV and AIDS on the national economy without discussing the microeconomic impact due to the fact that the macroeconomic impact follows a range of micro-level factors. According to Bollinger and Stover, 1999, it is important to include the impact of the HIV and AIDS epidemic on businesses, economic sectors, the public sector and households to demonstrate the inter-relationship and dependencies.

There are various ways to describe the micro and macroeconomic impacts of HIV and AIDS, but it is important to note that it is a two-way relationship: HIV and AIDS affect the economy on various levels, and economic systems in return affect the level and distribution of HIV and AIDS.

The main avenues through which HIV and AIDS may have a largely negative impact on the macroeconomic performance are divided in to five primary impact channels, as described in the review of current evidence by Booyens, F le R., Geldenhuys, J.P. and Marinkov, M, in 2003. These channels may briefly be outlined and described as:

1. Decline in population and labour supply

⁶ AIDS is increasing the cost of doing business and is effectively a payroll tax.

2. Decline in labour and total factor productivity
3. Direct and indirect cost and productivity losses to the private sector
4. Household expenditure
5. Government expenditure

These are not the only avenues through which HIV and AIDS may have a largely negative impact on the macroeconomic performance of a national economy, but the focus in chapter will rather be to describe these said avenues.

2.1 Decline in Population and Labour Supply

Lower fertility, new HIV and AIDS infections and higher mortality will cause a slower growth in the population due to the increase in deaths. This will have an impact on the population growth and the availability of labour.

There will be a disproportionate representation of skills categories and this will have an impact on the availability of skills for each category. The labour groups can be divided in various categories according to various economic models, but can generally be described and differentiated in terms of medium and high skilled labour as well as semi skilled and unskilled labour.

In South Africa, a clear relationship between HIV and AIDS prevalence and skills class exist. There is a much higher prevalence rate amongst unskilled and semi-skilled workers and a much lower prevalence amongst skilled and highly skilled workers. According to the 1996 Census 62.3% of the South African labour force was semi-skilled or unskilled and 27.5% and 10% respectively were classified as skilled and or highly skilled (BER, 2001). This composition of the labour force and the project losses at these lower skill levels far exceed losses at high skill levels (Russel, 2002).

2.2 Decline in Labour and Total Factor Productivity

The micro and macroeconomic performance of any country hinge on its human capital and the potential to develop and utilise its talent – ultimately to sell its workforce to foreign investors in the international market at the most competitive prices to ensure sustainable foreign income through investment in local development and human capital.

It is, however, clear that most studies are based on and are very sensitive to certain assumptions about how HIV and AIDS can possibly affect human capital.

The current mortality and morbidity rate due to AIDS lead directly to a reduction in the number of workers available. As mentioned earlier, these deaths and morbidity occurs in their most productive years.

ING Barings (1999), presented data, which suggested that most AIDS-related deaths are likely to occur in the 25 to 45 year age cohort. As a result, AIDS not only reduces life expectancy and the rate of population growth, but will also increase the burden on the working age population, who will be required to care for the young and the sick due to increasing number of new infections.

The economic effects of HIV and AIDS will only have an impact on the macroeconomic of the country after a severe impact on, firstly the individuals infected and their affected families, and secondly impact business.

HIV/AIDS impact the business sector by 'increasing expenditures and reducing revenues' (World Bank 1999:16). There are various mechanisms impacting the Total Factor Productivity, but the most ubiquitous would be the amplified absenteeism rates in companies due to the morbidity of HIV and AIDS infected employees. Not only are these companies facing increased levels of absenteeism, but they also have to recruit replacement labour due to the morbidity and mortality rates.

The productivity of semi-skilled and unskilled HIV and AIDS infected workers will be reduced by 40% (BER, 2001) and productivity loss, uniform to all skill categories, is four months per annum (ING Barings, 2000). The Total Factor Productivity growth is 21% lower in an AIDS scenarios, based on a 21% reduction in the total labour force due to AIDS (BER, 2001).

Arndt and Lewis (2000), put the following reasons forward in support of their assumption that, at the height of the HIV and AIDS epidemic, total factor productivity growth will be reduced to half of a hypothetical no-AIDS rate:

- Resources currently directed towards the epidemic by governments, universities and firms are substantial and involve a high opportunity cost;
- AIDS will generate a high level of workforce disruption – absenteeism and labour turnover are likely to increase;
- As a result of the relatively high capital intensity of the economy, the possibility for idling capital is great. The high capital intensity of the local economy also implies that training needs in South Africa are much higher than in the rest of Sub-Saharan Africa;
- Transaction costs involved in the enforcement of contracts are also likely to increase; and
- The receptivity of the labour force in implementing process improvements may also be severely curtailed.

2.3 Direct and Indirect Cost to the Private Sector

Direct costs is one of the most significant cost related factors to the private sector and generally refers to the increase in various direct payment benefits to employees infected and affected with HIV and AIDS and these include, but are not limited to: higher insurance benefits, medical benefits, unemployment benefits and recruitment, training and replacement costs.

Indirect costs include: filling in vacancies until replacements are hired, skills gaps, sicknesses, supervisory times, increased absenteeism, reduction in on-the-job productivity and burial payments (Seghal 1999; Cohen 1992: 5; Bloom 1999a; Bloom 1999b).

In a recent survey of businesses in thirty African countries, “time lost to AIDS related sickness” followed by “healthcare costs” were ranked as the two main impacts of the epidemic on their workforce and business operations (Bloom et al 2000b).

According to ING Barings (2000) the direct cost of skilled and highly skilled employees in the private sector will increase by 30% in 2010. Indirect costs of skilled and highly skilled employees would increase by 15% in 2010.

Companies carry 100% of the indirect cost increases and 50% of the indirect increases resulting from HIV and AIDS (BER, 2001).

It has been noted in Arndt and Lewis (2000), ING Barings (2000) and BER (2001), that cost increases, by 50% (BER, 2001), are passed on to the consumer in the form of price increases and this result in a higher PPI. An increase in the PPI has a direct impact on the national producer's ability to compete in highly competitive international markets where the same product or service can be delivered and or manufactured at reduced costs.

The remainder of the cost will be absorbed through a reduction in operating surpluses (BER 2001). Rosen et al (2003), describe the origin of direct and indirect cost of HIV and AIDS to employers. Organisations within the BPO&O CC industry may however, find it difficult to pass cost on to national and international investors due to the price sensitive market.

2.4 Government Spending

The South African minister of Finance, Trevor Manuel, announced in his 2008 Budget speech on 20 February 2008 that there will be an increase in the budget for health services to ensure better health services for all. The minister announced additional conditional grants for HIV and that the government aims to spend an additional 10% on health over the next three years. This increase was not far out compared to that of the Arndt and Lewis, 20 Model. They predicted that the healthcare spending will increase by 6.9%.

This is a clear indication that governments will be spending more of their budget on health and social services. Government carries 50% of direct cost in the public sector (Burger, 2001). The increased expenditure in terms of additional health services will have a disproportionate affect on the economy and will displace spending or result in higher deficit or lower surplus (Arndt and Lewis, 2000).

The higher government spending is financed through an increased budget deficit. Furthermore, the higher cost of the health system could also be financed through various other avenues and expenditure switching within the health department and/or sacrificing other expenditure are only two of the measures taken to finance the deficit in the budget.

HIV and AIDS treatment costs varies in terms of the rand value and could possibly range from R11506 per patient per year (Burger, 2001) to R16900 per patient per year (BER, 2001). This will have a direct impact on public sector spending on health care and additional

spending on social services or more specifically, welfare spending on orphans, especially if the assumption is correct that 30% of foster parents would turn to government for financial assistance.

There are, however, more far-reaching effects and a greater economical impact than government spending and over stretching of limited resources of the extended families of orphans. The impact can be broken down into various sections or factors, but the most important areas to note are:

- Children need to head up households often without any supervision and/or resources (Ayieko, 1997:11).
- Children heading households are more likely to be out of school and this has an impacts on the education of the next generation of possible employable labour – leading to a greater number of unskilled labour.
- Children often end up on the streets where they are abused and sexually exploited and even more vulnerable to contract HIV and AIDS (Ayieko, 1997, World Bank 1999, USAIDS, 2000.26).

In the light of the above, it can be stated that, the human capital of South Africa and African nations are eroded and incentives to invest in the education and training of replacement labour reduced (Bonnell 2000, Annex 5: 4).

2.5 Household Spending

Health related expenditure will have the biggest impact on households affected by HIV and AIDS. These additional out of pocket health care and health related costs are likely to be financed from savings and the remainder from cutting back on non-health care expenditure (BER, 2001).

According to Arndt and Lewis (2000), there will be an increase of health care service spending by HIV and AIDS affected families of between 10% to 15% at the expense of other non-food expenditure.

In developing countries, such as South Africa, the above will have a direct impact on saving and consumer spending. Poor households cannot afford to save or simply do not have any

savings due to a culture that is not really conducive to saving money. Single parent households and child-headed households will be hit the hardest. Disposable income will decline and children will be forced into child labour and exposed to malnutrition, neglect and abuse.

The main research objectives of the Economic Impact of HIV and AIDS on the BPO&O CC Industry in South Africa will be discussed in Chapter Three of this dissertation and the specific research aims highlighted.

CHAPTER 3

RESEARCH OBJECTIVE

The main objective of this research is to conduct quantitative research, aimed at measuring the possible economic impact of HIV and AIDS on the BPO&O CC sector within South Africa.

The research will also aim to highlight the lack of existing validated quantitative data available, describing the economic impact of HIV and AIDS on this sector in order to help industry leaders to formulate, design, develop and implement a strategic response to HIV and AIDS. This will be based on informed statistics to prevent further HIV infections and to manage the possible impact of HIV and AIDS in the workplace.

Specific Aims

1. To assess the possible economic impact of HIV and AIDS on the BPO&O CC sector.
2. To analyse the recorded economic related data from participating BPO&O CC companies.
3. To identify the economic impact of HIV and AIDS in the BPO&O CC sector in South Africa.
4. To provide guidelines for informed strategic policy formulation, design, develop and implementation of a strategic response to HIV and AIDS.

The AIM-B model⁷ is a computer-generated programme for projecting the impact of the AIDS epidemic. The model was utilised to project the future number of HIV infections, AIDS cases, and deaths, given an assumption about adult HIV prevalence. The AIM-B model and its application will be discussed in Chapter Four of this dissertation.

⁷ The Futures Group, in collaboration with Family health International, prepared the first version of AIM in 1991 under the AIDS Technical Support (AIDSTECH) and AIDS Control and Prevention (AIDSCAP) projects.

CHAPTER 4

OVERVIEW OF THE AIM-B MODEL

As stated, the AIDS Impact Model, known as AIM, is a computer-generated programme designed for projecting the impact of the AIDS epidemic on business. The model can be used to project the future number of HIV infections, AIDS cases, and deaths, given an assumption about adult HIV prevalence. It can also project the demographic and social impact of AIDS.

These projections may be used in graphic policy presentations intended to enhance knowledge of AIDS among policy makers and to build support for effective prevention and care.

The programme has been revised a number of times since its design in collaboration with the UNAIDS Reference Group on Estimates, Models and Projections. AIM requires an assumption about the future course of adult HIV prevalence and treatment coverage. Assumptions about other HIV and AIDS characteristics can also be entered variables such as the survival period from HIV infection to AIDS death, the age and sex distribution of infections, and the perinatal transmission rate.

The South African BPO&O CC industry has great potential for continuous growth, development and job creation. It is, however, not clear if this possible growth and development is sustainable.

Chapter Four draws attention to the main research questions to be answered:

1. Do the current and future economic impact of HIV and AIDS on the BPO&O CC sector pose a real threat to continuous and sustainable development and foreign investment?
2. Will participation in an economical impact research survey increase corporate intelligence and inform strategic planning in terms of HIV and AIDS prevention and treatment campaigns?

CHAPTER 5

RESEARCH PROBLEM

HIV and AIDS may impact the continuous economical growth of the BPO&O CC sector on various levels. It is therefore important to understand the possible economic impact HIV and AIDS may have, not only on the growth of the BPO&O CC sector, but also and more importantly, on continuous sustainable development.

There is currently very little, and in some cases, no information available about the possible impact of HIV and AIDS on the BPO&O CC sector in South Africa. The lack of reliable information further exuberates the discourse between the possible economic impact and the industry's strategic response in order to prevent and or eliminate the economic impact of HIV and AIDS on the BPO&O CC sector.

Expected Results

It is expected that the following hypotheses tested will be held.

- 1) Do the current and future Economic Impact of HIV and AIDS on the BPO&O CC sector pose a real threat to continuous and sustainable development and foreign investment?
- 2) Will participation in an economical impact research survey increase corporate intelligence and inform strategic planning in terms of HIV and AIDS prevention and treatment campaigns.

It is common knowledge that HIV and AIDS will have an economic impact on business, not only in South Africa, but on a global scale. It is to be expected that most companies willing to participate will not have completed an economic impact analysis and will therefore not have formulated a policy response based on informed data.

Furthermore, participating companies who represent the BPO&O CC sector should understand the possible economic impact and may therefore be able to formulate better strategic responses to prevent further HIV infections and or eliminate the possible economic

impact of HIV and AIDS within the BPO&O CC sector. It is however, likely that companies may have, to date, not completely realised the possible impact of HIV and AIDS on the BPO&O CC sector.

CHAPTER 6

RESEARCH METHODOLOGY

An Economic Impact Survey⁸ was designed, developed and then completed by five companies within the South African BPO&O CC industry during October/November 2009 to determine the possible impact HIV and AIDS may have on the South African BPO&O CC industry. The research study used a descriptive research methodology due to the fact that the descriptive research approach provided a description or a picture of a particular situation, and also aimed to describe the relationship existing between variables. Neither random assignment nor experimental manipulation of the variables were possible, therefore a descriptive research approach, and more specifically an ex post facto research design, was used in this study.

An ex post facto study is a study in which one or more variables of interest to the investigator are not subject to direct manipulation, but must be chosen after the fact (Christensen, 2007). This study utilised an economic impact simulation model to study the BPO&O CC sector in relation to factors known through research, to affect the way in which the BPO&O CC sector will experience the effects of the HIV and AIDS epidemic. It is important to highlight that no individual and/or organisational information was required to complete the study and/or made available to the general public.

6.1 Research Design

Companies from the BPO&O CC industry were selected as the target population for this survey, due to the fact that they form part of the inbound and outbound contact centre industry within the South African BPO&O CC industry and operate within the onshore, offshore or near shore outsourcing market.

A web portal was set up to enable participating organisations to gain access to a secure on-line and/or web based survey. Pearson (2007), states that an electronic and/or web base survey “involves contacting people over the Internet and having them complete a survey on-

⁸ See addendum A – Economic Impact Survey for the survey questions. The results and discussion of the survey follow later in this paper.

line on their computers.” This kind of survey according to Kaye and Johnson (as cited in Pearson, 2007) “continues to grow.”

Pearson (2007), highlights the fact that the web based survey is only one form of on-line surveys used to enable participants to complete surveys on the World Wide Web. The Economic Impact Survey was constructed, taking all the limitations into consideration, and then posted on the World Wide Web.

A team of contact centre advisors established telephonic contact with possible contact centres, human resource specialists and/or managers in order to invite them to participate in the study. Initial telephonic contact was followed-up by e-mail invitations to human resources and organisational executives. Participating companies were all sent a link and secure password in order to enable them to complete the survey on-line at a specially designed web portal hosted at www.bposurvey.co.za.

According to Pearson (2007), one of the major advantages of the electronic survey is the fact that it minimizes cost, not only in the administration of the survey, but also the training of interviewers and associated costs. Anderson and Kanuka (as cited in Pearson, 2007), agree with Pearson’s cost effectiveness statement and estimated that electronic surveys cost about one tenth of the cost of a comparable mail survey.

Pearson (2007), further postulates that electronic surveys show more advantages such as: instant access to a wide audience - irrespective of their geographical location, being fast, capable of having responses downloaded into a spreadsheet and lastly flexibility in terms of layout due to the kinds of response formats. It was vitally important, due to the nature of the BPO&O CC industry, to ensure that all participants could complete the survey with the least impact on their own day-to-day operations.

The limitations and weaknesses of the survey design had to be taken into consideration. The main objective of the survey was to collect responses from a wide audience within the BPO&O CC industry with an equal opportunity for all to participate. Restrictions of the particular design were also taken into consideration during the interpretation of the results. Limitations and restrictions varied from incomplete response information to low response frequency, as also discussed by Kerlinger (1992). Other possible disadvantages of such a

survey include sampling error, time required, and constraints in the length of the survey. (Christensen, 2001 & Theron, 2001)

6.2 Sampling

The BPO&O CC HIV and AIDS Economic Impact Research Survey specifically targeted Contact Centres in onshore and offshore sectors within the BPO&O CC sector. There was no exclusion in terms of the population within the BPO&O CC industry. Small, medium and large companies all had been given equal opportunity to participate in the research.

6.2.1 Sample Size and Selection of Sample

Companies were requested to participate on a voluntary basis in order to ensure that all companies had an equal opportunity of being selected on a random basis for the purpose of this study. The industry has grown with an average of 24% over the last three years from, 2005 to 2007/8, and three-hundred and fifty respondents (companies) have been approached on a national level to participate in the research project, to establish the possible economic impact of HIV and AIDS on the BPO&O CC Call Centre sector; also to ensure that the requested responses would represent the general BPO&O CC sector.

Telephonic contact was made with approximately one hundred and fifty companies and an industry newsletter with an electronic target invitation was mailed to more than one thousand Call Centres throughout South Africa.

The study was furthermore conducted as an unlinked anonymous survey. Companies were approached as member companies of BPO&O CC sector's Industry Representative Bodies in order to promote participation from the most complete database of possible BPO&O CC companies within the industry.

The South Africa Contact Centre Industry Representative Body, Business Process Enabling South Africa (BPeSA), mailed additional invites to all member companies in order to request participation in the research study. The response from industry, despite all the attempted marketing strategies, was extremely weak and a total number of only 5 companies participated in the final on-line research survey.

6.3 Data Collection

All confirmed participating companies were required to complete the data collection sheets (survey) with informed consent from industry leaders. Each company was requested to appoint a contact person, who had to liaise closely with the research co-ordinator in order to enable companies to complete the on-line survey. Collected data was then processed and information was stored on a secure server to ensure the safekeeping of all the information collected.

6.3.1 Data Management

The demographic details of participating companies from which it would be possible to ascertain the identity of the company, have been collected using a standardized on-line data collection (survey) form, while maintaining the anonymity of the survey participants. Confidentiality was of the highest importance to the research project.

6.3.2 Data Analysis Strategies

Collated data was analysed using a pre-determined AIDS Impact Model for Business (AIM-B Model). Data was captured on the on-line system, collated and the system then automatically calculated variables.

Finally, the AIM-B model generated and indexed the possible impact of HIV and AIDS. This index was then used to describe the possible economic impact on the BPO&O CC sector. The analysis of the index has been translated into estimates of prevalence of HIV and AIDS within the BPO&O CC sector, and projected how it may develop in the future. It also modeled how the costs of healthcare and benefits would be affected over coming years.

CHAPTER 7

SURVEY

The on-line economic impact analysis survey model measured the averages of the following five key areas of impact and then calculated the possible future impact HIV and AIDS may have on individual companies. The collective data provided a sector HIV and AIDS index to measure the economic impact of HIV and AIDS:

7.1 Discussion of Survey Questions

1. The first set of questions of the survey tried to ascertain the number of employees on the following levels within organisations:

Number of employees infected with the HIV virus.

1.1 Number of employees include the following groups of employees:

1.1.1 Senior Management and CEO's (executive teams)⁹

1.1.2 Operation Managers¹⁰

1.1.3 Support Managers¹¹

1.1.4 Team Leaders¹²

1.1.5 Call Centre Advisors - Inbound¹³

1.1.6 Call Centre Advisors – Outbound¹⁴

The first question of the AIM-B requires an accurate indicate of the number of employees to be assessed. It was, therefore important, that respondents gave an accurate indication of the number of employees at each level of employment. The response was therefore considered as pivotal to providing an indication on the possible economic impact of HIV and AIDS in the BPO&O CC industry.

1.2 The following data was also collected

1.2.1 Total number of workers to be analysed

⁹ Refer to question 1 in the survey.

¹⁰ Refer to question 7 in the survey.

¹¹ Refer to question 13 in the survey.

¹² Refer to question 19 in the survey.

¹³ Refer to question 25 in the survey.

¹⁴ Refer to question 31 in the survey.

- 1.2.2 Average annual salary of the selected group of workers
- 1.2.3 Male and Female
- 1.2.4 Average age of employees
- 1.2.5 Cost to Company costing structure
- 1.2.5 Estimated percentage of workforce infected with HIV. Or
- 1.2.7 Estimated prevalence of HIV at the specific business

Although not fundamental to the economic modeling, it was important to understand how cost to company remuneration structures may have influenced the impact of direct¹⁵ and indirect¹⁶ cost associated with HIV and AIDS.

2. Recruitment Cost.¹⁷

2.1 Total Recruitment cost defined as:

- 2.1.1 Cost of advertising for new staff
- 2.1.2 Agency fees (if appropriate)
- 2.1.3 Administration
- 2.1.4 Staff time spent selecting and interviewing possible candidates
- 2.1.5 “Down time” when vacancy is not filled
- 2.1.6 Administration to fill the post – post employment

3. Training Costs.¹⁸

- 3.1 Total cost to train a new employee to be 100% operationally effective and efficient
 - 3.1.1 Fees for external trainers
 - 3.1.2 Associated cost (travel, lodging, venue hire, etc)
 - 3.1.3 Lost output – include fully loaded cost, including trainers and supervisors well as trainee cost)

Training cost is directly linked to the indirect cost of HIV and AIDS to the private sector. The South African BPO&O CC sector has to, in order to maintain its relative competitive strength, reduce the anticipated supply-side bottlenecks such as talent availability. The Dti

¹⁵ It is expected that companies will need to increase their contributions to pension, life, disability and medical benefits on account of the AIDS epidemic.

¹⁶ Indirect cost include recruitment and training costs; the cost of increased labour turnover; lost of critical skills; work absenteeism due to illness or compassionate leave for workers to attend funerals and to care for sick family members; lower labour productivity due to physical disability, stress and reduced morale caused by the illness or death of friends, fellow employees and relatives

¹⁷ Refer to question 40 in the survey.

¹⁸ Refer to question 41 in the survey.

has, in its sector development strategy in 2005, identified talent gaps¹⁹ as one of the most significant weaknesses and threats to the BPO&O CC call centre industry in South Africa.

These substantial gaps that exist within the dimensions of cost competitive, talent availability and perceived risk of operations may influence South Africa's long-term value proposition. The local industry may be viewed by international investors as unable to provide cost effective solutions with a clear focus on quality due to the impact HIV and AIDS may have on the labour supply on agent and more importantly middle management level.

4. Death Benefits.²⁰

4.1 Total cost to the employer when employee dies:

4.1.1 Death benefits payable to the deceased's family

4.1.2 Funeral costs

4.1.3 Transportation to the funeral for workers and their families

4.1.4 Compassionate leave for co-workers

4.1.5 Transport of the body to the family home

5. Health Care.²¹

5.1 Total additional cost of healthcare to the organisation

Christensen (2001) defines open-ended questions as: questions that enable respondents to answer in any way they please; and closed ended questions as: questions that require respondents to choose from a limited number of predetermined responses. The survey employed a mixture of both open-ended and closed-ended questions in order to collect specific information related to factors known to have an economic impact on business.

The last set of questions²² refers to factors known to influence healthy HIV and AIDS-related labour relations within the workplace. Workplace policies related to HIV and AIDS are important and arise out of the necessity to develop a more organised, formalised response to the work sector (University of Stellenbosch / USAID, 2009). HIV and AIDS-related, whether mainstream and/or stand alone policies, provide guidelines on how to respond to HIV-positive employees and employees affected by HIV and AIDS.

¹⁹ Agent and middle management skills - SWOT for the South African BPO&O CC Sector: Research study into the BPO&O CC / CC Sector in South Africa: CSP Detailed Analysis Report, November 2004.

²⁰ Refer to question 42 in the survey.

²¹ Refer to question 43 in the survey.

²² Refer to questions 44, 45, 46, 47, 48 and 49 in the survey.

Policies further enable organisations to clearly express their commitment, not only to use the workplace as a base for prevention of further HIV infections, but also as a reference point, which informs the employee and the employer about what they are entitled to, and how this should be applied in practice.

Inhumane and unfair treatment of employees, irrespective of their HIV-status, could be perilous and counter productive in the maintenance of venerable employee/employer relationships. Policies addressing HIV-related issues in the workplace do not only address the importance of labour relations conducive to fair employment and socially responsible behaviour, but also to create a balance between productivity and profitability.

CHAPTER 8

RESULTS

8.1 Management and Senior Management (Operational and Support)

The findings in this paper are based on a simplified on-line Internet assessment, which only estimates the main direct cost of HIV and AIDS in health, recruitment and benefits cost. It is therefore difficult to make assumptions about the possible impact HIV and AIDS on actual productivity, labour relations, workforce morale and absenteeism within the workplace.

The model does not take all known factors such as gender, age, job category (senior management, middle management, skilled, semi and unskilled), region, salary band, and length of service, into account. These factors may influence the way in which HIV and AIDS affect the BPO&O CC industry.

The estimated number of HIV+ employees is approximately two hundred and thirty seven and the estimated number of employees showing the symptoms of AIDS per year is approximately twenty-four. It was not possible to determine whether the BPO&O CC reported HIV+ employees, and/or HIV and other AIDS-related illnesses and/or deaths within the industry. The fact that there have been no known cases of employees infected or affected by HIV complicates building a strong business case for implementing and/or spending money on strategic HIV and AIDS prevention and action management programmes.

It is also important to note that a lack of reliable information contributes to the apathetic and lethargic response from executive teams, not only at national representative level, but also at regional and business specific executive level within the BPO&O CC industry. This paper will therefore aim to discuss the possible impact of HIV and AIDS on the workforce and industry, based on the estimates of this simplified on-line assessment.

8.2 Impact on Recruitment Cost and training Cost

HIV/AIDS may impact the BPO&O CC's business functions and profitability by 'increasing expenditures and reducing revenues' (World Bank 1999:16). There are various mechanisms impacting on the Total Factor Productivity. The most ubiquitous could possibly be the

amplified absenteeism rates in companies due to the morbidity of HIV and AIDS infected and affected employees.

The BPO&O CC industry may face increased levels of absenteeism and may have to recruit new employees in order to replace lost human capital due to morbidity and mortality rates. Most business units within the BPO&O CC employ a blended recruitment approach, both in their internal (in-house) recruitment and external (recruitment agencies) to select and recruit new advisors and team leaders. The average recruitment cost is estimated to be **R5960.00** for each new employee recruited. Recruitment costs are also greatly dependent on the skills levels of employees.

The AIM-B model estimate the impact of HIV and AIDS on the training and recruitment cost at **R257,736.00**. It may therefore be argued that, based on the possible projected prevalence rate, that there will be a significant direct and indirect cost to the BPO&O CC industry. Direct cost is one of the most significant cost related factors for the private sector and generally refer to an increase in various direct payment benefits to employees, infected and affected with HIV and AIDS, and these include, but are not limited to: higher insurance benefits, medical benefits, unemployment benefits and recruitment, training and replacement costs.

Indirect costs include: filling in vacancies until replacement is hired, skills gaps, sickness, supervisory times, increased absenteeism and a reduction in on-the-job productivity and burial payments.

8.3 Loss of Skilled Labour

The BPO&O CC industry is completely dependent on the local market and the local labour pool for recruitment and placement of suitable staff. It is important to note that it has become increasingly difficult to recruit successful candidates from the local labour pool, due to the specific skill requirements of the business, and specific contact centre advisor profiles, within the offshore outsourcing market. According to ING Barings (2000), the direct cost of skilled and highly skilled employees in the private sector will increase by 30% in 2010. Indirect costs of skilled and highly skilled employees would increase by 15% in 2010. Companies carry 100% of the indirect cost increases and 50% of the indirect increases resulting from HIV and AIDS (BER, 2001).

The increase in direct cost will have an impact on the BPO&O CC's ability to attract and retain suitable candidates to work within the contact centre. Replacing employees is not the only risk BPO&O CC may face. Replacing lost skills, at a high premium, will have a direct impact on the labour and service cost, rendering the BPO&O CC's value proposition in a competitive labour market, less attractive. The BPO&O CC industry will, more importantly, lose valuable tacit knowledge within the industry.

Tacit knowledge within the business process and outsourcing industry and contact centres is specifically more valuable than explicit knowledge. More experienced workers own valuable tacit knowledge which provides a context for working with foreign customers such as customers from the United Kingdom and the United States of America.

Employees who have experienced working with British customers seem to build trust relationships with other customers more easily and also seem to be able to establish a quicker rapport with customers. Inexperienced call centre advisors do not display the same competencies and are not always aware of the cultural nuances within the context of the customer journey and the contact centre. This will ultimately lead to a less positive customer journey, which will in return, have an impact on the industry's client file size due to the number of disgruntled customer.

A decrease in the client file size will lead to additional business losses, due to fact that the industry will no longer be able to offer competitive price ranges due to the decrease in economy of scale. The recruitment, selection and training process is expensive and complex and it is not possible, due to the skills requirements, to replace current employees who are infected and affected by HIV and AIDS.

8.4 Increased Absenteeism and Decline in Staff Morale

The BPO&O CC may expect an increase in absenteeism over the next couple of years, which will have a direct impact on BPO&O CC's ability to meet service level agreements with international clients. Absenteeism rates are currently just over 4.5% per month and an increase in absenteeism of 5% and/or more will result in penalty payments to clients for non-delivery. The penalties will again have a direct impact on delivery cost and result in a

reduction in profits due to the fact that BPO&O CC industry will be in no position to pass the increase in operational cost on to the client and/or or consumer.

BPO&O CC's sickness management process enables companies to manage planned and unplanned leave. The main objective of any sickness management process is to eliminate unplanned leave due to the fact that unplanned leave has a severe impact on service levels and will impact service level agreements. The AIM-B model estimates that BPO&O CC industry may lose an additional R6,600.000.00 due to a decrease in productivity. HIV and AIDS related illnesses may add an additional cost to the management of the sickness management process, and will have an additional impact on management resources when managers and human resources need to take time and effort out in order to administer the sickness management process.

The sickness management process is rigid and employees are granted only eleven days sick leave per annum. Forcefully applying this rigid process will, not only result in higher dismissal numbers based on employees' inability to fulfil their contractual obligations due to ill health, but will also have an impact on workforce discipline and unauthorised absence. The increase in termination of employment contracts will lead to an increase in the demand for recruitment and training. It will inevitably also impact staff morale, motivation and concentration.

An increase in absenteeism may also have an impact on staff morale as employees are off sick and/or may no longer be able to complete their contractual obligations. Unplanned absenteeism will have an impact on call forecasting and scheduling, and will result in a need for additional overtime, placing exceptional pressure on existing staff to fill in for colleagues off sick due to HIV-related illnesses. HIV and AIDS related deaths within the industry may also impact on staff morale. A decrease in staff morale is extremely difficult to estimate, but could lead to a decrease in productivity and this could have a direct impact on the perception of reliability with BPO&O CC's outsourcing clients.

8.5 Staff Turnover and loss in Productivity

Indirect costs include absenteeism, staff churn, loss of skills, loss of tacit knowledge, and a decline in worker morale. All of these add up to major costs and a loss in productivity.

Typically, a timeline study of how the pandemic will affect a workforce would follow the pattern underneath:

- 0-7 years – workers are outwardly healthy and fully productive - no cost to company
- 7-9 years – illness begins to manifest itself in some workers - company begins to incur costs associated with illness
- 9-10 years – employees leave or begin to die - company incurs end-of-service costs
- 10+ years – company incurs recruitment, training costs, suffers loss of efficiency and productivity, as new workers ‘get up to speed’.

The AIM-B model, does not take length of service of the employee into consideration and can therefore not estimate the economic impact HIV and AIDS will have on the total workforce over a period of time. The BPO&O CC’s current attrition rate is fairly high and is currently estimated to be 14.86% (Deloitte, 2006/7).

An increase in attrition due to HIV and AIDS in the workplace will lead to a higher demand on recruitment, selection and training and will have a direct impact on cost. It is, however, important to note that the average tenure within the contact centre is between six to twenty four months. This has an adverse impact on managing, not only prevention programmes, but also treatment programmes, should any employee become ill.

The AIM-B model estimates the total productivity loss at **R792,972.00**. However, this cost is an under-estimation actual productivity losses BPO&O CC may occur due to HIV and AIDS in the workplace.

8.6 Increased Operational Cost

It has been noted in Arndt and Lewis (2000), ING Barings (2000) and BER, (2001), that cost increases, by 50%, are passed on to the consumer in the form of price increases and this will result in a higher Producer Price Index (PPI). An increase in the PPI has a direct impact on the national producer’s ability to compete in very competitive international markets, where the same product or service can be delivered and or manufactured at reduced costs. BPO&O

CC operate in the Business Process Outsourcing (BPO&O) sector and an increase in the PPI will have a direct impact on BPO&O CC's ability to compete in an extremely price-competitive and price-sensitive global market.

8.7 Impact on Death Benefits

The AIM-B model has estimated a total cost implication of **R72,000.00**. This cost, according to the AIM-B model include, death benefits payable to the deceased's family, funeral costs, transportation to the funeral for co-workers and their families, compassionate leave for co-workers and transportation of the body to the family home.

Individual companies within the BPO&O CC industry do not cover all the stated costs when an employee dies. It is the responsibility of the family to carry the burden of the cost. Fifty percent of the companies surveyed do not offer any pension and or death benefits to employees, due to cost to company benefit structures. Employees who are awarded the added benefit of pension and group life insurance with benefits due to the fact that the employee's pension fund and death benefit insurance will pay out and cover the mentioned costs.

Death benefits and life cover costs have already been calculated as part of the total cost to the company and AIDS-related deaths will not have an additional cost implication to contact centres. Additional payouts as a result of increased costs due to HIV and AIDS related deaths, may have an impact on individual employee pension fund payments. Pension fund payments may be increased due to the increase in general pension fund payouts.

Compassionate leave for workers to attend the funerals of employees and/or colleagues' who have passed away due to AIDS will have to be scheduled in advanced and will have a relatively small impact on the company. Compassionate leave is only extended to direct family and time off work to attend funerals will become part of the employee's annual leave.

There is a human factor and all cases will be evaluated on merit, but there is no current evidence in support of the additional cost as stipulated under the death benefit portion of the model. Call Centres are not responsible for transport for employees to funerals and this will therefore have no direct cost impact for the call centres.

8.8 Impact on Health Care

More than **50%** of employees at advisor and team leader level are employed at a cost to company structure with no medical aid benefit contributed towards medical schemes. The AIM-B model could not estimate the additional medical and/or health care cost that the BPO&O CC industry may incur due to the fact that medical aid contributions are not compulsory for all employees. Many employees may therefore not have access, in the event of HIV infection or illnesses due to HIV-related opportunistic infections, to registered HIV and AIDS treatment and management programmes.

The public health service in South Africa is limited and under tremendous strain. Private health care is therefore essential to ensure that employees receive the correct treatment and are informed about healthcare management programmes. Further investment in healthcare programmes may enable the BPO&O CC industry to limit sickness and absenteeism and lead to a reduction in health insurance in general.

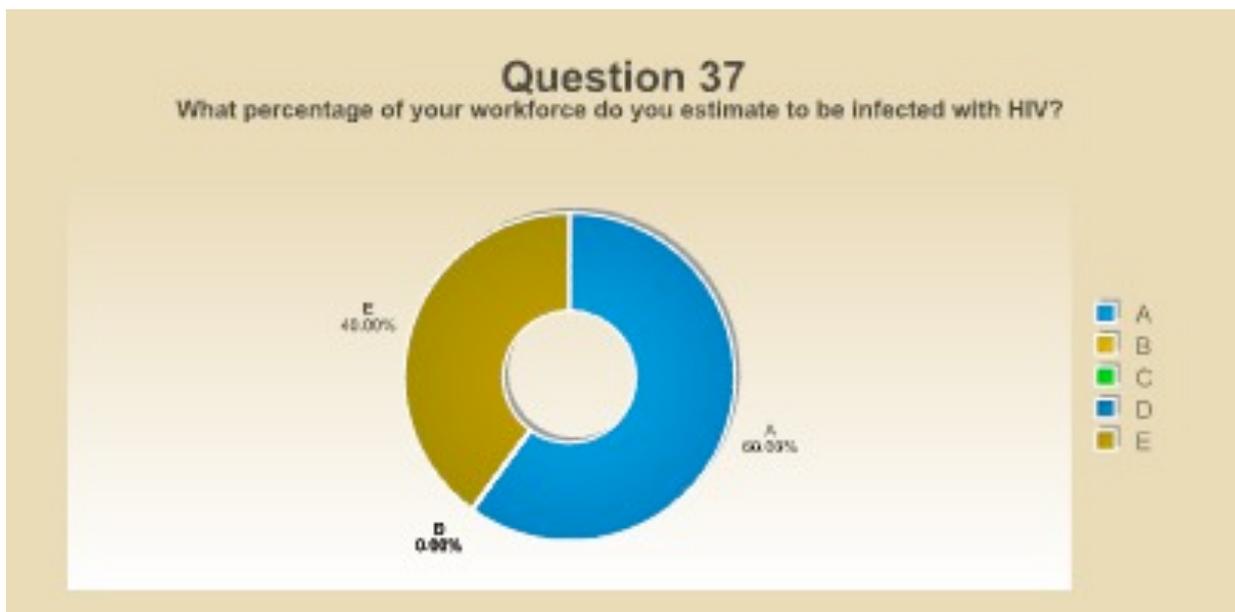


Figure 8.1: Estimated HIV prevalence of the BPO&O CC industry

It is clear from Figure 8.1 that none of the participating organisations could supply a definite indication of the HIV prevalence in their organisations due to the fact that none of the organisation have completed voluntary counselling and testing (VCT) within their respective organisations in order to establish an actual HIV and AIDS prevalence. Eighty percent of the organisations estimated that 10% percent of their employees may be HIV positive.

The estimated figure of 10% is 8.1% lower than the estimated national HIV prevalence figure²³. It is therefore recommended that organisations do not only complete knowledge, attitude and practice (KAP) surveys, but also VCT in order to understand HIV and AIDS related knowledge, attitude and skills levels of employees, and determine the actual HIV prevalence rate within organisations in order to formulate an appropriate strategic HIV response.

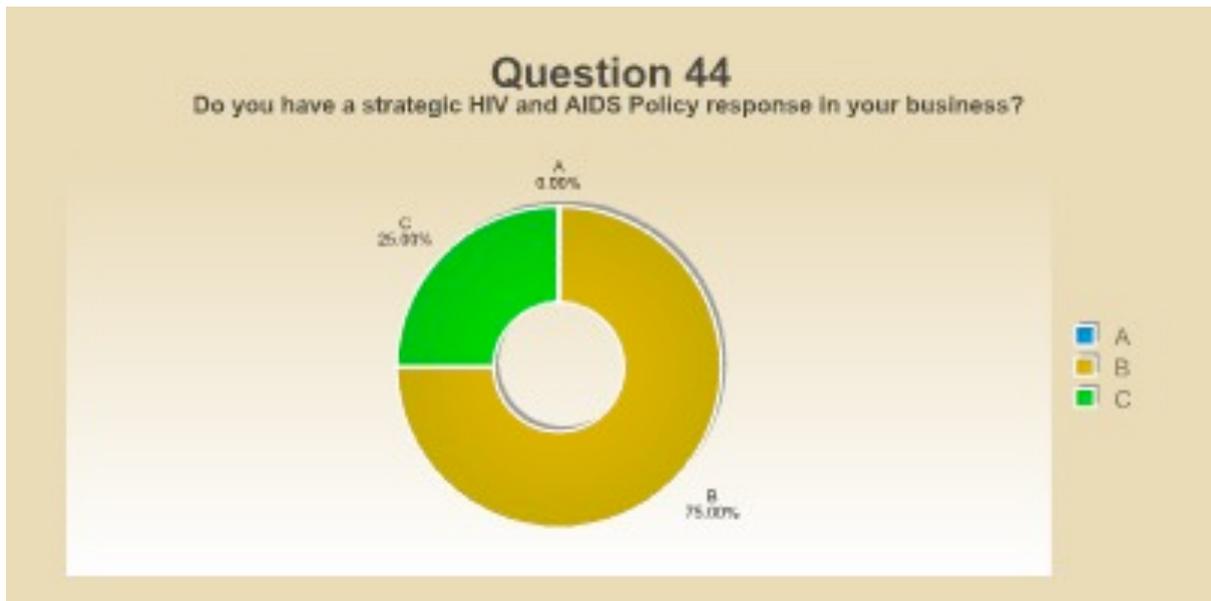


Figure 8.2: Percentage of organisation with a formal HIV and AIDS Strategic response

Figure 8.2 illustrates that less than 25% of survey respondents employ a strategic HIV and AIDS response within their businesses. This may indicate that HIV and AIDS have not yet been recognised by organisations as a real workplace issue. The industry representative body BPeSA Gauteng shares the stated sentiment. Keryn House the CEO of BPeSA Gauteng states that BPeSA Gauteng, as representative body does not recognise HIV and AIDS as a threat. However, drug abuse is viewed as a major problem (personal communication, 12 October 2009). It is recommended that the national and regional representative bodies recognise HIV and AIDS as a possible workplace threat which may threaten competitiveness, profitability and the welfare of employees and their families.

Businesses operate within communities and are therefore playing a vital role in preventing further HIV infections through targeted programmes aimed at prevention, awareness and treatment. However, HIV is preventable and can be treated like any other chronic disease and the workplace should therefore promote effective prevention and treatment efforts.

²³ http://www.unaids.org/en/CountryResponses/Countries/south_africa.asp

National and regional representative bodies should consult with member companies to ensure that consultation takes place, in order to encourage full participation in HIV and AIDS strategic planning. Participation on national and regional levels are important to promote an unilateral and all inclusive strategy. Full participation and ownership of all stakeholders are key principles, which should underpin every HIV and AIDS policy and programme initiative. It is further recommended that the BPO&O CC industry adopts core principles that should underpin, not only the industry repose, but also member workplace responses to HIV and AIDS.

The HIV and AIDS epidemic is ever-changing and each change represents a new set of challenges within industry and the workplace.²⁴ The industry needs principles in order to steer actions and provide fundamental guidelines for HIV and AIDS-related programmes. These guidelines and principles may be based on the ILO’s²⁵ Code of Good Practice - which may in turn form the basis for policies on HIV and AIDS within the BPO&O CC industry.

The South African Government has published similar guidelines and principles under the Department of Labour’s Code of Good Practice on Key Aspects of HIV and AIDS and Employment²⁶. The ILO and South African Code of Good Practice should form the basis of an industry response and provide a framework for the formulation of policies aligned to principles of law.

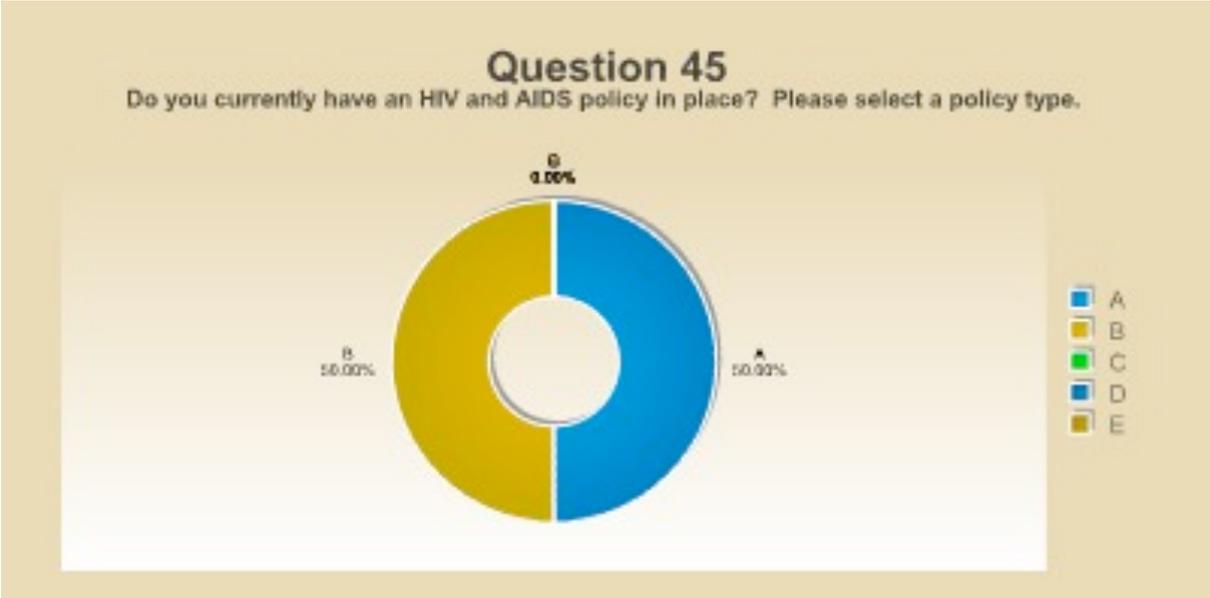


Figure 8.3: Percentage of organisations with a formal HIV and AIDS policy

²⁴ Department of Public Services and Administration (2002). Managing HIV and AIDS in the workplace: A Guide for Government Departments. Pretoria, Republic of South Africa

²⁵ ILO (2001). Draft Code of Good Practice on HIV and AIDS and the World of Work. Geneva.

²⁶

Figure 8.3 illustrates that only 50% of survey respondents employ a strategic HIV and AIDS policy. None of the respondents could indicate whether they employed a stand alone or mainstream policy. Workplace policies normally underpin strategic HIV and AIDS workplace programmes. It is recommended that individual organisations invest action orientated workplace programmes with clear plans to prevent new HIV infections, provide care and support employees who are infected and/or affected by HIV or AIDS.

HIV and AIDS policies may not provide details on how each element of workplace HIV and AIDS will be implemented - it may therefore be useful to set out the following key elements of HIV and AIDS programmes that organisations are committed to provide:²⁷

- An impact assessment of HIV and AIDS on the organisations
- HIV and AIDS awareness programmes
- Voluntary counseling and HIV-testing programmes
- HIV and AIDS education and training
- Condom distribution
- Encouraging health treatment for STIs and TB
- Universal infection-control procedures
- Creating an open and accepting environment
- Wellness programmes for employees affected by HIV and AIDS
- The provision of antiretrovirals or referral to relevant service providers
- Education and awareness about antiretrovirals and treatment literacy programmes
- Counseling and other forms of social support for HIV-positive employees
- Reasonable accommodation for HIV-positive employees
- Strategies to address direct and indirect costs and other practical implications of HIV and AIDS
- Monitoring, evaluation and review of the programme

²⁷ University of Stellenbosch, UNAID, 2009. *Developing an HIV and AIDS Policy: Content, process, Challenges and Implementation.*

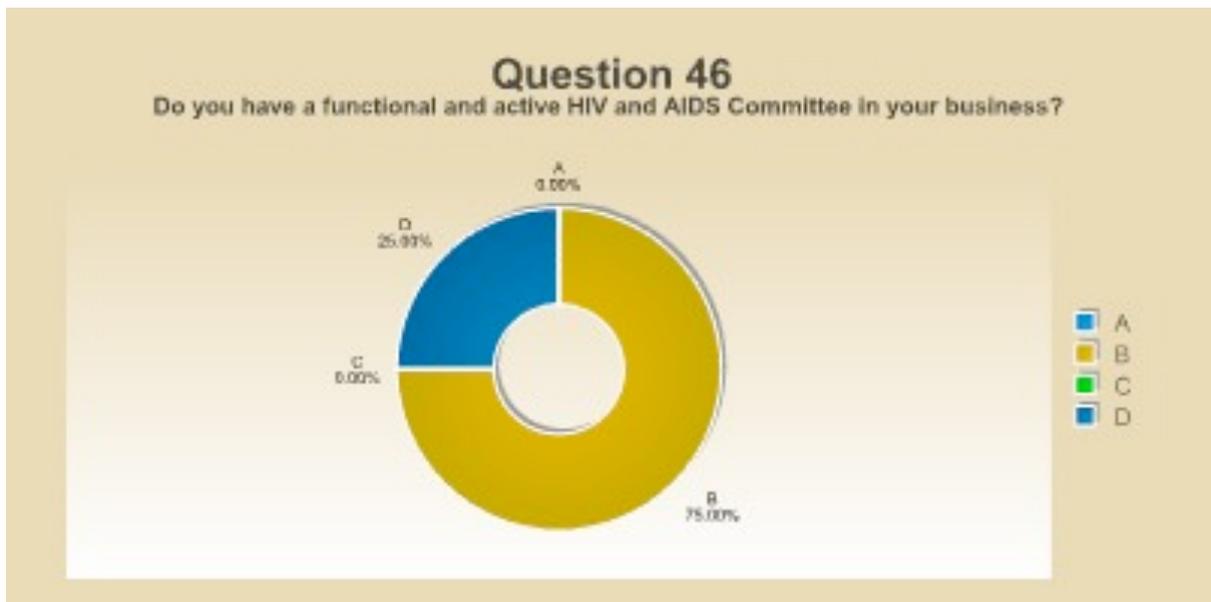


Figure 8.4: Percentage of organisations with a formal HIV and AIDS committee

Figure 8.4 indicates that seventy-five percent of the survey respondents do not have a functional and/or active HIV and AIDS committee in place. Twenty-five percent of the survey respondents do have a committee in place, but the committee forms part of another committee within the organisation and does not focus specifically on HIV and AIDS alone.

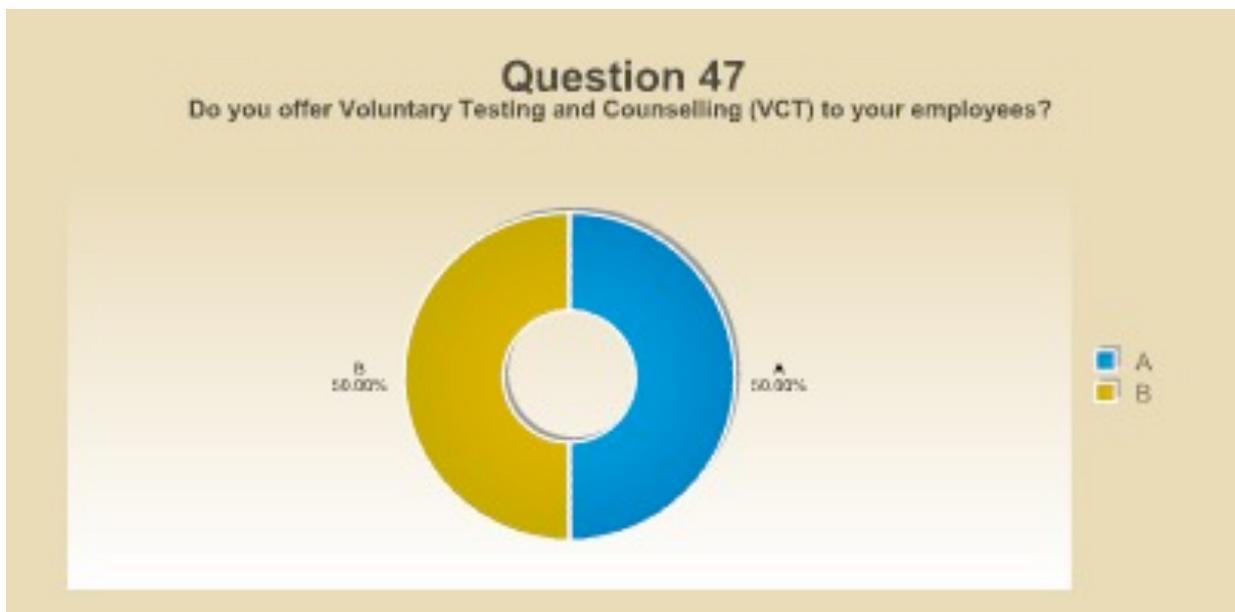


Figure 8.5: Percentage of organisations offering VCT

By looking at Figure 8.5, it is remarkable to note that 50% of organisations do offer VCT to employees, but cannot name the exact percentage of employees infected with HIV.

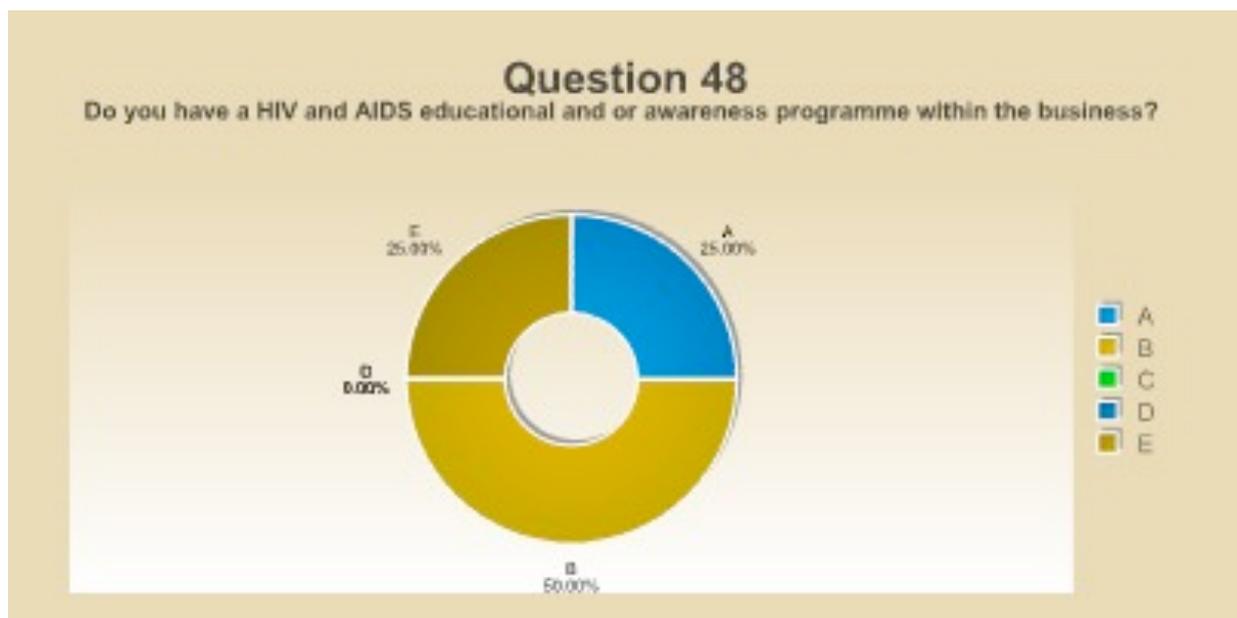


Figure 8.6: HIV and AIDS education and awareness campaigns within organisations

Figure 8.6 meaningfully illustrates that fifty percent of the organisations surveyed do not offer any form of HIV and AIDS educational and/or prevention programmes to employees within their respective organisations. Twenty-five percent of the organisations surveyed offer some sort of educational and/or awareness programme to employees within their organisations.

HIV and AIDS threaten productivity, profitability and the welfare of employees and their families. Workplace HIV/AIDS policies and programmes can play a vital role in raising awareness around HIV, preventing HIV infection and caring for people living with HIV. There is lack in leadership around HIV and AIDS and related issues. The workplace response to HIV and AIDS shows the businesses commitment and sets clear guidelines to manage various HIV and AIDS related workplace-programs.

The design, development and implementation of programmes require planning from experts within the business and should include a dedicated team of diverse individual who are dedicated, not only to business, but to the people within the business. The success of the workplace program hinges on the role leaders take in the design, development, implementation and monitoring of HIV and AIDS-workplace programmes. HIV and AIDS affect everybody in the business and ultimately the total productivity and profitability of the business.

Workplace programmes will not only address stigma, fear and discrimination in the workplace, but will also ensure that workers stay healthier for longer within the workplace and hopefully prevent new infections.

The design, development and implementation of effective workplace policies should as a minimum align the workplace response to the broader legal framework; ensure fairness, set the standard for behaviour expected from the employer and employees and lastly provide a good foundation upon which to build effective HIV and AIDS workplace programmes.

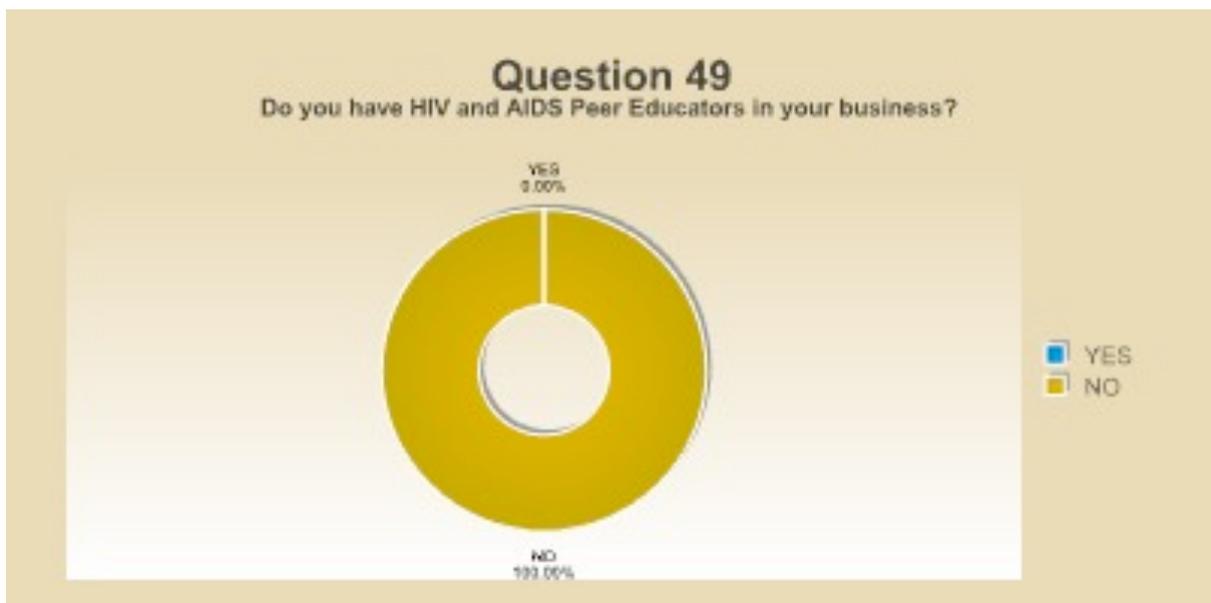


Figure 8.7: Percentage of organisations with HIV and AIDS peer education programmes

Peer education forms an important part of prevention strategies and Figure 8.7 indicates that not one of the organisations surveyed, offered any form of HIV and AIDS peer educational programmes to employees within their respective organisations. There is certainly some truth in the saying that “prevention is better than cure.”

There is currently no known cure for HIV and AIDS and it is therefore important that companies try to eliminate the possible impact of HIV and AIDS through appropriate, well planned and executed HIV and AIDS prevention programmes within the workplace.

Programmes should not only include immediate employees, but also extended communities of employee feeder areas. Clear communication is not the only important factor, the ability to solve problems may be equally important.

In order for employees and employers to make informed decisions about HIV and AIDS-related issues within the workplace, it is pivotal to receive information from trusted and reliable sources. Solutions for joint problem solving are reliant on various factors and businesses within the BPO&O CC industry, and the industry should concentrate on creating conditions for joint problem solving.

These conditions should, as its primary objective, create a common objective and goal to ensure that all problem-solving initiatives are entered into with appropriate attitudes, and display the utmost faith and trust. This will enable organisations to make informed decisions, implement suitable and effective communication, prevention and care strategies acceptable to all parties involved in the labour relation.

CHAPTER 9

RECOMMENDATIONS

The aim of this study was to determine whether HIV and AIDS would have an economic impact on the South African BPO&O CC industry. The results did not show any statistically significant impact on the BPO&O CC industry. This could be due to the small sample size and the very simplistic AIM-B Model used for the study.

As a result, sufficient data were not available and this had a definite impact on the overall results of the economic impact calculations. The results show a statistically significant impact on advisor and team leader level, but not on management level.

It is concluded that HIV and AIDS will have an economic on the BPO&O CC industry in South Africa. The full extend of the impact could, however, not be calculated with the acquired data and is furthermore a result of the small sample size.

It is therefore recommended that further studies be conducted using different research designs and different economic impact models to fully evaluate the possible economic impact of HIV and AIDS on the South African BPO&O CC industry.

9.1 Recommendations at Industry Level

The South African BPO&O CC industry has the potential to attract and retain local and sustainable foreign investments and also to create 25000 direct and 100000 indirect jobs. The BPO&O CC industry needs to, in order to penetrate the global outsourcing and offshoring business community, include a strategic HIV and AIDS policy formulation in order to increase the South African value proposition as a global competitor.

One of the most important recommendations would be that the BPO&O CC sector needs to conduct further HIV and AIDS economic studies in order to provide the BPO&O CC sector with more substantial validated data and research findings. This would enable the industry to formulate HIV and AIDS policies specific to the sector and plan and implement national strategies to prevent further HIV infections. This would allow industry to better manage the possible economic impact of HIV and AIDS on this volatile and cost conscious sector.

The strategic policy response will support, not only national role players, but also smaller contact centres, where there are little and/or no benefits on an economic scale and a heightened sensitivity to the possible impact of HIV and AIDS on the industry. It is particularly important to focus on smaller contact centres due to the fact that HIV and AIDS might have the highest impact on smaller contact centres. The 2007/8 South African National BPO & Call Centre Report highlighted the fact that approximately 49% of all contact centres in South Africa house under twenty seats each (2007/8 p. 12).

It may be argued that this number of seats might seem insignificant on a larger scale, but HIV and AIDS will undoubtedly have an adverse impact, not only on recruitment, labour and training cost, but possibly also on operation efficiency, retention, attrition, and the already demising labour pool of skilled advisors, team leaders and middle management, as highlighted by the 2007/8 Deloitte report. Smaller contact centres will benefit from a regional and national BPO&O CC strategic HIV and AIDS response.

9.2 Recommendations at Business (Organisational) Level

Strategy development on an organisational level without sufficient information and data to enable informed policy and strategy formulation would be detrimental to the effectiveness of any such policy and/or strategy for the organisation. The main aim of these recommendations is not to formulate an actual workable strategy, but rather to highlight possible steps in the formulation and implementation of a proposed strategy.

This strategy should include, as recommended by the HIV and AIDS and the workplace: UNAIDS Technical Update: July 1998, the following components:

- Writing the strategy
- Obtaining Leadership and Management buy-in
- Appointing a task team
- Knowing about HIV and AIDS and the law
- Developing an HIV and AIDS workplace policies – implemented and communicated to all employees
- Ongoing formal and informal education
- Availability of condoms

- Diagnosis, treatment and management of sexually transmitted diseases, for employees and their families
- HIV and AIDS voluntary testing, counselling, care and support services for employees and their families.
- Programme monitoring and evaluation checks

In order to mitigate the short-, medium- and long term impact of HIV and AIDS on the organisations divide the components into five distinct focus areas in order to address the recommended strategy components.

9.2.1. Planning

- i. Writing the strategy
- ii. Obtaining leadership and management buy-in
- iii. Appoint a HIV and AIDS task team
- iv. Allocate adequate resources

9.2.2 Prevention

- i. Education
- ii. Information sharing
- iii. Condom dispensing
- iv. Resource Centre
- v. Sexually Transmitted Diseases (STD) Treatment
- vi. Knowledge, Attitude and Perception (KAP) study

9.2.3 Management of employees

- i. Dread disease policy cover
- ii. Voluntary counselling and testing (VCT)
- iii. Counselling and support
- iv. Treatment
- v. Prevention of re-infection
- vi. Impact on business
- vii. Re-evaluation policies & procedures

9.2.4 Confidentiality and elimination of discrimination

- i. Destigmatise HIV and AIDS
- ii. Guest Speaker Programme

9.2.5 Stakeholder engagement

- i. Participate in existing HIV/AIDS forums

CHAPTER 10

CONCLUSION

The findings of a survey, conducted by the World Economic Forum in 2005, clearly indicated that nearly half of all executives surveyed, expected HIV and AIDS to have an impact on their businesses over the next five years. The greatest concerns were recorded in sub-Saharan Africa. Eighty-seven percent of firms in the sub-Saharan African region indicated that HIV and AIDS may have a notable future impact and 54% predicted a serious impact (World Economic Forum, 2006). South Africa, despite the fact that HIV and AIDS has been identified as one of the greatest concerns in Africa, has had a history of slow response to the HIV and AIDS epidemic.

Both government and the private sector provide various arguments and reasons in order to corroborate the slow response. Perceived failure from the South African government to step up and take the lead with a national strategic response in the 90's is one of the arguments in favour of the private sector's slow response to the epidemic. However, it is not the only reason for the long-standing impediment of both government, and the private sector to establish a coherent strategy in order to curb the possible impact of HIV and AIDS on the South African economy.

This BPO&O CC economic impact study demonstrates a very slow response, not only from BPeSA as an industry representative body, but also from member companies across all sectors within the contact centre industry. The participation of five companies represents less than two percent of the total number of contact centres within the BPO&O CC industry. The HIV and AIDS epidemic is constantly evolving and epidemic patterns change dramatically over time. It is therefore important to business leaders to tackle the initiative head-on, in order to understand the epidemic and how it may impact their business.

The BPO&O CC industry should, in line with the UNAIDS recommendations in the 2009 epidemic update, ground future strategies aimed at reducing the possible economic impact of the HIV and AIDS epidemic, in an understanding of the epidemic. Strategies should furthermore be aligned to the industry's ability to monitor and respond to the environment in which they operate. This study indicated that only fifty percent of call centres employ a strategic HIV and AIDS policy and seventy-five percent of companies do not have an active

HIV and AIDS committee in place to steer the strategic HIV and AIDS response.

Failing to understand and manage the epidemic and the impact it could have, may adversely impact and further threaten to undermine South Africa's BPO&O CC's business proposition and could also threaten an already weak skills base of the South African BPO&O CC industry at advisor and middle management level.

The potential skills threat has been documented extensively over the past decade²⁸ as highlighted in the Dti's Sector Development Strategy: BPO&O²⁹. The skills threat may in turn lead to a greater discourse in recruitment and development of suitable human capital with appropriate skills levels to meet the demands of international investors wanting to establish contact centre footprints in South Africa.

²⁸ T. Bamett and A. Whiteside, *AIDS in the Twenty-first Century: Disease and Globalisation* (Basingstoke, Palgrave Macmillan, 2002); E. Clarke, and K. Strachan (eds), *Everybody's Business: The Enlightening Truth About AIDS* (Cape Town, Metropolitan, 2000); International Labour Organisation (ILO), *HIV/AIDS: A Threat to Decent Work, Productivity and Development* (Geneva, ILO, 2000); S. Rosen, J. Simon, D. Thear, and J. Vincent, 'Care and Treatment to Extend the Working Lives of HIV-Positive Employees: Calculating the Benefits to Business', *South African Journal of Science*, 96 (2000), pp. 6,300-6,304; United Nations Programme on HIV/AIDS (UNAIDS), The Global Business Council on HIV&AIDS, and The Prince of Wales Business Leaders' Forum, *The Business Response to HIV/AIDS: Impact and Lessons Learned* (Geneva, 2000); A. Whiteside, and C. Sunter, *AIDS: The Challenge for South Africa* (Cape Town, Human & Rousseau, 2000).

²⁹ Dti approved sector strategy for the BPO&O Industry – Division: Trade and Investment South Africa, Chief Directorate: Customised Sector Programmes, Pretoria, May 2005.

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APPENDICES

BPO&O HIV and AIDS Economic Impact Study South Africa - Survey

Instruction

HIV/AIDS will have an increasing impact on businesses. One of its first impacts is that it increases operational costs. As employees become sick the cost of providing health care rises. Death benefits increase, and recruiting and training costs grow as the company tries to replace lost personnel. At the same time, it reduces company income by lowering worker productivity and increasing absenteeism.

Uncontrolled, HIV/AIDS will also damage businesses in ways that are harder to quantify. One of the epidemic's most damaging features is its impact on morale. HIV/AIDS usually affects people who are young. Watching increasing numbers of colleagues die before their time is depressing and difficult. Often, workers are afraid of colleagues who are infected, not least because they fear they too might be affected by it. The result is an atmosphere of tension, suspicion, and recrimination within the workforce.

This loss in morale is not, however, inevitable. Even with an increasing number of infected and affected workers, proactive businesses have been able to discuss HIV/AIDS issues, reduce the stigma associated with infection, and ensure that workers remain productive.

You have to answer 53 questions and it is vitally important that you answer all the questions. It is important that your answers are 100% correct. Your participation in this survey will enable the BPO&O Contact Centre Industry in South Africa to understand the possible impact HIV and AIDS may have in the industry and to respond accordingly to minimise the and or eliminate the possible impact.

You may contact Christopher McCreanor at +27 74 1822 464 or e-mail at christopher@bposurvey.co.za if you are unsure about any of the information you are required to complete.

1) How many Senior Managers and or Executives do you currently employ in your organisation?

(Levels above Call Centre Management Level - Senior Managers, CEO, COO etc)

2) How many Female Senior Managers and or Executives do you employ in your organisation?

(Levels above Call Centre Management Level - Senior Managers, CEO, COO etc)

3) How many Male Senior Managers and or Executives do you employ in your organisation?

(Levels above Call Centre Management Level - Senior Managers, CEO, COO etc)

4) What is the average annual salary for this group of employees?

5) Is this a total cost to company average?

Yes

No

6) What is the average age of this group of employees?

20 - 25

26 - 30

31 - 35

36 - 40

41 - 45

46 - 50

Other (Please Specify):

7) How many Call Centre and or Operational Managers do you currently employ?

8) How many Female Call Centre and or Operational Managers do you currently employ?

9) How many Male Call Centre and or Operational Managers do you currently employ?

10) What is the average annual salary for this group of employees?

11) Is this a total cost to company average?

Yes

No

12) What is the average age of this group of employees?

20 - 25

26 - 30

31 - 35

36 - 40

41 - 45

46 - 50

Other (Please Specify):

13) How many Support Managers do you employ in your organisation?

14) How many Female Support Managers do you employ in your organisation?

15) How many Male Support Managers do you employ in your organisation?

16) What is the average annual salary for this group of employees?

17) Is this a total cost to company average?

Yes

No

18) What is the average age of this group of employees?

20 - 25

26 - 30

31 - 35

36 - 40

41 - 45

46 - 50

Other (Please Specify):

19) How many Team Leaders do you currently employ in your organisation?

20) How many Female Team Leaders do you currently employ in your organisation?

21) How many Male Team Leaders do you currently employ in your organisation?

22) What is the average annual salary for this group of employees?

23) Is this a total cost to company average?

Yes

No

24) What is the average age of this group of employees?

20 - 25

26 - 30

31 - 35

36 - 40

41 - 45

46 - 50

Other (Please Specify):

25) How many Inbound Contact Centre Agents do you currently employ in your organisation?

26) How many Female Inbound Contact Centre Agents do you currently employ in your organisation?

27) How many Male Inbound Contact Centre Agents do you currently employ in your organisation?

28) What is the average annual salary for this group of employees?

29) Is this a total cost to company average?

Yes

No

30) What is the average age of this group of employees?

20 - 25

26 - 30

31 - 35

36 - 40

41 - 45

46 - 50

Other (Please Specify):

31) How many Outbound Contact Centre Agents do you currently employ in your organisation?

32) How many Female Outbound Contact Centre Agents do you currently employ in your organisation?

33) How many Male Outbound Contact Centre Agents do you currently employ in your organisation?

34) What is the average annual salary for this group of employees?

35) Is this a total cost to company average?

Yes

No

36) What is the average age of this group of employees?

20 - 25

26 - 30

31 - 35

36 - 40

41 - 45

46 - 50

Other:

37) What percentage of your workforce do you estimate to be infected with HIV?

10%

15%

20%

25%

Other (Please Specify):

38) Is this an actual prevalence figure or estimate?

Actual

Estimate

Don't know

39) In which province is your Contact Centre situated?

Gauteng

Western Cape

North West

Eastern Cape

Other (Please Specify):

40) HIV/AIDS is an unusual chronic disease because its impact is greatest on young adults in the most productive years of their life. Most people who die of AIDS-related illness die in their late 20s and 30s.

As HIV+ workers become sick and die, the costs of finding and recruiting new staff will begin to escalate. This section asks you to think about how much it costs to recruit a new employee. Your estimate should include:

- * Costs of advertising for new staff
- * Agency fees (if appropriate)
- * Administration
- * Staff time spent selecting and interviewing candidates
- * 'Down-time', when the vacancy isn't filled
- * Administration to fill the post

What is the total cost of recruiting a new worker?

41) Once recruited, how much does it cost to train new employees? Your estimate may include some or all of the following:

- * Fees to external trainers
- * Associated costs (travel, lodging, hire venue, etc.)
- * Lost output during training (note: include lost output for trainers/supervisors as well as trainees)

What is the total cost of training a new worker?

42) What is the total cost to the employer when an employee dies? Your estimate may include all or some of the following:

- * Death benefits payable to the deceased's family
- * Funeral costs
- * Transport to the funeral for workers and their families
- * Compassionate leave for co-workers
- * Transport of the body to the family home

Total cost payable?

43) A person who becomes infected with HIV can remain productive and healthy for many years. Some people have been living with the virus for as long as 20 years.

If employees are covered by health insurance, you may either leave this section blank or input any additional contributions or surcharges you would be expected to make. You should be aware that companies may have to pay an increased rate for insurance that includes treatment of HIV-related illnesses. The cost of health insurance generally will also increase as HIV/AIDS prevalence increases.

If you do not have this information and or do not offer additional support, insert a 0; the model will still make other projections without this information.

Additional cost of health care per AIDS case?

44) Do you have a strategic HIV and AIDS Policy response in your business?

- Yes
- No

Other (Please Specify):

45) Do you currently have an HIV and AIDS policy in place? Please select a policy type.

- Yes
- No

Stand-alone

Mainstream

Other (Please Specify):

46) Do you have a functional and active HIV and AIDS Committee in your business?

Yes

No

Busy Planning

Other (Please Specify):

47) Do you offer Voluntary Testing and Counselling (VCT) to your employees?

Yes

No

48) Do you have a HIV and AIDS educational and or awareness programme within the business?

Yes

No

Internal Programme

Outsources Programme

Other (Please Specify):

49) Do you have HIV and AIDS Peer Educators in your business?

Yes

No

50) Name and Surname of Person who completed the survey

51) Designated position within your organisation?

52) E-mail address of person who completed this survey?

53) Please provide the reference code you have been provided with.