Not immune: Why business should be concerned about HIV/AIDS

No infectious disease kills more people than HIV/AIDS. In 2006, according to the United Nations Joint Programme on HIV/AIDS (UNAIDS), it will kill 2.9 million people. Deaths are projected to increase sharply over the next two decades. 39.5 million are currently living with the virus, with 4.3 million newly infected this year alone. In short, the global pandemic shows few signs of letting up.

HIV/AIDS is a tragedy for individuals, families and societies. 380,000 children will die of the disease this year. Worldwide, women account for nearly half of infections. Their and their partners' deaths have left millions of children orphaned, breaking up families and threatening the fabric of societies.

The virus is also a threat to businesses. HIV/AIDS primarily affects people of working age. This age group provides businesses with both employees and customers.

Firms with operations in affected regions face both direct and indirect costs as a result of the virus's impact on workers. Direct costs can include benefits payments for the sick, medical care, and recruitment and training costs for those who replace employees who are sick or who have died. Indirect costs can include reduced productivity, loss of staff morale, and loss of institutional memory.

Customers who become infected with the virus may be a boon to some industries, such as the pharmaceutical and funeral sectors, but their reduced consumption is likely to have negative effects on many other firms. Some studies have forecast that HIV/AIDS will shrink entire economies if infection rates reach high levels. A study by the World Bank, for example, found that the virus would slow per capita GDP growth in the worst affected African countries by 0.3 percentage points per year by 2025.

Even if the macroeconomic effects of HIV/AIDS are slight, many businesses nevertheless believe the virus will affect their operations. As part of its annual Global Competitiveness Report, the World Economic Forum conducts a survey of roughly 10,000 business leaders in over 100 countries. In addition to questions on economic conditions, governance, and other competitiveness issues, the survey also asks respondents whether they believe HIV/AIDS is affecting their business and what they are doing to mitigate the impacts.

Worldwide, 22 per cent of the business leaders who responded to the survey in 2005-2006 report that HIV/AIDS is affecting their operations. Although most answers are based on perception rather than hard data, it is notable that in the hardest-hit region, Sub-Saharan Africa, 21 per cent of respondent firms report not just effects, but serious impacts from the virus.

Businesses in Western Europe report much weaker impacts. Only 5 per cent of responding firms have seen any effect. In Belgium, where 0.2 per cent of adults are HIV-positive, this falls to 2 per cent.

With HIV infection rates in the region remaining low, the hardest-hit Western European firms are likely to be those with operations in Africa and Asia. Belgian firms with mining interests in the Democratic Republic of Congo, South Africa, and elsewhere, for example, are likely to experience high HIV infection rates among local workers.

A number of European multinationals with business interests in the developing world have attempted to mitigate these impacts by investing in HIV/AIDS programs. UK-owned mining giant Anglo American, for example, which has over 100,000 employees in southern Africa, found that without a treatment programs the virus would impose costs amounting to 2 per cent of its payroll. It therefore implemented a comprehensive prevention and treatment program, including voluntary counseling and testing for HIV and free antiretroviral drugs for infected workers. The vast majority of those receiving treatment are now able to carry out their normal work.

Overall, however, very few Western European firms have developed HIV/AIDS policies. Only 4 per cent of those surveyed by the World Economic Forum have formal programs. This compares with 16 per cent of Sub-Saharan African firms. Given Europe's low infection rates, it is rational for most firms in the region to have no AIDS policy. If employees, customers, and the wider economy are largely unaffected by the virus, social investments are likely to be better deployed elsewhere.

Alleviating its business impacts is not the only rationale for fighting the disease, however. In an era when there is increasing pressure on companies to contribute to society, HIV/AIDS offers a good opportunity for firms to use their skills and experience in pursuit of a worthwhile social objective. This work in turn can boost a corporation's reputation.

HIV/AIDS is a highly relevant issue to young consumers, and several companies for whom this group is a key target audience have seized the chance to strengthen their reputation through innovative efforts to halt the virus's spread. The television channel MTV, for example, has broadcast a series of programs transmitting HIV prevention messages to young people. The South African arm of Levi's has joined up with a local non-governmental organization to offer free counseling and testing services in shopping malls. It has used its strong marketing skills to promote the campaign. Levi's also produces condoms branded with the company's logo.

Perhaps the most prominent example of Western firms acting both to tackle HIV/AIDS and strengthen their brands is the "Red" initiative, launched by rock star Bono and friends in 2006. American Express, Apple, Converse, Emporio Armani, Gap, and Motorola have all launched sub-brands under the scheme, with a portion of profits from each sale donated to help buy antiretroviral drugs for Africa.

Although the virus is currently having little impact on most Western European businesses, there is some concern that this situation may not last. In a globalizing world, diseases can more easily cross borders. Eastern Europe and Central Asia have the fastest-growing HIV/AIDS epidemics of any region. New infections increased by almost 70 per cent between 2004 and 2006, and the region now has 1.7 million people living with the virus. With the eastward expansion of the European Union, the number of infected individuals in Western Europe may increase.

This possible forthcoming rise in prevalence may help account for firms' heightened concern over the future impacts of HIV/AIDS. 20 per cent of Western European respondents to the WEF survey expect the virus to affect operations in the next five years. In Belgium, 13 per cent of firms expect to be affected. That is, a significant share of firms that have not yet experienced losses as a result of the disease believe they will do so in the near future.

In this climate of uncertainty, it may be wise for Western European businesses to assess the potential current and future impacts on them of HIV/AIDS. Even if they decide to take no immediate action, companies that evaluate potential threats are likely to be better prepared to deal with them. Those firms that do decide to act should start by ensuring their employees are protected from the virus. Prevention campaigns including education and testing services have borne fruit for companies in hard-hit countries, while those Western firms with interests in high-prevalence regions should consider providing antiretroviral therapy to infected workers.

Business has much to offer in the fight against HIV/AIDS. Its skills in marketing, product development, distribution, and strategic planning all have potential to help curb the virus. It also has much to gain. Protecting workers will increase productivity and improve morale. Protecting customers and communities will boost corporate reputation. The momentum is growing behind business involvement in tackling the pandemic in Africa. Western European firms should not delay in asking whether they should be joining in.

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