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for tomorrow

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The Impact of HIV and AIDS on the Forestry Contracting Sub-Sector and the Implications for Broad Based Black Economic Empowerment in South Africa

IUFRO, Charleston SC

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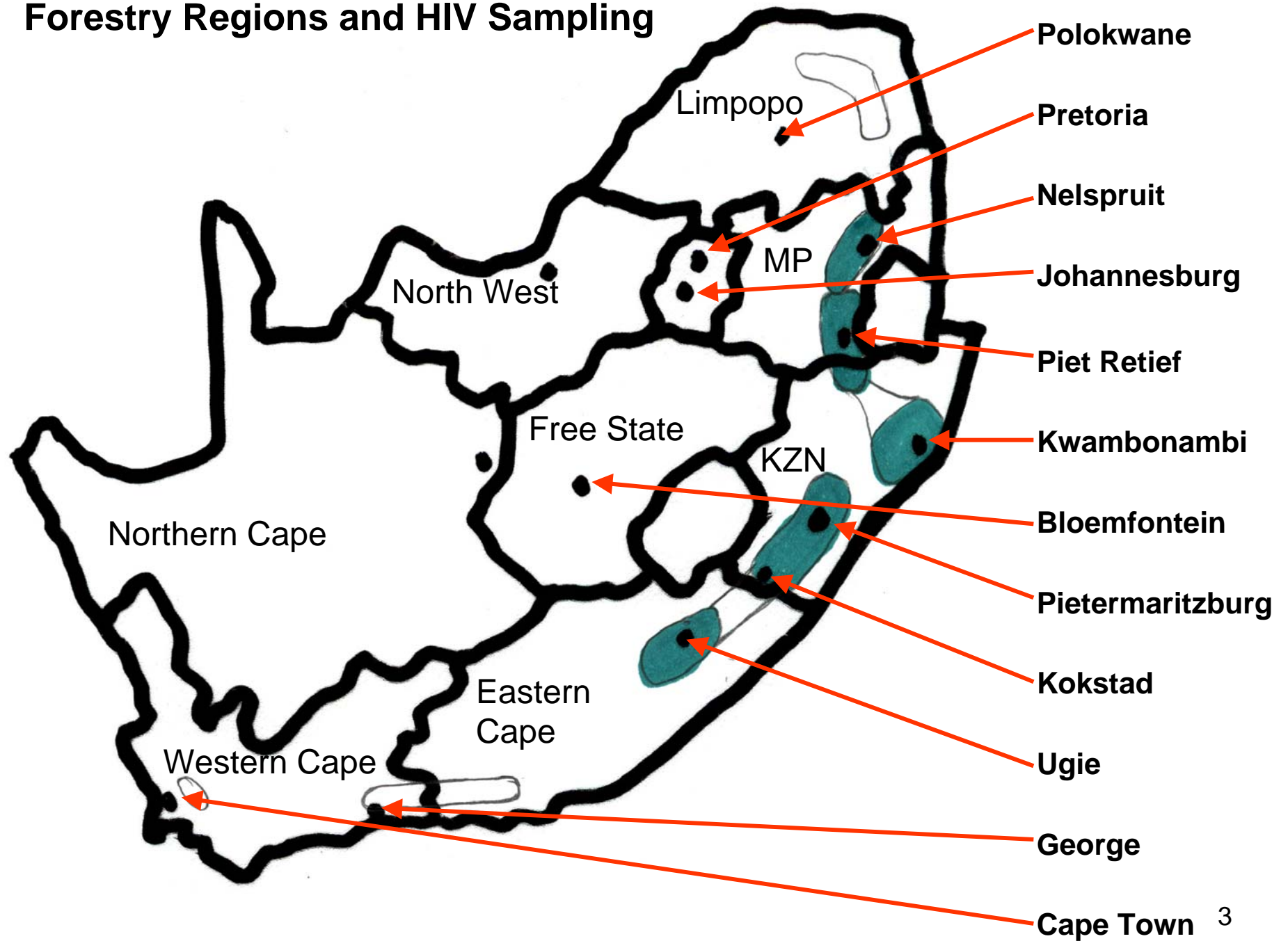
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Presentation Outline

Background

1. Human Resources
2. Financial Resources in the Forest Industry
3. HIV and AIDS
4. Future Scenarios
5. Conclusion

Forestry Regions and HIV Sampling



Background

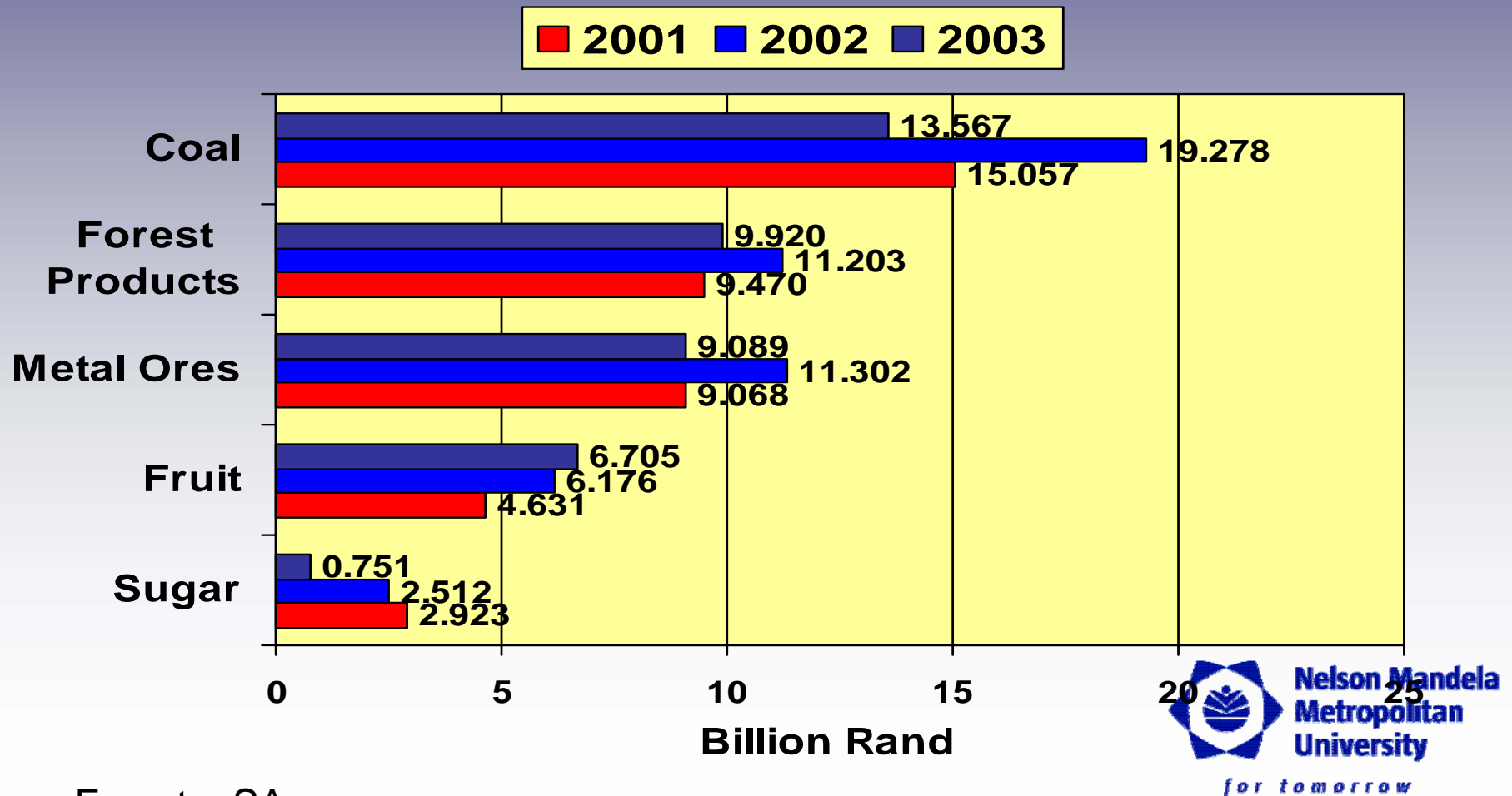
- **Interesting research findings:**
 - Infection rate for 2004/2005: 34.15%:
Males 31.48%; Females 38.34%
 - Lowest infection: married females
 - Highest infection: semi – & skilled males
middle income group (~\$150-\$600/mth)
'un skilled' and highest educated females
 - Condoms: Do not work?

Contracting in SA

- 320 Contractors
- Total Employment: 32600
- Activities: 80%+ outsourced
- Motor manual and man manual systems dominant; mechanization is taking off
- Size: from employment of 20 to 1200, harvesting up to 30000t/mth (Pine & Gum)

The SA Forest Industry in Perspective

SA Exports: 2001 to 2003



Source: Forestrv SA

1. Human Resources

1.1. HR requirements: quality and quantity
for BBBEE purposes: availability

1.2. Education and Training: time and
funding

1.3. Labour: productivity and profitability

HIV and AIDS : INFLUENCE ON THE DETERMINANTS OF PRODUCTIVITY



2. Financial Resources

- 2.1. Implementation of the Forestry BBBEE Charter: additional cost to contractors at least 8.5%
- 2.2. Current net margins: 3% to 5%
- 2.3. Minimum wages (statutory) \$120.
- 2.4. Cost of HIV mitigation interventions (ARV from \$20 to \$100 per month)

3. HIV and AIDS

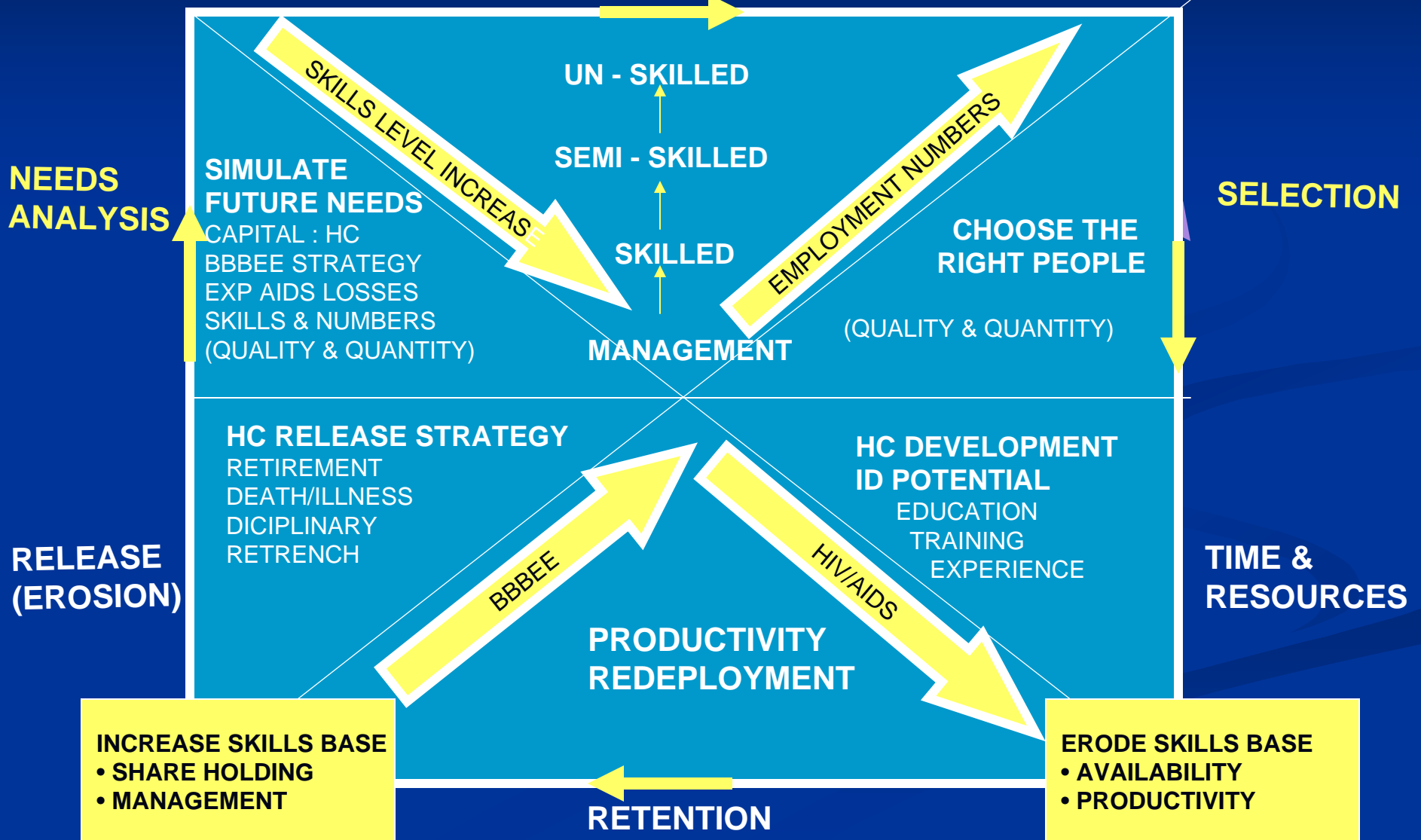
3.1. Effect on Human Capital

3.2. Skills erosion and skills requirements

3.3. Interventions and productivity

3.1.1. Effect on Management of H C: HIV & BBBEE

RECRUITMENT



NEEDS ANALYSIS

SELECTION

RELEASE (EROSION)

TIME & RESOURCES

SIMULATE FUTURE NEEDS
 CAPITAL : HC
 BBBEE STRATEGY
 EXP AIDS LOSSES
 SKILLS & NUMBERS
 (QUALITY & QUANTITY)

UN - SKILLED
 SEMI - SKILLED
 SKILLED

MANAGEMENT

CHOOSE THE RIGHT PEOPLE
 (QUALITY & QUANTITY)

HC RELEASE STRATEGY
 RETIREMENT
 DEATH/ILLNESS
 DICIPLINARY
 RETRENCH

HC DEVELOPMENT
 ID POTENTIAL
 EDUCATION
 TRAINING
 EXPERIENCE

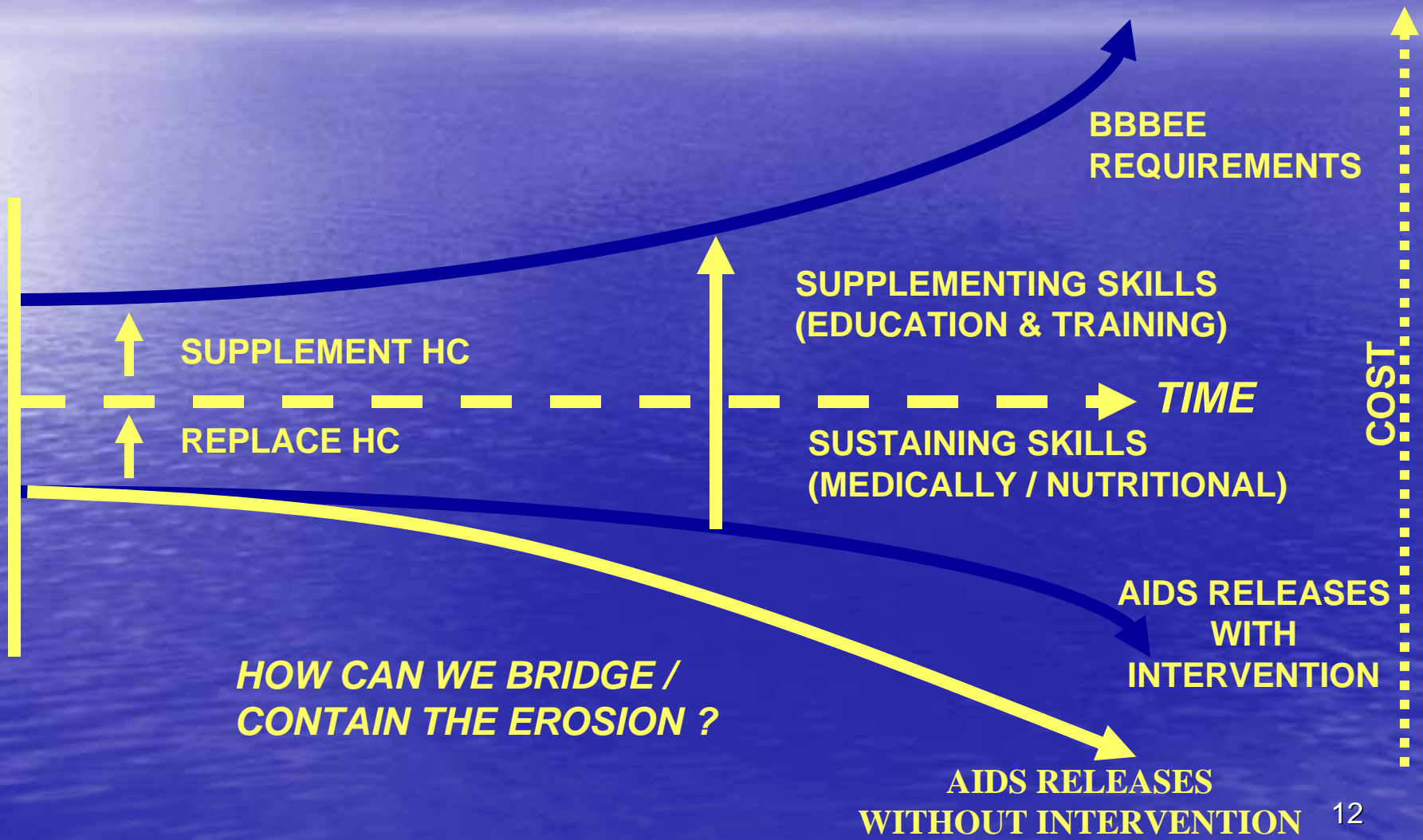
PRODUCTIVITY REDEPLOYMENT

INCREASE SKILLS BASE
 • SHARE HOLDING
 • MANAGEMENT

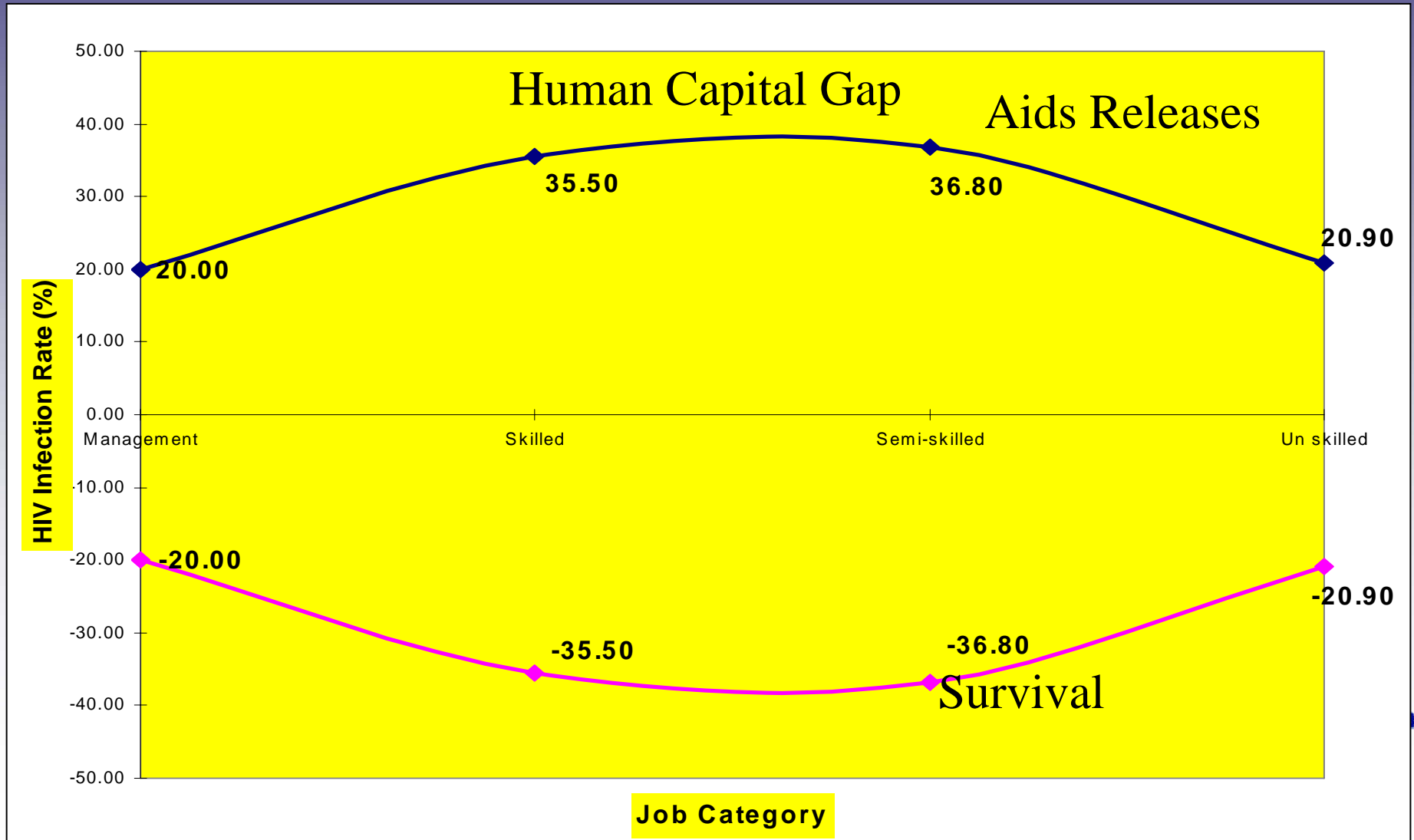
ERODE SKILLS BASE
 • AVAILABILITY
 • PRODUCTIVITY

RETENTION

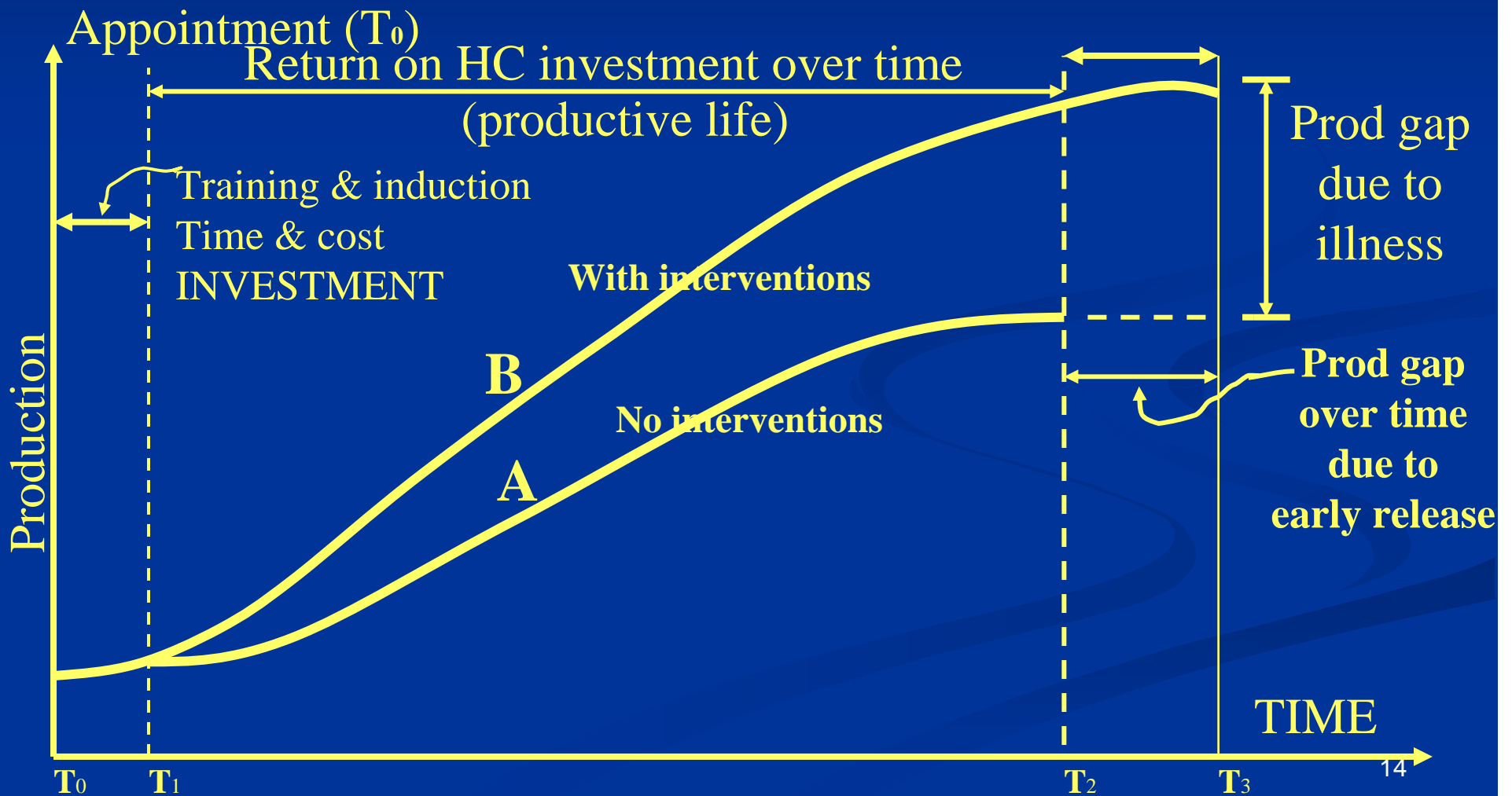
3.2.1. BBBE: HIV skills erosion and needs



3.2.2. Erosion and requirements BBBEE HC Potential Depletion



3.3.1. Interventions and productivity



4. Future Scenarios

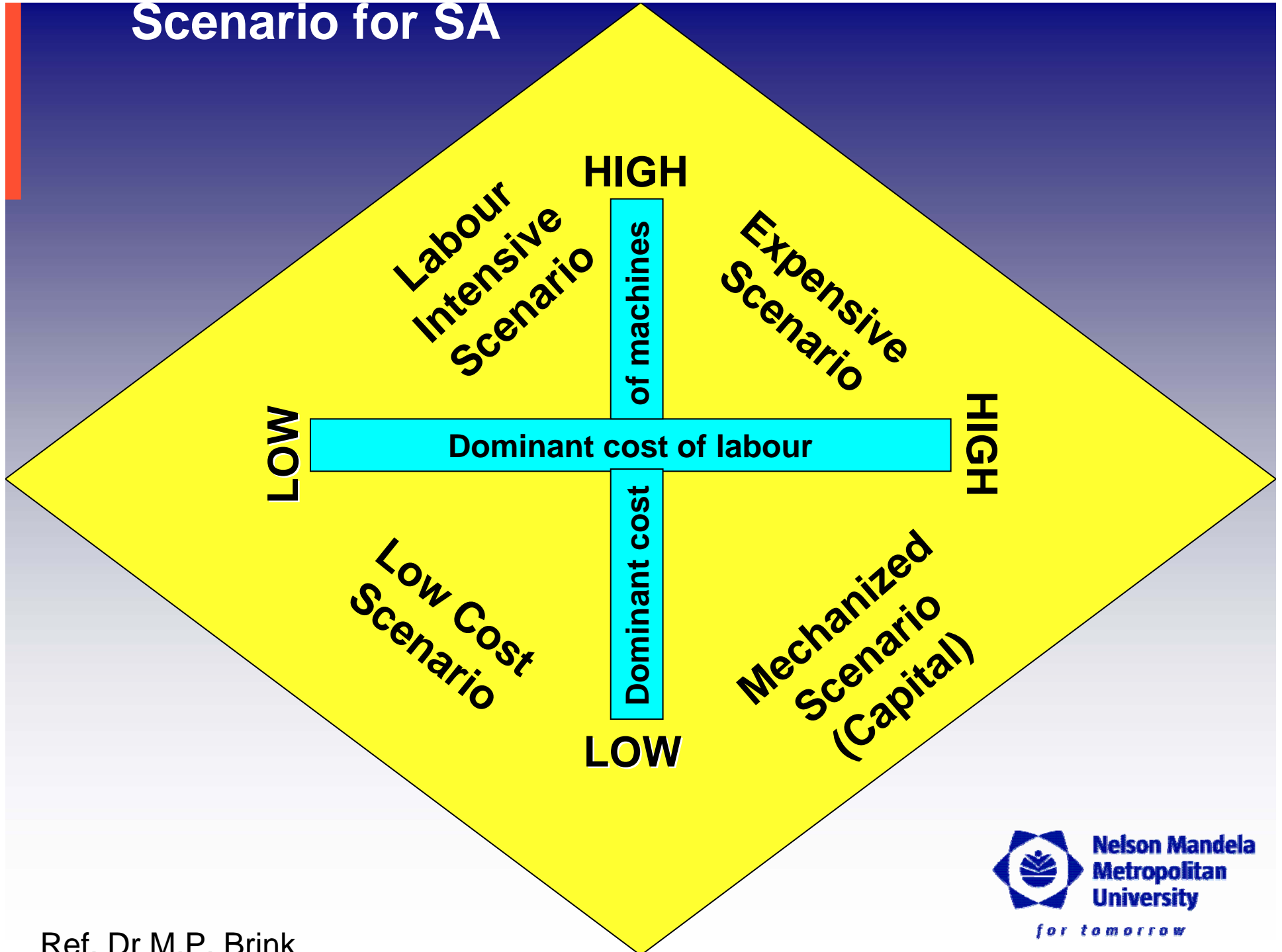
4.1. Balancing Labour and Capital

4.2. HIV and AIDS over the next few years

4.1. Labour and Capital

- Labour inflation > Capital inflation
- Additional HIV direct and indirect cost mitigation and absenteeism / productivity
- Additional direct and indirect BBBEE cost
Charter stipulations of recoverable and non-recoverable BBBEE investments
- Trend to mechanize

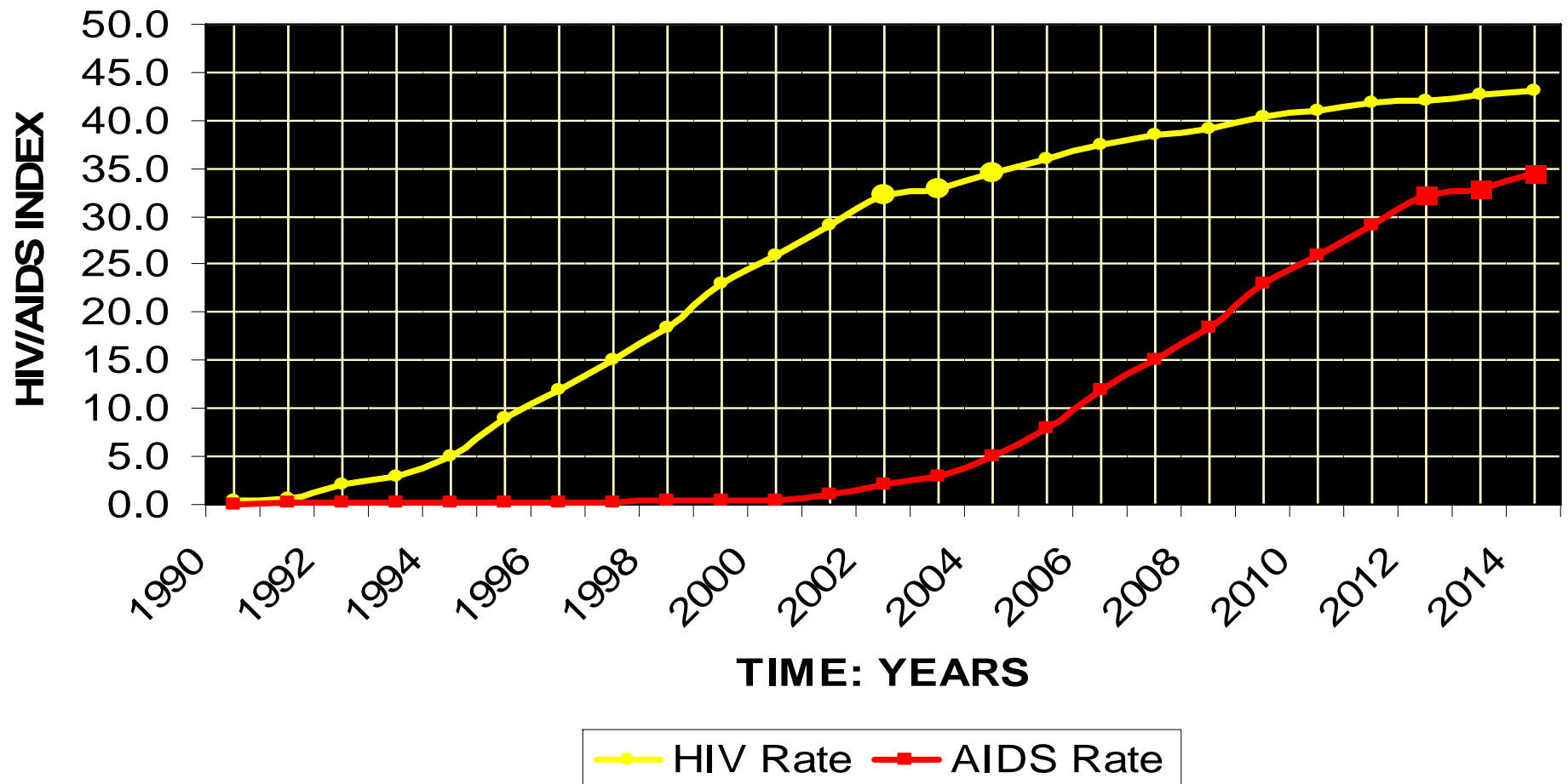
Scenario for SA



Ref. Dr M.P. Brink

4.2. HIV and AIDS: the next few years

SIMULATION OF AIDS DEATHS



5. Conclusion

- Suitable BBBEE personnel resources are highly HIV vulnerable and scarce (Glen Michael Report)
- The labour to capital ratio is changing in favour of capital
- HIV Mitigation interventions will be required for sustainable BBBEE
- Business sustainability (profitability) should be maintained

Thank you