

CONNECTIONS BETWEEN ACTIVE AGING AND FOREIGN DIRECT INVESTMENTS

Camelia MILEA⁵¹

Abstract

In this article I present the elements that define active aging, the causes of the emergence of this concept. I also highlight some impediments that hinder the accomplishment of the active ageing objective. I also bring forward some of the priorities aiming to support the accomplishment of the active ageing objectives. Active ageing presumes, among others, the existence of an optimal state of health of the old people. The foreign direct investment companies can support or hinder active ageing. One solution for the prevention of population ageing is supporting the values of family and implicitly, stimulating the birth rate. The analysis shows that in Romania, population is undergoing a rather intense process of ageing, which will burden heavily the economy. This evolution is explained by the trend of the natural growth rate and by the high number of abortions.

Keywords: aging of population, causes, prevention measures, hindrances to active ageing

JEL classification: F23, J11, J26

1. Conceptual landmarks on active ageing

Active ageing is a relatively new concept which aims to maintain old people as much as possible in the labour market, to keep them actively involved in the society and to make them age as healthy as possible, so that the people over 65 years can remain active and autonomous in everyday life.

Being a concept which is still under debate, it presumes seeking solutions for practical implementation, while the societies must adapt to its purposes.

The emergence of this concept has been generated by the ageing of the population in all EU (European Union) member states, by the decline of the pension systems throughout Europe, by the lack of labour force. These phenomena generate challenges for the labour market, for the budgets and for the healthcare systems.

I consider the decrease of the birth rates to be among the most important causes of population ageing. The more career's importance is promoted among women, the more diminishes their interest to build up a family and to give birth to children. Another cause is the increase of life expectancy.

Active ageing depends on mentality, culture, tradition, health state, working conditions during the all life (stress, overworking), the conditions of life (poverty, pollution).

Within this context, the European Year 2012 aims to encourage *active ageing in three directions* (Ministerul Muncii, 2012):

- *Participation on the labour market.* As life expectancy increases, the retirement age rises also in Europe, at the same rate with the fear of losing the job or of not being able to get another one that may ensure a decent retired pay. Therefore, old workforce must have better conditions on the labour market.

- *Active role in society.* Retirement must not mean lack of activity. The contribution of old people to the development of society, as people that take care of other people (parents, spouses, grandchildren), or as volunteers, is often overlooked. One of the objectives of the European Year is to highlight the important part played by old persons in society and to create better conditions for their welfare.

- *Autonomous lifestyle.* As people grow old, their health deteriorates, but this process can be slowed down. Also, measures can be taken to adapt the environment better to people with health

⁵¹ Researcher III, "Victor Slăvescu" Centre for Financial and Monetary Research, Romanian Academy, cami.g.milea@gmail.com

problems or with disabilities. Active ageing also presumes the provision of the necessary means for remaining as much as possible masters of our lives (Vasile, 2015).

Therefore, the concept of active ageing implies finding ways of using the experience, skills and other qualities which old people have and that can be used to serve the society. This is a challenge. The European Year aims to change the perception according to which old people are a burden for the society, highlighting their potential and opportunities, not the obstacles and deficiencies.

I also notice that active ageing has a multidimensional character, since it presumes occupational, healthcare, dwelling, social protection (pensions and social care), education, culture policies, as well as other services of general interest, thus ensuring the social cohesion and the construction of a society for all ages.

I may remark some impediments that hinder the accomplishment of the active ageing objective:

- when old people don't have access to the treatment they need or they have not the money for medicines (the case of Romania);
- when old people don't have money to buy quality, healthy food that can prevent the onset of diseases;
- depending on the level of income and working conditions, there are people paid so badly or working in so hard conditions that they prefer the retired payment, no matter how small it is;

Among the priorities aiming to support *the accomplishment of the active ageing objectives*, I consider to be the following:

- the existence of an efficient and affordable healthcare system and the implementation of solutions to monitor and prevent the chronic diseases;
- ensuring optimal working conditions for a healthy ageing and for the prevention of professional diseases,
- work security,
- ensuring the access of old people to jobs and the implementation of projects that involve them in the life of the communities, so that they remain active,
- life-long training,
- the prevention of accidents by falling, with a high rate among old people, and the design of buildings adapted to the needs of old people.

One solution for the prevention of population ageing is supporting the values of family and implicitly, stimulating the birth rate.

2. The European Union and active ageing

Europe 2020 Strategy for labour force employment and smart, durable and inclusive growth relies on five main objectives of the European Union, which are currently measured through 8 indicators. One of these objectives refers to a 75% employment rate for the population aged 20-64.

A recent Eurobarometer shows that 71% of the Europeans are aware that the population of the continent is ageing. However, only 41% of them are worried by this situation. The European Commissioners for Health, John Dalli, and for Labour, Laszlo Andor, fit into this category. They highlighted that this perception of the people is in strong contrast with the perception of the political decision-makers, who regard population ageing as a major issue for Europe. The people of the member states have very different perceptions about the terms "old/young". For instance, in Malta, Portugal and Sweden, only the people under 37 are considered young. At the opposite side, in Cyprus and Greece, all the people under 50 are considered to be young. The EU average shows that above the age of 64 people are regarded as old, while after the age of 41 they are no longer considered to be young (Haşu, 2012).

Retirement is a delicate subject, concerning the prolonging of the retirement age. Thus, only a third of the Europeans agree with the prolonging of the official age for retirement in all states by 2030.

Within this context, I consider that the prolonging of the working age (of the retirement age) must be the decision of each individual person, depending on his/her health state and aspirations.

At EU level, there are no common policies and projects for active ageing. For the time being, there are only some recommendations, but the idea that the situation is very different from one country to another is accepted, different measures being thus required. In Denmark, for instance, age-friendly country, projects are already in progress. There are companies which have special projects for their employees aged 65+, even in difficult areas such as constructions. There are also companies which created mixed teams – young and old people, to work together. There also are NGOs which provide projects to keep old people active.

However, there are also countries in which old people have serious problems. This is the case of Romania too, where many people live on the edge of poverty, with no money for medicines or for a decent standard of living.

3. Romania and the active ageing

In Romania, population is undergoing a rather intense process of ageing, one of the fastest in EU, according to the forecasts, which will burden heavily the economy.

I consider that the most important cause for this is the drop in the birth rate (see Figure 1), on the background of a very high, although decreasing, number of abortions (see Figure 2). One may notice that the natural growth rate has been negative since 1992 up to present, within the context of a slight increase of the mortality rate and of the discontinuous decrease of the birth rate (see Figures 1 and 3).

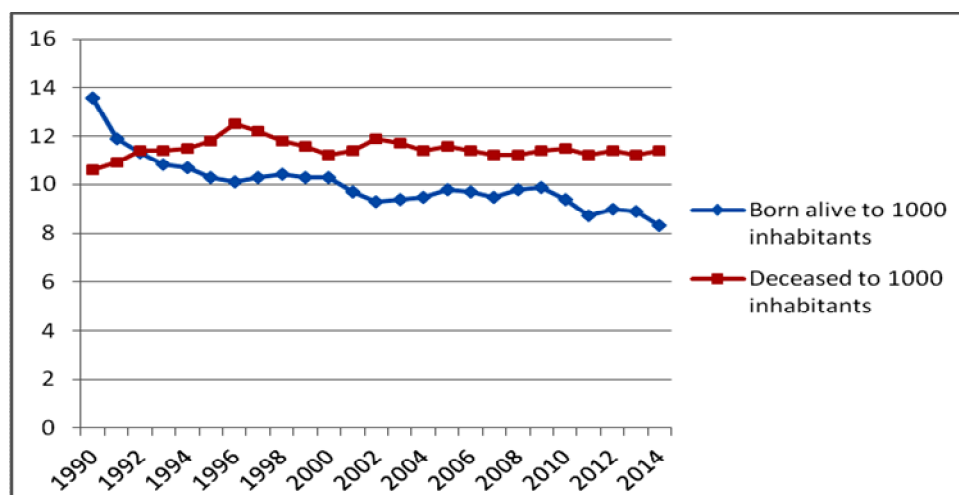


Fig.1. The birth rate and the mortality rate in Romania
Source: NIS

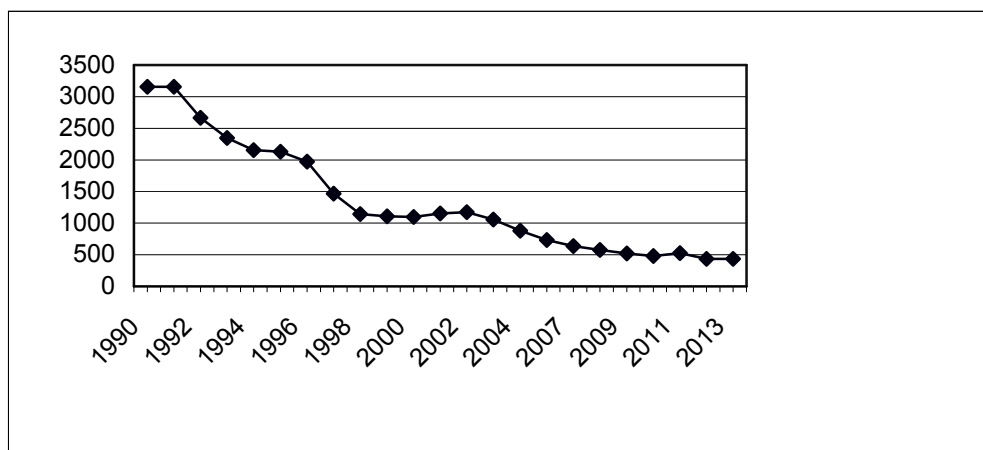


Fig.2. No. of abortions to 1000 born alive in Romania
Source: NIS

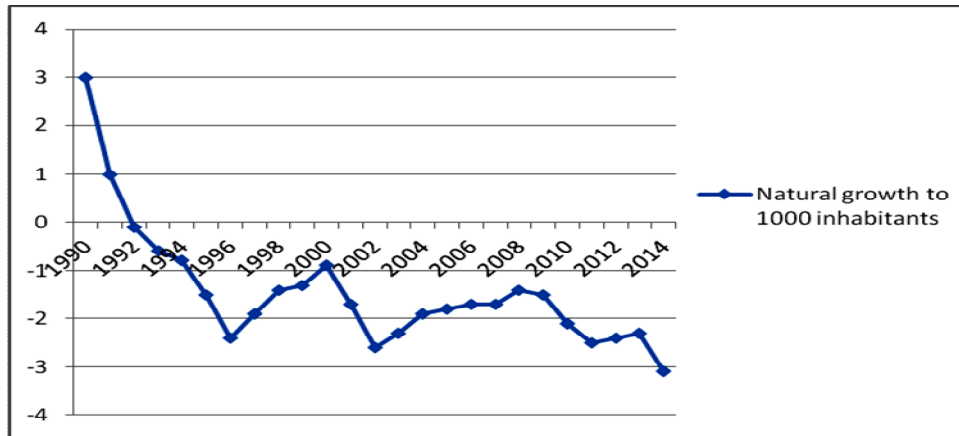


Fig.3. The natural growth rate in Romania

Source: NIS

In this situation, I consider that action should be taken at the roots of the phenomenon of population ageing. Important solutions for the prevention of this process consist in stimulating the birth rate, the marriage and putting a stop to abortions, thus preventing the situation in which the state budget cannot support the system of pensions and healthcare insurances for the retired people, and ultimately, supporting the perpetuation of the Romanian nation.

The statistics (Ghinararu, ?) show that in Romania, the graduates of higher education have the highest employment rate (82%) among the people of working age.

Compared to EU-27 average, Romania has lower employment rates for the categories of young and adult people. The situation improves as the age increases. One may conclude that Romania does well with the active ageing compared to EU-27 average, but the situation is more difficult for the young and adult people.

Among the causes for this situation there are the cultural pattern, the economic and social conditions, the existence of a large sector of household production for private consumption.

Corroborating the data of three indicators (the proportion of old people within the total population, the proportion of employed people within the total old people and the proportion of retired people due to disabilities within the total number of retired people) we can notice that there are three regions in Romania that are very aged demographically: South-Muntenia, South-East (Dobrogea, Southern Moldavia and Eastern Muntenia) and South-West (Oltenia).

At the opposite side, there is the North-East region, with the highest employment rate for the age of 55+.

One can also notice, in Romania, the high proportion of people over 55 that retired due to invalidity.

Among the hindrances to active ageing in Romania there are the mentality of people, the inefficient and, sometimes, inaccessible healthcare system, the insufficient level of the pension for many of the retired persons.

Due to the strong ageing of the Romanian population, the government has implemented measures similar to those from other countries worldwide, and especially from the EU member states regarding, particularly, the prolonging of the active life and avoiding the early drop out from the labour market, but also limiting the early retirement and the retirement due to invalidity, and the gradual increase of the retirement age. These measures might be considered as positive if the actual situation of the old people in Romania should not be taken into account: either they have medical conditions, or they are marginalized by the employers (particularly in the private companies) and pushed towards early retirement or dismissal, or they are waiting for the legal retirement age and conditions and they don't want to go on working.

Re-employment of the old people has no benefit for them and they often make a pension/wage trade-off, seeking objectively the advantages and disadvantages of re-employment in a domain that lacks labour force and is not attractive for the young people, or in a field which requires additional experience and expertise. The public institutions can and should develop programs not just for the

active prolonging of the retirement age, but also for the employment of young people and towards the co-participation of the old people to young people training (apprenticeship), with the view to ensure a smooth transition from one generation to another, with no problems to the production flow. To this purpose, the national and EU programs supporting the active ageing should also take into consideration to stimulate the investments in these areas, to grant fiscal facilities for the companies that employ young people while preparing the retirement of the old persons that are working on those particular positions.

4. Foreign direct investment companies and the active ageing

In evaluating the topic of active ageing, it is extremely important to take into account the culture of the host country and of the companies that make direct foreign investments. A country, respectively a foreign direct investment company coming from a country with a high social or educational culture will be more concerned about active ageing, than another one, from a country with a lower level of development, which will consider those issues as insignificant.

Active ageing presumes, among others, the existence of an optimal state of health of the old people. This depends on several factors among which healthy food is very important, and this also depends on the foreign direct investment companies operating in the food industry. They influence the quality and security of foods, which depend on the ingredients, on the observance of the ethical principles in business, on the existence and observance of the food production regulations. Therefore, foreign direct investment companies can support or hinder active ageing.

The state of health of the old people also depends on the working conditions during active life. In the foreign direct investment companies (at least in the case of Romania), people work additional hours, the work is under stress conditions, in a competitive environment. Thus, it appears that foreign direct investment companies promote elements that are detrimental to active ageing in our country.

Pollution also affects the health state, thus the active ageing. The foreign direct investment companies can prevent pollution or can generate pollution, hence they can support or hinder active ageing.

Foreign direct investments can contribute to the improvement of the socio-economic climate of the country, area or region where they are made, by improving the situation of the old people, by increasing the employment rate of old people (aged 55-59, and 60+) and by reducing the unemployment rate among the people close to retirement, threatened by unemployment.

These actions concerning employment of old people depend on the work performance of the old persons, knowing that foreign direct investment companies care very much for work productivity. This depends on the area of activity, on the person's state of health, etc.

The training courses organised by the foreign direct investment companies support education improvement, thus active ageing.

In order to evaluate the contribution of foreign direct investments to the improvement of the social indicators regarding active ageing, the following impact indicators could be used: the elasticity of the employed old population in relation with FDI ($\Delta EOP / EOP_0$) / ($\Delta FDI / FDI_0$), the elasticity of the unemployment of the old people in relation with FDI ($\Delta UOP / UOP_0$) / ($\Delta FDI / FDI_0$). The indicators can be calculated at the regional, local or country level, at the urban and rural level and even at the level of companies from the same branch of activity, some receiving foreign direct investments and other not receiving foreign direct investments.

5. Conclusions

In accomplishing the active ageing objectives it is extremely important to have an accessible and efficient healthcare system and labour market opportunities: only the healthy people willing to learn can be active. To this purpose, I appreciate that a sufficient level of the retired pay is necessary, and also a change in the mentality of people.

I consider that the prolonging of the working age (of the retirement age) must be the decision of each individual person, depending on his/her state of health and aspirations.

The analysis shows that foreign direct investment companies can support or hinder active ageing.

Thus, foreign direct investment companies can support active ageing by creating decent working conditions (no stress, no professional diseases), by preventing pollution, by not laying off the people approaching the retirement age and by co-participating old people to the training programs for the young persons (apprenticeship), taking advantage of their experience.

Also, public institutions should support the employment of young people and the participation of the old people to young people training, in order to ensure a smooth transition from one generation to another, by different fiscal facilities.

In Romania, the characteristics of many persons close to the retirement age (the health problems, the aspirations, the treatment of employees) make the concept of active ageing not feasible.

Following the data analysis in Romania, I consider that first and most important it is to take action at the roots of the phenomenon of population ageing. One solution for the prevention of population ageing consists in supporting the values of family and implicitly, stimulating the marriage, the birth rate and putting a stop to abortions, thus preventing the situation in which the state budget cannot support the system of pensions and healthcare insurances for the retired people, and ultimately, supporting the perpetuation of the Romanian nation.

Bibliography

1. Ghinararu, C., "Analiza Socio-Economica pentru programarea Fondurilor Europene 2014-2020", Grup de Lucru Tehnic: „Protectia Drepturilor Sociale/Demografie si Imbatranire activă pentru o viață demnă”, Comitet Consultativ Tematic – OCUPARE, INCLUZIUNE SOCIALA și SERVICII SOCIALE (Ministerul Muncii, Familiei si Protectiei Sociale-MMFPS), available at http://www.fonduri-structurale.ro/Document_Files/Stiri/00011968/822sr_Analiza%20socio-ec%20imbatranire%20activa.pdf
2. Hașu, I. (2012), "Îmbătrânirea activă a populației, o soluție pentru piața europeană a muncii", Reuters
3. Vasile, V. (2015), "Egalitate de șanse, Îmbătrânire activă", lecture, February
4. *** (2012), "Ce este îmbătrânirea activă?", available at <http://www.mmuncii.ro/pub/imagemanager/images/file/Domenii/Incluziune%20si%20asistenta%20sociala/AEIA-2012/Imbatranirea%20activa.pdf>
5. ***, http://www.insse.ro/cms/files/publicatii/Statistica%20teritoriala/Miscarea%20naturala%20a%20pop_ind_JudLoc.htm