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**ACCOMODATION TO A "NEW NORMALITY" – RISK OR BENEFIT?**

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**ABSTRACT**

The pandemia generated by the COVID-19 represents first of all a human tragedy, affecting society at its basis, and the effects induced by this boomerang are reflected on the labor market as well. The pandemia has accentuated the need for automation, even on the level of the insurance market, a fact that creates a lot of stress among the employees. The main purpose of the paper is to highlight the situation of the persons employed in various sectors of activity during the current pandemic conditions. The pandemic in the last year prompted large companies to explore more actively the opportunities to automate their activities. In the paper, the authors present the effects of automation on employed people in various fields of activity, including the field of insurance, which has the effect of losing jobs and replacing human staff with the assistance of artificial technology. After the implementation of automation technologies, the roles and way of working of about a quarter of employees have changed globally, while one of ten employees already needed retraining. This trend will continue to grow, with respondents stating that they will have to retrain a third of the workforce in the next three years as a result of the changing roles. The impact upon sales of goods and services is lasting and the insurance companies have to adapt their methods to reach their clients where they are, as well as in way of selling insurance police as in ascertainment of damage and risk inspection.

**Keywords:** insurances, automation, risk, rate, labor force

**INTRODUCTION**

After the pandemic, its negative effects could be observed globally on employees, from different sectors of activity. Employment rates have fallen sharply in industry sectors. Where it has been possible, people's work has been replaced by automatic machines.

The short-term priorities were clear from the beginning of the crises. It was obvious, that the first thing to deal with was the emergency health situation, as there is not possible to recover economic issues unless the virus is prevented to spread. (IONESCU, 2020)

At the same time, the protection policies for the people in need, the offer of liquidity to prevent bankruptcy, and to maintain a low rate of unemployment, were the essential elements to ensure a rapid economic restart (NEGRU 2011; NEGRU, 2010).

In this study, we try to present in as much detail as possible the likely impact of automation over time, on jobs in various sectors of activity, but also how its impact evolves.

The insurance sector was also affected both in the country (Romania), as well as globally by the lockdown. Due to severe restrictions, this field has not been so popular and many people have lost their jobs.

All the data presented in the paper are predictions related to automation, how automation affects the staff employed in several fields.

**MATERIALS AND METHODS**

This study was accomplished by analyzing the available published literature (IONESCU, 2020; NEGRU 2011; NEGRU, 2010; HALALAU, 2011; HUDEA, 2017; TĂNĂSESCU, 2007), case studies (The Digital Economy and Society Index (DESI) 2020; SICOE-MURG, 2017),

and various information from different organizations by studying official reports and websites (<https://www2.deloitte.com>; <https://ec.europa.eu>; PwC estimates based on OECD PIAAC data ).

The method we used for this study was the data collecting from different categories of source which were very current and so we could analyze them and after allowed us to centralize them and to draw some conclusions and discussions after. (<https://www2.deloitte.com>; MATEOC and SEULEAN, 2008; IONESCU, 2020; <https://ec.europa.eu>; The Digital Economy and Society Index (DESI) 2020 )

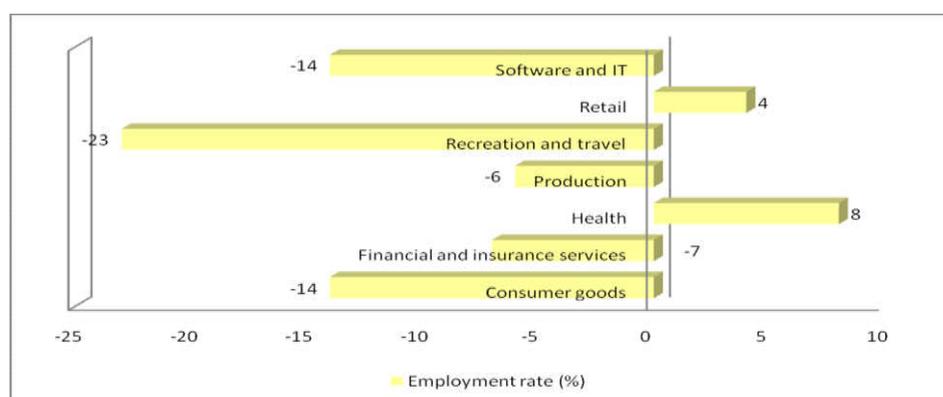
This study reveals presented data and information of the current situation of COVID-19 to achieve the purpose of the study (<https://www.startupcafe.ro>; IONESCU, 2020). Various sources of published literature (IONESCU, 2020; SICOE-MURG, 2017; HALALAU, 2011), case studies (SICOE-MURG, 2017; IONESCU, 2020), and various information from governmental and non-governmental organizations, official reports, and websites were used for the study. (<https://www2.deloitte.com>; <https://ec.europa.eu>; PwC estimates based on OECD PIAAC data; The Digital Economy and Society Index (DESI); <https://www.startupcafe.ro>).

We chose this study because it is current, due to the times we live in, the covid pandemic, we need to understand these times and what their effects are on the world, what we should do and how we can adapt in some areas due to automation.

## RESULTS

Between March and July 2020 many people lost their jobs, while the employment rate was also low, reflecting the employers' reluctance to invest in new staff (<https://ec.europa.eu>). In August – September 2020 things began slowly to change, demonstrating a slight compensation when the labor market tried a certain stabilization on a global level. (<https://www2.deloitte.com>) The most unexpected reaction comes from the IT and Software branch, which according to the data published by the World Economic Forum in "Futures of Jobs Report 2020", has an employment rate of -14% in September 2020, which shows, that this branch does not cut jobs at the same rhythm as other industries, nor does it offer employment at the same rate as the year before. (<https://www.startupcafe.ro>, PwC estimates based on OECD PIAAC data, *Table 1., Figure 1.*)

**Automation - a risk or a benefit?** Artificial Intelligence is considered to be a potential risk for replacing manpower with automatons, but according to a study elaborated by PwC - Will robots steal our jobs? -, „any job losses caused by automation will probably be compensated in the long term by the new jobs created a larger and richer economy, generated by these new technologies.”(<https://ec.europa.eu>)



**Figure 1. The employment rate on different economic branches**

Source: PwC estimates based on OECD PIAAC data

Based on this study we can observe that the potential risk of automation varies in the next years very much among the various industries (HALALAU, 2011). The greatest impact could be felt in the transportation production branches, with automation estimated at 52% and respectively of 45% (IONESCU, 2020). The financial and insurance sector, but also the communication sector seems to be affected rather in a short time than in a long time, whereas the education and the health sector will have the lowest automation rates in long term (MATEOC and SEULEAN, 2008). In the case of insurances, a study elaborated by CompareCamp.com shows that a robot can assist an insurance loss adjuster during the whole process: from the ascertainment of damage to the damage clearing (TĂNĂSESCU, 2009). The repetitive work of an adjuster can thus be reduced by 80% and the operating time with 50 %, which means that there can be ascertained more damages and inferentially more customers will be satisfied. (<https://ec.europa.eu>)

### Activity sectors with a high risk of automation

Nevertheless, how can we exploit the changes brought by the pandemic? We live in a world of changes, and either we want or not, we are taken by the herd spirit not having the time to analyze whether the decisions we make are our own decisions or simply we accept to be guided by the instruments we are given to, even we have not asked for them. (<https://www2.deloitte.com>)

That is why it is important to get beyond the conventional approaches and to acquire new abilities, changing the way we make our decisions and keeping informed. Labour force changes rapidly as the new technologies transform the economy and many different and more competences are asked. (HUDEA, 2017; TĂNĂSESCU, 2007)

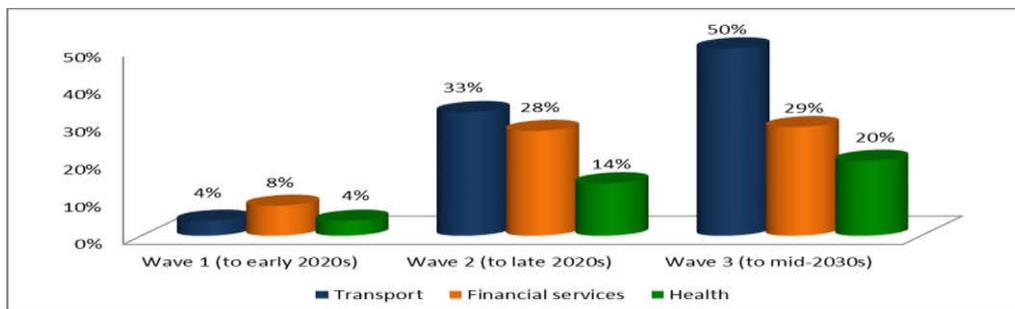


Figure 2. Potential job automation rates by industry across waves

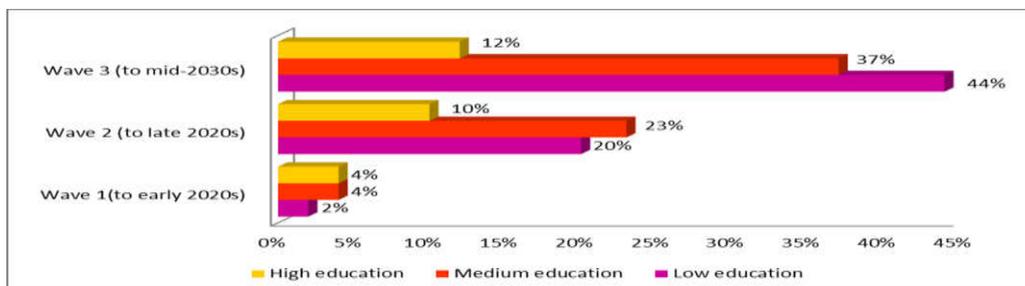
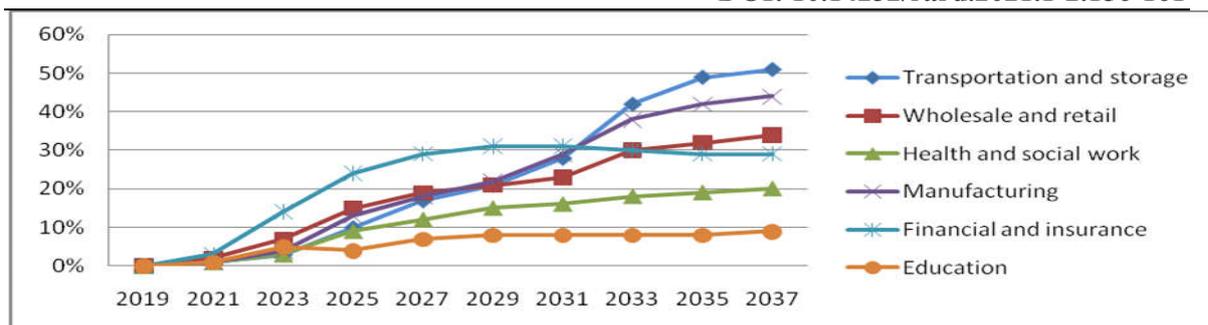


Figure 3. Potential job automation rates by education level across waves



**Figure 4.** The evolution of the probable impact of automation on jobs in different activity sectors in time

Source: PIAAC data, PwC analysis

At the end of this difficult period for the population, we will notice the emergence of new abilities that will make the world a better place:

» Future education – this ability will allow people to imagine and understand the future because the images of the future will determine our expectations, disappointments, and wish to invest or to change.

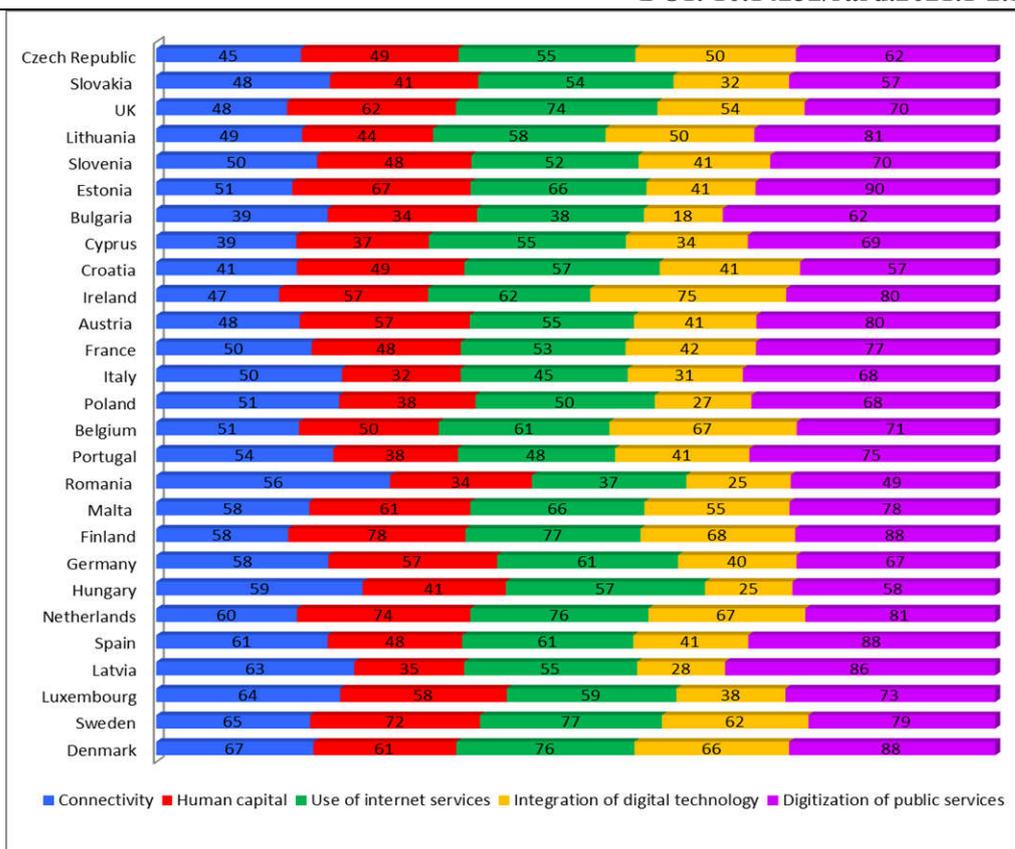
» System thinking – presumes a new system thinking, communication and learning mentality, to clarify all patterns, to improve and disseminate the understanding of the problems and to learn how to confront them efficiently.

» Anticipation – this ability calls for learning how to recognize a possible future and to use this increased knowledge to shape our present decisions and actions.

» Strategic prevision – represents the capacity of people, governments, companies, and organizations to understand better the future and the expected changes, as we shall live in a different world as that we are living now. (PwC estimates based on OECD PIAAC data, <https://ec.europa.eu>)

The ranking list of the member states of the European Union (EU) regarding the index Digital Economy and Society in 2020, based on the data of 2019, shows **Finland, Sweden, Denmark, and the Netherlands** have the most advanced digital economies within the EU, followed by Malta, Ireland, and Estonia. Bulgaria, Greece, Romania, and Italy have unfortunately the lowest score. (The Digital Economy and Society Index (DESI) 2020)

In working out this ranking list, the authors have established a scale with points between 0 – 100 points. Each country has got several points under its digitalization. Thus, it was easier to elaborate the ranking list. The only country not present in the ranking list is Ukraine, as it didn't get any points in the category **Using Internet Services**, thus being eliminated from the ranking list. Nevertheless, we should be aware of the fact, that digitalization is not the only factor to generate changes in the labor force market, as there are other factors, which should be taken into consideration as well, such as the aging of the population. (The Digital Economy and Society Index (DESI) 2020)



**Figure 5.** The ranking list of the European Union (EU) member states regarding the index concerning digital economy and society in 2020

Source: The Digital Economy and Society Index (DESI) 2020

**The Insurance Industry – a new reality.** The insurance industry has known a slight decrease on a global level, but also in Romania as a consequence of the pandemic, where job losses or wage cuttings have triggered a large waiver for health insurance as the greatest part of health insurance was covered by the employers (SICOE-MURG, 2017). This contributed to the increase in the number of insurance holders. Neither did the automotive insurance branch get off lightly, though the damage claims have decreased in the second quarter of the year as a consequence that the number of the car effectively on the road has diminished during the lockdown, the number of new insurance policies has also decreased. As a consequence, the pandemic generated by COVID-19 has demonstrated, that there is a need to think of new future strategies, especially in way of exploiting new working possibilities and how to make use of technology. (The Digital Economy and Society Index (DESI) 2020)

## DISCUSSIONS

In the report elaborated by the World Economic Forum, “Future of Jobs Report 2020”, it is estimated that „85 million jobs will disappear, while 97 million new jobs will appear up to 2025, in 26 countries”. This shows us, that the employers’ priority should be employees’ training and development programs, to educate the necessary abilities to confront new challenges. As governments were bound to impose measures to reduce social interaction, the companies needed to adapt and to find new ways of alternative work. Small and medium-sized enterprises (including the micro-enterprises) with low levels of digitalization found it very difficult to offer their staff the possibility of working from

home (teleworking). Even for their managers, this represented a huge challenge. One of the most important obstacles in the digitalization of small and medium-sized enterprises is the levels of digital education among their employees and managers as well. The approach of these deficiencies will be vital in ensuring a robust economic recovery. (The Digital Economy and Society Index (DESI) 2020).

How should Insurance companies act in the future? The Insurance companies worldwide and in Romania as well should be conscious of the fact that the “new normality” will be different from that in the past and that there is a great need for changes and adaptability to confront the challenges brought over by the COVID-19 pandemic. There are already different trends in the labor market, demonstrating that digitalization will be a primordial instrument to pass to a new stage in the labor market. Thus, the use of internet applications or virtual assistance are elements the insurance companies should consider necessary to be developed. Furthermore, the companies should offer their staff training programs to improve their digital knowledge, thus transforming teleworking into a perfect transition. Another challenge brought over by the COVID-19 pandemic will be the re-thinking of jobs, such as that of the insurance broker or the insurance loss adjuster.

These jobs have to be concentrated on the re-qualification of the employees, as a consequence of the automation and digitalization trends existing on the labor market in the fields of insurances. Thus, it is expected that a consequence of the COVID-19 pandemic will be the creation of a much more agile labor force, much better prepared to confront challenges and with a much higher performance index.

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- \*\*\* PwC estimates based on OECD PIAAC data