



Natural Disasters Displace Workers and Businesses

By Susan Ladika April 24, 2023



Extreme flooding in South Florida, tornado outbreaks in the South and Midwest, and storms in California in recent weeks have forced residents from their homes and shut down or damaged businesses from coast to coast.

It follows on the heels of almost 3.4 million Americans being uprooted from their homes because of natural disasters in 2022, according to U.S. Census Bureau figures.

While it's unclear how many U.S. businesses have relocated or folded because of recent natural disasters, the population shifts can "have huge impacts on the labor force," said Jesse Keenan, associate professor of sustainable real estate at Tulane University in New Orleans.

Of the U.S. residents who were displaced last year, about 40 percent were gone for less than a week. However, about 12 percent were gone for more than six months, and about 15 percent, or more than half a million people, never returned home, the Census Bureau reported.

Louisiana had the most adults displaced, at 11 percent of its population. Florida came in second at 5 percent.

Hurricanes displaced more than 1.6 million people, followed by floods, which displaced more than 700,000, and fires, which displaced more than 600,000.

Despite the upheaval, Keenan called the number of people displaced "quite modest." However, in the future, "we could be looking at tens of millions" being forced from their homes.

"It could be something on the order of the Great Dust Bowl," Keenan said, referring to the greatest migration in U.S. history, when one-quarter of the Great Plains' population fled drought and dust storms in the 1930s.

"It's definitely going to be a big problem going forward," agreed Maria Watson, assistant professor in the School of Construction Management at the University of Florida, who has studied business recovery after disasters.

The number of natural disasters causing at least \$1 billion in damage is increasing, while coastal development has put "more businesses and people at risk," she explained.

According to the National Oceanic and Atmospheric Administration (NOAA), Hurricane Ian, which slammed into Southwest Florida in September 2022, caused \$113 billion in damage, making it the third-costliest hurricane on record.

Expensive disasters are becoming more common and more costly, according to NOAA. From 2000 to 2009, the U.S. experienced 67 disasters with damages topping \$1 billion each, causing a total of \$592 billion in damages. In the following decade, that number nearly doubled to 131 disasters, causing \$948 billion in damages. From 2020 to 2022, there were 60 such disasters, at a total cost of \$443 billion.

There have potentially been four such disasters so far this year, as damages are still being calculated.

Businesses' Recovery Depends on Workers' Recovery

After a natural disaster, "household and business recovery [are] so tightly linked," Watson said. A business, for example, may not have sustained damage, but it may be lacking a labor force or customers. Watson noted that workers may have relocated, lost their transportation or sustained damage to their homes.

Where people move after a disaster can vary greatly. "It's not a one-size-fits-all answer," said Breno Braga, principal research associate at the Urban Institute, a Washington, D.C.-based think tank. They often "consider the existence of a network of family and friends very important."

That means they frequently move to nearby locations, but when Hurricane Maria hit Puerto Rico in 2017, about 4 percent of the island's population moved to the U.S. mainland, with many settling in Central Florida, Braga said.

"Climate migrants look for places with good job opportunities and affordable housing," he explained.

However, Braga noted that this could increase competition for jobs, impacting unemployment rates and wages. On the other hand, it could lead to a growing number of better-paying jobs and bolster demand for locally produced goods and services.

Relocations can also pose challenges for affordable housing, Watson said. In many parts of the country, housing prices have soared in recent years, and a shortage of housing after a disaster "could price a lot of people out."

Businesses can be forced to relocate after a disaster as well, and Watson has found that many remain within the same state or even the same city.

Meanwhile, Keenan said some "people are moving somewhat pre-emptively," fleeing the "chronic stress" caused by things such as wildfire smoke or the ongoing threat of fires.

John Boyd, principal of The Boyd Co. in Boca Raton, Fla., advises businesses in a wide range of industries on site selection. "This is really a time of unprecedented mobility for people," he said.

The COVID-19 pandemic fueled remote work, and an analysis by mortgage lender Freddie Mac found that net migration in areas of high wildfire risk jumped by 146 percent during the pandemic, while movement in areas at high risk of hurricanes more than tripled. On the other hand, more people are leaving areas that are the most prone to earthquakes.

When businesses consider where to locate, they "already are making major decisions about capital investment" based on the risk of a natural disaster or climate change, Keenan said.

However, Boyd noted that extreme weather is just one consideration. For example, some businesses are leaving California for Nevada not only to avoid wildfires, but also because of Nevada's business-friendly laws and because it requires less of a cultural shift than moving to a Sun Belt location. "Companies have to balance all their different concerns," he said.

At the same time, Boyd noted, "Corporations are only as good as their people."

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