

New report reveals surprising economic effects of climate change-related disasters – on health, employment, and migration

As natural disasters increase in frequency and severity, it's crucial to understand how these 'shocks' impact people's immediate lives and livelihoods, but less is known about how it effects people's long-term economic prospects, including their health, employment, and migration decisions. A new IZA World of Labor report released today (20 April 2022), highlights the unseen and sometimes surprising economic effects of climate change-related disasters, and the best ways to prepare for future crises.

The most comprehensive disaster database, the Emergency Events Database (or EM-DAT) indicates that in the two decades after 1995, natural disasters caused \$3.7 trillion USD in physical damage, killed over 1.5 million people, and made over 90 million people homeless. While most coverage of natural disasters rightly focuses on immediate physical damage and loss of life, these crises also have much wider, and lesser publicised, ramifications in other areas of people's lives – including long-term health, job prospects, and migration.

A new report by Tatyana Deryugina, Associate Professor at the University of Illinois, reveals that while the impact of natural disasters on people's welfare is unequivocally negative, to respond effectively to future crises, we must also understand the wider economic impact these events have on society. Multiple studies show that in the years following a natural disaster, migration, income, and health prospects are all closely intertwined, and can fundamentally change how people live and work.

After a disaster, the short-term impact on economic activity can be mitigated – Deryugina points to a global study of over 53 major floods, which showed a sudden drop-off in economic activity in city areas immediately after impact, before recovering quickly to pre-disaster levels. However, in the decade after a country is affected by a severe disaster, personal incomes and housing prices fall, while the local poverty rate rises. One study shows nearly a quarter of the resulting income decline in a disaster-hit area can be attributed to wealthier individuals moving out.

As some disasters force survivors to migrate, studies show this can have the unexpected result of higher earnings. In one study after the devastating impact of Hurricane Katrina, many survivors suffered short-term income losses and were less likely to be employed. Yet after four years, incomes surpassed those in a control group by \$2,000 USD – likely driven by these people moving to higher-earning areas, and wage increases. The impact of natural disasters can also cause other economic anomalies – such as an increased demand for labor through rebuilding efforts, and people working extra hours to replace assets lost in a disaster.

There is no doubt that natural disasters can be physically devastating – including loss of life, injuries, and causing short and long-term health problems, especially for the elderly and those in vulnerable groups. In her report Deryugina points to evidence that suggests a significant impact on survivors' mental health due to stress, disruption of routines, and subpar living conditions. In one report covering the year after Hurricane Katrina, disability rates went up by almost 20 percent, driven by an increase in mental impairments, and one in six respondents suffered from symptoms of PTSD 12 years after the disaster.

In her report, Deryugina suggests that as climate change-related disasters become more commonplace, it's important that policy addresses the short and long-term effects, as well as the context in which the

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disaster occurs. She points to evidence that shows specific post-disaster aid recovery, alongside general social safety nets, play a crucial role in an effective response. She also poses a question as to whether the government should be more directly involved in insuring the livelihoods of those displaced and recovering from disasters, caused by our rapidly changing environment.

Full report available: <https://wol.iza.org/articles/economic-effects-of-natural-disasters>

The author is available for interview, please contact jo@jobennettpr.com

Notes for editors

IZA World of Labor (<http://wol.iza.org>) is a global, freely available online resource that provides policy makers, academics, journalists, and researchers, with clear, concise and evidence-based knowledge on labor economics issues worldwide. The site offers relevant and succinct information on topics including diversity, migration, minimum wage, youth unemployment, employment protection, development, education, gender balance, labor mobility and flexibility among others.

Established in 1998, the Institute of Labor Economics (www.iza.org) is an independent economic research institute focused on the analysis of global labor markets. Based in Bonn, it operates an international network of about 1,500 economists and researchers spanning more than 45 countries.

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