

A9.12 Economic Effects

Economic Consequences

A9.12.1 The economic effects of emergencies and disasters can be devastating and widespread. When disasters strike, houses, businesses and community infrastructure get damaged or destroyed and people's livelihoods are temporarily and sometimes permanently disrupted. Physical damage is the most visible economic impact. However, the less visible impacts such as lost income, through being unable to trade, are just as significant and the consequences often last longer than the physical damage (for example, bankruptcy and business closures).

A9.12.2 The range of economic effects and consequences for an affected community varies greatly and depends on both the nature of the event and the economic health of the community. It is also important to recognise that communities are diverse. In some cases, affected communities recover and prosper; in others, the adverse economic impact has a domino effect that spreads throughout the community.

A9.12.3 Economic impacts are typically divided into two categories: tangible (those impacts to which we can assign a monetary value) and intangible (impacts which are not easily expressed in monetary terms). These impacts are then further subdivided into direct and indirect impacts. Direct impacts are those that result from the physical destruction or damage to buildings, infrastructure, vehicles and crops etc. Indirect impacts are due to the consequences of the damage or destruction.

A9.12.4 An alternative approach is to examine the impacts of disasters in terms of who or what is affected. Three groupings are common:

- public infrastructure and community facilities,
 - business enterprises (commercial, industrial, retail, service, agricultural etc.)
- and
- residents and households.

A9.12.5 A brief discussion of the direct, indirect and intangible impacts on each of these three groups follows.

Direct Economic Impacts

Business Enterprises

A9.12.6 Business enterprises include commercial, industrial, retail, service and agricultural business types. Essentially, however, the impact on businesses can be viewed as falling into three main areas.

- Structural damage to buildings which includes damage to foundations, walls, floors, roofs, doors, in-built furniture, windows etc.
- Contents damage to fixtures and fittings e.g. carpets, furniture, office equipment, farm equipment, etc.
- External damage, for example to motor vehicles and fences.

Residents and Households

A9.12.7 The break-up of direct damage into structural (e.g. roofs, walls etc.), contents (e.g. furniture, floor coverings etc.) and external (e.g. gardens, etc.) is equally useful for this category.

Public Infrastructure and Community Facilities

A9.12.8 Lifelines (such as water and sanitation systems, electricity, gas, telecommunications and transport) are vulnerable to all types of disasters. Direct damage to lifeline infrastructure includes the immediate physical damage (e.g. roads cracked or washed away, destroyed electrical transformers etc.) and the damage that may take some time before becoming visible (e.g. accelerated road deterioration due to the effect of water intrusion under road pavements).

A9.12.9 Public buildings include schools, childcare centres, nurseries, hospitals, nursing homes, neighbourhood centres, churches, entertainment/art/cultural centres, museums, clubs and so on. Direct damage to public buildings can also be thought of using the break-up into structural (e.g. roofs, walls etc.), contents (e.g. furniture, floor coverings and specialist items like sound systems and paintings etc.) and external (e.g. playground equipment, swimming pools etc.) damage.

Indirect Economic Impacts

A9.12.10 Indirect impacts are those that are incurred as a consequence of the event, but are not due to the direct impact for example, disruption and clean-up.

Disruption Effects

A9.12.11 The disruption to households, businesses and the community caused by disasters is pervasive. The economic impact of disruption and its consequences for community recovery and restoration is often overlooked, as economic recovery and restoration can tend to focus on the highly visible direct physical damage.

A9.12.12 The following table shows the common forms of disruption relevant to each area.

Sector/Area of Impact	Disruption Examples
1. Business	Lost or deferred production (e.g. manufacturing, agriculture, services etc.). Lost or deferred income/ trade /sales/value added (e.g. tourism operators, retail traders etc.). Increased costs (e.g. freight, inputs etc.).

2. Public services and networks	Transport (traffic delays, extra operating costs etc.) Loss of computer-controlled systems. Loss of other lifelines (e.g. electricity). Government services (e.g. education).
3. Households	Additional costs (e.g. alternative accommodation and transport, heating, drying-out costs, medical costs etc.).

A9.12.13 Natural disasters can cause serious disruption to affected businesses. Businesses may not be able to operate during the event, and for some time afterwards, while the premises are being cleaned and equipment repaired. Business lost during this period can have devastating financial consequences and, in some cases, businesses may not recover at all.

A9.12.14 Loss of farm income due to a natural disaster can affect the economies of country towns. Disasters that reduce farm expenditure can therefore have a major effect on the economies of small towns.

Clean-up

A9.12.15 Cleaning up after a disaster is another obvious area of indirect impact. The impact for businesses, households and for public and community infrastructure is essentially the time it takes and the costs of cleaning materials.

A9.12.16 Clean-up activities typically include removal of mud and debris, disassembly and cleaning of machinery and equipment, removal of destroyed household and business contents items and so on.

Response Costs

A9.13.16 The time and effort of emergency services and volunteers in responding to disasters are other forms of indirect impact. Costs typically include those associated with dealing with the disaster agent, rescue, evacuation and other immediate relief measures.

Intangible Economic Impacts

A9.13.17 Intangible impacts are often described as a 'catch all' that includes all those costs that are very difficult to estimate, for which there is no agreed method of estimation and for which there is no market to provide a benchmark.

A9.13.18 Examples of intangible impacts are shown in the table below for each of the three main areas.

Sector/Area of Impact	Intangible Impact Examples
1. Business	Loss of confidence. Loss of future contracts. Loss of experienced staff.
2. Public and Community	Health impacts (deferral of procedures, reduced quality of care etc.). Death and injury. Loss of items of cultural significance. Environmental impacts. Heritage losses. Lack of access to education, health, defence, art galleries and museums etc.
3. Households and Residents	Loss of personal memorabilia Inconvenience and disruption, especially to schooling and social life.

	Stress-induced ill-health and mortality. Pets. Quality of life. Dislocation.
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A9.12.19 Evidence suggests that the size of intangible costs is substantial and, although most cannot be quantified, in many cases they do still have an economic impact that should not be ignored.

A9.13 Economic Recovery and Restoration

Economic Services

A9.13.1 Economic recovery and restoration from emergencies and disaster is most effective when:

- response and recovery and restoration actions actively support the recovery and restoration of business and industry,
- business and/or industry representatives participate in economic recovery and restoration decision-making,
- business and industry is returned to activity as early as possible,
- economic recovery and restoration strategies are an integral part of the overall recovery and restoration management process,
- measures are taken to mitigate the impacts of future disaster on business continuity and
- there is coordination of all recovery and restoration programmes to support and enhance the economic structure.

Strategies

A9.13.2 These strategies to implement the principles of economic recovery and restoration following disaster are shown in conceptual, management and service delivery classifications. They are proposed as examples, rather than as an exclusive listing of strategies that might be invoked in all circumstances.

Conceptual

- Resettle evacuees into the affected area as soon as possible.
- Encourage emergency service agencies to implement procedures to support economic recovery and restoration (e.g. assistance with clean-up etc.).
- Support and promote the economic viability of the affected community.
- Purchase replacement goods and services locally via local businesses and trades people wherever practical maintain the integrity of local agencies and their capabilities.

- Build on existing organisations and networks through activation of available systems within the community.
- Encourage support of local trade and commerce.
- Encourage agencies to employ local residents and to purchase resources and services locally.
- Provide government grants, appeal distribution and charitable payments as financial, rather than material, assistance in support of economic and local business recovery and restoration.
- Avoid duplication of services and identify gaps.
- Maintain confidentiality and privacy principles.

Management

- Identify all segments of the business community that may be affected.
- Establish dialogue between business, industry and government representatives in the community.
- Establish a reference group which is representative of business, industry and employee groups.
- Provide the business community with information about the recovery and restoration process and resources available through the reference group and other appropriate mechanisms.
- Ensure business community participation in the community recovery and restoration committee.
- Conduct inter-agency briefings and feedback sessions on the effectiveness and progress of the economic recovery and restoration programme,
- Identify threats to business continuity for consideration in risk management processes.
- Develop risk management assessments aimed at minimising future damage.

Service Delivery

- Ensure service delivery personnel have an awareness of the range of services available and appropriate referral processes.
- Ensure service delivery personnel are aware of the local economic circumstances pre- and post-disaster.

- Ensure service delivery personnel have good interpersonal skills and understanding of the local community.
- Provide financial assistance measures in a timely, fair, equitable and flexible manner.
- Ensure financial support is needs-based and timely.
- Provide financial counselling and management services.
- Advocate with financial institutions on behalf of affected residents.
- Ensure services and/or information is coordinated and provided by a variety of means previously discussed.
- Ensure availability and accessibility of economic recovery and restoration information and services.

Financial Recovery and Restoration

A9.13.3 Depending on the circumstances HM Government may provide assistance e.g. Carlisle floods.

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