

# Readinets

Disaster Preparedness & Recovery

**Disaster  
Preparedness**

**Disaster  
Recovery**

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## Fact Sheet Disaster Readiness

### Is your business ready to handle a disaster?

According to many business assistance organizations--including state and local economic developers, governmental officials, university small business development centers, the Small Business Administration (SBA) and other federal agencies--the answer to that question is **probably not**. After Hurricanes Floyd in North Carolina; and Katrina and Rita in Texas, Louisiana, and Mississippi, most small businesses found themselves totally unprepared for the disaster and even less prepared for the recovery.

- According to FEMA and East Carolina University, Hurricane Floyd (September, 1999) caused 75% of all businesses in the affected counties to shut down at least temporarily; 43% never reopened and an additional 29% closed within two years.
- The North Carolina Economic Development Administration estimates that Hurricane Floyd produced business losses of \$1 billion in physical damage and \$4 billion in lost revenue. This Category-3 storm affected 60,000 businesses; 30,000 employees were either displaced (temporarily or permanently) or injured. It produced a net loss of 31,000 jobs.
- Together, Hurricanes Katrina, Rita, and Wilma resulted in over \$2.7 million in insurance claims.

- The State of Louisiana experienced an initial decline of over 5,000 employers immediately after Hurricanes Katrina and Rita and posted 2,273 fewer employers one year later.
- Hurricane Katrina, the second-deadliest hurricane to strike the US in this century, proved costliest in terms of damage. Business failures stood highest among small firms: Louisiana State University economists report that, one year after the storm, fully 42.4% of Orleans Parish businesses with 1-5 employees had failed to reopen.
- Orleans Parish experienced a net loss of 2,564 employers, or a 26.7% decline, in the year following Hurricane Katrina. St. Bernard Parish experienced a 53.9% decline in employers during the same time period.
- Retail trade and services were the hardest-hit sectors, in terms of being shut down, and the slowest to reopen.
- The effects of hurricanes can extend far beyond the vulnerable Gulf Coast. For example, the National Oceanic and Atmospheric Administration (NOAA) reports that Hurricane Isabel affected the Washington, DC metropolitan area. Among the monetary costs were \$2.6 million in lost revenue for the DC Metro and \$147.4 million in lost revenue resulting from 257,443 Federal Government employees losing 2 days of employment. Another \$485 million in lost revenue resulted from private employees losing two days of work.
- The effects of such natural disasters as Katrina have produced understandable concern on the part of American workers. A 2006 survey conducted by the American Payroll Association showed that only 52% of US workers believe they would continue to receive pay in the wake of a natural disaster.
- The National Climate Data Center (of NOAA) published a list of "Billion Dollar US Weather Disasters." In 2006, they included the Spring-Summer Drought that affected 20 states, producing \$6.0 billion in damages; the Midwest and southern tornadoes that struck 10 states causing \$1 billion in damage; and the western wildfires that affected 14 states, resulting in over \$1 billion in damage. In 2005, they listed Hurricanes Wilma, Rita, Katrina and Dennis, which caused \$160 billion in total damages.
- NOAA reports that tornadoes, hurricanes, and floods together produce average annual losses of \$11.4 billion in the US.
- This agency also states that over 200 tsunami events affected the US between 1990 and 2005, resulting in over 500 deaths and more than \$186 million in damage.
- In their recent research on Hurricane Katrina, Jeanne Hurlbert and her colleagues found that rates of depression in the New Orleans metropolitan area remained twice pre-Katrina levels, 18 months after the storm. This suggests potential consequences for businesses, as

high rates of depression could increase absenteeism, turnover, and health costs.

***Yet despite all of these stark statistics:***

- A 2006 survey, conducted by AT&T, showed that 28% of US-based companies do not have adequate disaster plans in place. But 30%--nearly one in three--of the surveyed companies indicated that they have suffered a disaster.
- Of the companies in the AT&T survey that did have plans in place, 40% had not tested the plan within the last 12 months.

***But it doesn't have to be that way:***

- NOAA estimates that every dollar spent for disaster mitigation produces average savings of \$4; they report positive cost/benefit ratios for all types of hazards.
- In their research on Hurricane Katrina, Jeanne Hurlbert and her colleagues found that individuals who received more social support after the storm evidenced less depression. Their telephone interviews with residents of Jefferson and Orleans Parishes showed that over one-quarter of individuals who said they had enough people to help them "only some of the time" exhibited a high level of depression. Among those who said they had enough people to help them "all of the time," however, less than 4% reported a high level of depression. This demonstrates the importance ensuring that employees can draw on their social networks for support, during disaster recovery.
- Hurlbert and her colleagues drew on their twenty-five years of social network research in developing their cutting-edge social network assessment tool, which Readinets employs in its disaster preparedness and recovery services. This instrument is the first to assess scientifically both the business and personal sectors of individuals' social networks. By identifying underutilized strengths and potentially catastrophic weaknesses of employees' social networks, this vital tool helps businesses ensure that their most important asset--their people--will be able to ensure business continuity.
- Readinets provides comprehensive disaster planning and recovery services that draw on the expertise of all members of its team. Charles D'Agostino, MBA, helped over 1,000 businesses recover from Hurricane Katrina. He draws on that experience to help businesses prepare. Russell J. (Joey) Coco and his Engensus partners offer cutting-edge engineering services to reduce vulnerability. And Jeanne Hurlbert brings to Readinets her social network expertise.