



SUSTAINABILITY & CLIMATE RISKS

THOUGHT LEADERSHIP BRIEF SERIES

When Disaster Strikes: How Climate Events Influence Employment Preferences

Yue Zheng and Allen Huang

KEY POINTS



- ▶ Climate disasters increase workers' sensitivity to firms' environmental performance when making employment decisions.
- ▶ Firms with weak environmental performance face greater recruitment difficulties after local disasters, including slower hiring and lower-quality new hires relative to environmentally stronger peers.
- ▶ Following climate disasters, workers at poorly performing firms leave more negative reviews regarding environmental issues and increasingly migrate toward greener employers.

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ISSUE

As extreme climate events, including wildfires, heatwaves, floods, and hurricanes, become more frequent and severe, their economic impact is often quantified through the lens of physical destruction. Table 1 summarizes the total amount of damage and frequency of 13 types of climate disasters in the U.S. between July 2009 and December 2022. Economists typically measure the cost of these disasters in terms of damaged infrastructure, disrupted supply chains, and lost agricultural productivity. However, an important and less visible consequence is the way these events alter worker preferences and labor market behavior.



Table 1: Climate disaster types and damage amount

Disaster	Total damages (in 2015 millions USD)	Number of county-months	Average damage per county-month (in 2015 millions USD)
Flooding	136,844.419	18,535	7.383
Hurricane/ Tropical Storm	63,123.702	1,623	38.893
Tornado	25,608.647	7,313	3.502
Wildfire	24,455.119	1,733	14.111
Hail	20,801.815	5,623	3.699
Drought	16,978.907	3,080	5.513
Wind	12,794.740	63,867	0.200
Winter Weather	6,077.953	7,253	0.838
Severe Storm/ Thunderstorm	2,304.489	49,375	0.047
Landslide	1,326.672	747	1.776
Lightning	398.535	4,956	0.080
Coastal	305.106	1,238	0.246
Heat	36.867	946	0.039

Source: Spatial Hazard Events and Loss Database for the United States

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ASSESSMENT

A comprehensive study of U.S. online job postings, employment data, and employee reviews reveals that climate disasters serve as a powerful catalyst for workers’ environmental awareness. By analyzing thousands of disaster events and their impact on local labor markets, we find that disasters increase workers’ awareness of firms’ environmental performance and generate measurable labor market penalties for firms with weaker environmental records.



1. Time to Fill and Hiring Quality

The research identifies a significant recruitment penalty for environmentally lagging firms in areas recently affected by climate disasters. When a disaster occurs, the local labor market becomes far more sensitive to the environmental records of prospective employers. Following such events, firms with poor environmental scores, as measured by LSEG Environmental Ratings, take significantly longer to fill job vacancies. On average, in a given month, vacancies posted by firms with worse environmental performance remain open for an additional 138 days than those posted by firms with stronger environmental performance in the same disaster-affected area. This pattern suggests that job seekers actively avoid these firms, viewing them as less desirable or as misaligned with their heightened climate awareness.

The effect extends beyond the speed of hiring to the quality of recruitment. Analysis of hiring data indicates that, after a disaster, the education levels and prior professional experience of new hires at environmentally lagging firms declines. In other words, these firms not only struggle to fill vacancies more quickly but also face a deterioration in the characteristics of the workers they are able to attract. Taken together, the evidence suggests that climate disasters amplify the labor market consequences of poor environmental performance, affecting both the speed and the quality of recruitment.

2. Employee Sentiment and Turnover

The effects of climate disasters are not limited to new hiring; they also affect the morale and retention of existing employees. Using employer review platform data, the study tracks employee sentiment before and after disaster events. Employees at environmentally worse-performing firms are significantly more likely to leave negative reviews following a local climate shock. These reviews are more likely to mention environmental concerns, indicating that such events increase employee sensitivity to environmental underperformance.

Beyond expressing negative sentiment, workers are increasingly 'voting with their feet.' The study finds a marked increase in turnover at brown firms in the months following a disaster. Crucially, departing employees are actively migrating toward "greener" employers. This pattern indicates that climate disasters can accelerate the reallocation of talent away from environmental laggards and toward environmental leaders.

RECOMMENDATIONS

The shift in employee preferences following climate disasters has profound implications for corporate strategy, investment analysis, and public policy.

First, for corporate leaders and boards, environmental performance must move from the realm of compliance to that of core strategy. It is increasingly important not only for avoiding regulatory penalties but also for attracting and retaining talent. In disaster-prone regions, HR departments should play a more active role in environmental assessment because employees' perceptions of a firm's sustainability practices may serve as an early indicator of turnover risk. For firms in heavy industry and other environmentally intensive sectors, credible and transparent transition plans are especially important. Following a climate event, firms should focus not only on physical recovery but also on internal communication, community support, and visible reinforcement of environmental commitments.

Second, investors should view labor market frictions as an important channel through which climate risk affects firm value. Assessing climate exposure requires more than examining carbon taxes, regulation, and physical assets. Investors should also consider whether environmental performance affects a firm's ability to recruit and retain workers. Employee turnover, hiring difficulties, and worker perceptions may provide signals of climate-related vulnerability, particularly in sectors where skilled labor is mobile.

Third, policymakers should recognize that labor markets can reinforce environmental accountability. For this mechanism to operate effectively, workers need access to clear and comparable information about firms' environmental performance. Standardized and accessible disclosure requirements would allow workers to make better-informed employment decisions. In addition, as climate shocks shift labor toward more sustainable industries, governments should support worker transition through retraining programs and targeted scholarships. Such policies can help ensure that labor reallocation supports growth in sustainable sectors rather than increased unemployment in legacy industries.



CONCLUSION

Climate change is no longer merely a physical threat to assets; our study demonstrates that it poses a direct risk to a firm's human capital. Climate disasters reshape worker expectations and influence employment choices in ways that affect recruitment, retention, and workforce quality. Firms that fail to address environmental performance therefore face not only environmental and regulatory risk, but also growing difficulty in attracting and retaining the talent needed to remain competitive in a more climate-exposed economy.



Yue Zheng is currently an Associate Professor of Accounting at the Hong Kong University of Science and Technology (HKUST). Professor Zheng earned her Ph.D. in Accounting from the University of Maryland in 2017.

Professor Zheng's research focuses on financial reporting, capital markets, and the role of human capital in accounting and economic activities, with publications in leading journals such as *The Accounting Review*, *Contemporary Accounting Research*, *Review of Accounting Studies*, *Strategic Management Journal*, and *Journal of Financial and Quantitative Analysis*.



Allen Huang is Professor and Head of the Department of Accounting and Associate Director of the Center for Business and Social Analytics at the Hong Kong University of Science and Technology (HKUST). He received his Ph.D. from Duke University in 2007.

Professor Huang's research focuses on machine learning, large language models, securities litigation, and financial analysts. His work has been published in leading journals, including the *Journal of Accounting Research*, *Journal of Accounting and Economics*, *The Accounting Review*, *Journal of Finance*, *Review of Accounting Studies*, *Contemporary Accounting Research*, *Management Science*, and the *Journal of Financial and Quantitative Analysis*.

Professor Huang currently serves as an Associate Editor of the *Journal of Financial and Quantitative Analysis* and as an Editor of the *Journal of Business Finance & Accounting*. He also serves on the Editorial Board of *The Accounting Review* and *Contemporary Accounting Research*, and on the Associate Editor Board of *Review of Accounting Studies*.

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T: (852) 3469 2215

E: iems@ust.hk

W: <http://iems.ust.hk>

A: Lo Ka Chung Building, The Hong Kong University
of Science and Technology, Clear Water Bay, Kowloon