

Scott Morrison spruiks Australia's post-Covid jobs recovery. We factcheck him

PM says Covid had a much greater economic impact than the GFC but employment outcomes have been much better post-pandemic. Correct?



Scott Morrison said 'our employment outcomes have been 50% better' post-Covid than after the GFC. Photograph: Bianca de Marchi/AAP

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The Coalition's handling of the economy is central to Scott Morrison's re-election pitch.

In the last week Morrison has bolstered the government's credentials with an impressive-sounding claim.

"This global pandemic was 30 times worse economically than the global financial crisis of just over a decade ago," he said in Kemps Creek on Wednesday. "But our employment outcomes have been 50% better."

What is the basis of the claim?

The basis of the comparison about the size of the downturns is that, according to International Monetary Fund figures, world gross domestic product fell by 0.1% in 2009 and 3.1% in 2020.

“A little misleading, but not entirely wrong”
Saul Eslake

The basis of the employment claim is that for the 70 months of the 2007-13 Labor government, jobs increased by 916,000. Some 500,000 more jobs were created in the final 70 months of the **Coalition** government.

What do the experts say?

Independent economist Saul Eslake told Guardian Australia the claim was “a little misleading, but not entirely wrong”.

The government has used figures adjusted for purchasing power parity, which Eslake said attempts to correct for the value of services being “underpriced” in developing economies.

But at market exchange rates, without making adjustments for reported value, Eslake said global GDP fell by 2% in 2009 and 3.5% in 2020. Suddenly the downturn that is “30 times bigger” is less than twice as big.

Stephen Koukoulas, the managing director of Market Economics and a former economic adviser to Julia Gillard, said the claim is “absurd”.

“It’s using a very, very small numerator to work out a big change,” he said.

But Eslake said there is “some basis for Morrison’s claim”.

“And the reason is the global financial crisis was really a north Atlantic financial crisis, of North America and western Europe.”

Eslake said other countries, including Australia, “avoided the most severe consequences”.

“[The Covid downturn] was truly global, it had an impact on large developing countries China, India, Brazil and Indonesia that were relatively unaffected by GFC.”

Are there other ways to measure it?

Eslake said that advanced economies’ GDP fell by 3.3% in 2009, compared with 4.5% in 2020.

“From that point of view, the Covid recession was half as big again for advanced economies, of which we are one,” he said.

Looking just at Australia, the biggest contraction in the GFC was the December 2008 quarter (-0.5%) compared with the first half of 2020 (-7%). “So you could say perhaps for Australia it was 14 times,” Eslake said.

Are there other differences?

Eslake said the Covid recession was the “the direct result of government policies to shut economies down, for which there was almost no precedent”.

“In contrast most other recessions are caused by interest rates being too high for too long ... or a financial crisis, or both,” he said.

“Partly because it was caused deliberately by governments, [they] felt a moral responsibility to ameliorate the consequences of that recession to a much greater extent than they have in the past. The amount of fiscal stimulus was enormous.”

G20 countries injected fiscal stimulus worth more than 5% of GDP in 2020, compared with 2.4% in 2009.

“The fiscal policy response of advanced economy members of G20 was more than double what was done in GFC and that was true in Australia,” Eslake said.

On employment, Eslake noted there is “all sorts of scope for cutting it in the way you want”.

“Employment didn’t fall very much during GFC so the recovery, almost by definition, wouldn’t be that strong.”

The verdict

Morrison’s claim is good as far as it goes, but how far is that? Not very.

Yes, the Covid recession was larger than the global financial crisis. By most measures, it was not “30 times” as large, although the measure he has used is technically accurate.

The two downturns differ in that governments could fix most of the economic harm caused by Covid by lifting restrictions once the virus had been eliminated in a state or after the population was vaccinated.

Labor supported the Coalition’s Covid economic support measures, while **the Coalition voted against the second stimulus package** in February 2009.