# Labor Market, Financial Crises and Inflation: Jobless and Wageless Recoveries

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This paper uses a sample of 116 recession episodes in developed and emerging market economies to compare the labor-market recovery during financial crises with that of other recession episodes. It documents two new stylized facts. First, labor-market recovery from financial crises is characterized by either higher unemployment ("jobless recovery") or a lower real wage ("wageless recovery"). Second, inflation determines the type of recovery: low inflation (below 30 percent annual rate) is associated with jobless recovery, while high inflation is associated with wageless recovery. The paper shows that this pattern of labor recovery from financial crises is consistent with a simple model in which collateral requirements are higher (lower) when a larger share of labor costs (physical capital expenditure) is involved in a loan contract.

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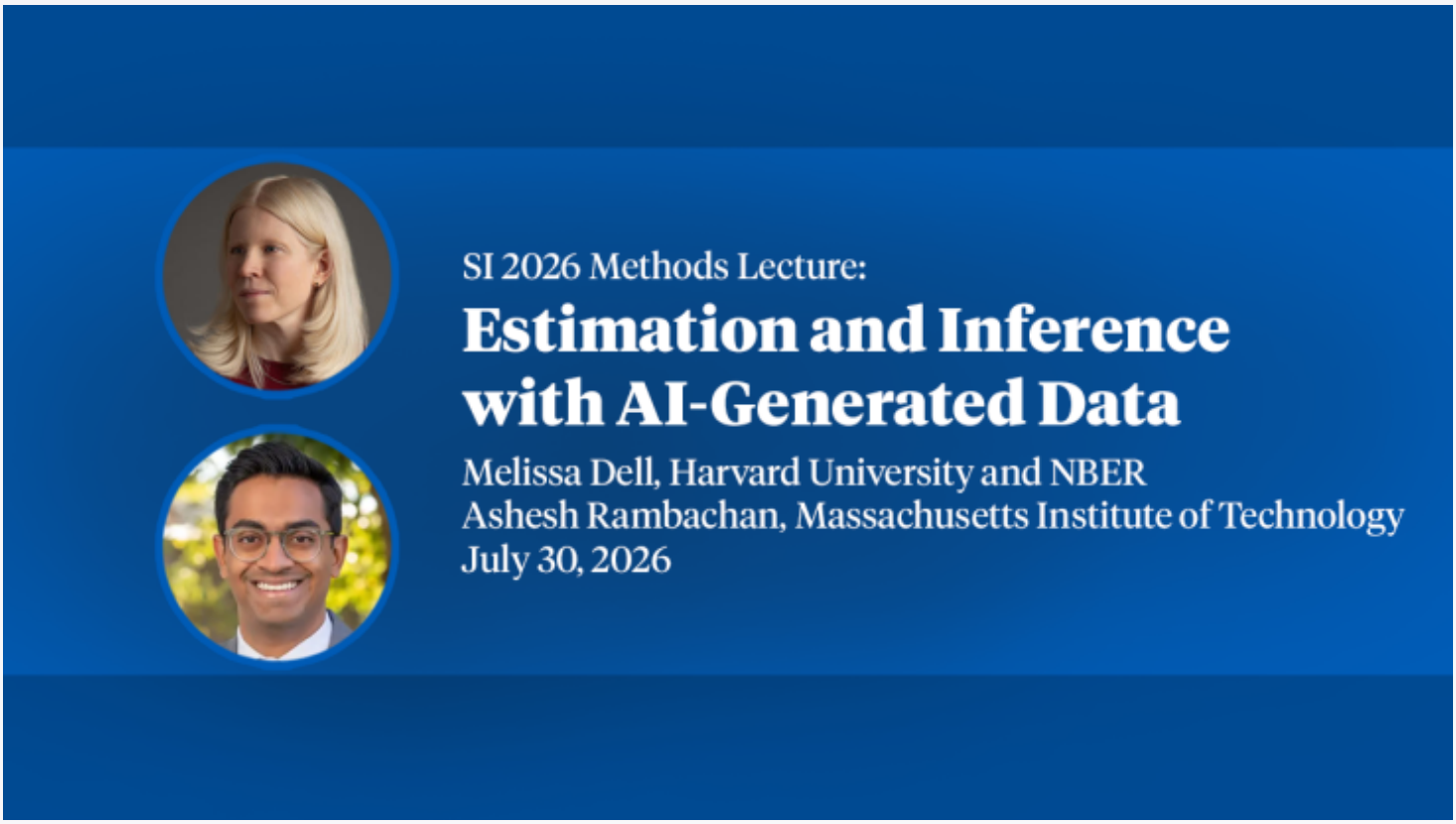



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