

A Tug-of-War? :

Current Policy Issues Surrounding Youth Employment in South Korea

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I. Is 34 Too Old to be 'Youth'?

■ Statutory Age Range of “Youth”

- **15 to 34**: Special Act on the Promotion of Youth Employment(PYE Act; 青年雇用促進特別法)
- **19 to 34**: Framework Act on Youth(青年基本法)

■ Background for Upper Age 34:

1. 99.7% High School Enrollment (in 2025), 69.69% Tertiary Education Attainment (as of 2023)
2. Mandatory Military Service(for male; typically 18-21 months)
3. Steady Rise in the Age of First-time Employment (23.36 for the 1990–1994 birth cohort)
4. Decline of Youth Population Share (28.3% in 2000 → 20.2% in 2024 → estimated 10.8% in 2050)

II . Legal and Policy Approach to Youth Employment

- **1. The State's Duty to Promote Youth Employment : PYE Act (2004)**
 - **Duty of State and Local Governments :** Implementing comprehensive measures ranging from labor market analysis to customized vocational guidance and skills training programs
 - **Mandatory Youth Hiring Quota for Public Institutions**
 - A mandatory 3% annual youth recruitment quota for the total regular workforce (since 2013)
 - Institutional pressure and penalties through budget reductions and performance evaluations drove 84.6% compliance, hiring 25,000 youth in 2025.

II . Legal and Policy Approach to Youth Employment

■ 2. Support for Transition and Vocational Training

• Institutionalized Field Placement & Reforms

- Specialized high schools and Universities operate ‘field placement systems’ to provide practical industrial experience to their students.
- To prevent "cheap labor" exploitation, reforms now mandate formal training agreements, supervision to control the quality of training, and stipends from the government.
- Moreover, these students can receive statutory protection under the Industrial Accident Compensation Insurance Act (since 2007), the Occupational Safety and Health Act(since 2020), and protection against Workplace Harassment (since 2023), regardless of their legal status as students.

II . Legal and Policy Approach to Youth Employment

■ 2. Support for Transition and Vocational Training

• **Future-Tomorrow Work Experience Program : Support for Internship**

- Meeting the shift toward experience-based hiring, this program provides government-subsidized private sector work experience for both youth and host organizations

• **Work-Study Combination system : Support for On-the-Job Training**

- Integrating field and theoretical training to provide National Vocational Qualifications, supported by government subsidies for both participants and employers
- The statutory minimum wage applies to all apprentices, with a 10% reduction permitted only during the first three months of contracts lasting at least one year, excluding simple manual labor and short-term positions

II . Legal and Policy Approach to Youth Employment

■ 3. Vocational Guidance and Livelihood Support for Youth

- **Act on the Encouragement of Employment of Job Seekers and the Support of Their Livelihood Stability (2020)**
 - A specialized safety net for first-time job seekers (primarily youth), providing job search allowances and tailored support to those ineligible for traditional unemployment benefits.
 - **Tailored Support:** Provides professional counseling and vocational training based on a collaborative Individual Action Plan (IAP).
 - **Financial Incentives:** Includes a monthly Job Search Promotion Allowance (3.6M KRW total) and a 1.5M KRW bonus for sustained employment.
- **University Job Plus Center program - Targeted Assistance to University Students**

II . Legal and Policy Approach to Youth Employment

- **4. Job Creation and Employment Support for Youth**
 - **Youth Job Leap Grant : Employment Subsidies to SMEs**
 - Incentivizes both hiring and long-term retention by providing up to 7.2 million KRW to SMEs and 4.8 million KRW to youth employees.
 - **Performance Compensation Fund for Youth Employees and Core Personnel of SMEs**
 - 3-to-5-year matching fund model - employer's contribution is matched by employee's monthly savings - to encourages asset formation
 - The government offers tax deductions for employer contributions.
 - **Tax and Social Insurance Support for Young Employees at SMEs**

III. Ongoing Debate on Youth Employment

■ 1. Current Situation of Youth Employment in South Korea

- Government allocated **2.6 trillion KRW (\$1.78B) in 2026** to youth employment initiatives.
- Despite record-level budgetary investment, youth employment conditions continue to deteriorate.
 - **Youth(aged 15-29) Unemployment Rate : 6.8%**(as of Jan 2026) / Extended Unemployment Rate : 16.6%
 - **Employment Rate in 15-29 : 43.6%** (21-month continuous decline)
 - But **80.4% in aged 30-34** - This gap shows the prevailing a shift toward experience-oriented recruitment, which has led to a continuous decline in the hiring of entry-level employees without prior experience.
 - **Average period to secure a first job after graduation reaches 11.3 months.**

III. Ongoing Debate on Youth Employment

■ 1. Current Situation of Youth Employment in South Korea

- **Besides, the quality of Youth Employment is also getting worse...**

- Non-regular employees among those in their 20s and 30s reaching **32%**(as of Aug 2025).

- Gap in regular employment rates between these 15 - 29 and 30 - 34 group has more than doubled from 8.8% in 2010 to **19.1%** in 2023

- **Average length at first job is just 1 year and 6.4 months**

- **Initial monthly wages for first-time jobs** were distributed as: 2M–3M KRW (39.7%), **1.5M–2M KRW (28.3%), and 1M–1.5M KRW (11.1%)** *Monthly minimum wage: 2,156,880 KRW (in 2026, based on a 40-hour week)

- Reasons for leaving the first job : Dissatisfaction with compensation and working conditions (46.4%) / Expiration of employment contract (15.5%)

III. Ongoing Debate on Youth Employment

■ 1. Current Situation of Youth Employment in South Korea

• Deep-seated Qualitative Mismatch and Dual Labor Market and in South Korea

- **Hourly Wage Index** between Large Enterprise(↑ 300 employees)/SMEs, Regular/Non-Regular
100(LE Reg; 39,400 KRW) : **62.3**(LE N-Reg) : **57.7**(SME Reg) : **41.5**(SME N-Reg)

- But **Job Distribution** in the Korean Labor Market is …

11.2%(LE Reg) : **2.8%**(LE N-Reg) : **50.6%**(SME Reg) : **35.4%**(SME N-Reg)

• Surge in Economically Inactive Population(“Just Resting”;쉬었음)

- **469,000(5.9% of 15-29), 760,000(in their 20s and 30s) - All-time High**(as of Aug 2025)

- 31.0% of these inactive individuals cited the difficulty of finding jobs that meet their desired conditions as the primary reason for their withdrawal, while 9.3% reported an absolute lack of available positions.

III. Ongoing Debate on Youth Employment

■ 2. Inter-generational Conflict for a Limited Decent Jobs

• Legislative Response to the “Tug-of-War”

- **2013 Reform:** The Elderly Employment Act was amended to mandate a minimum statutory retirement age of 60 or older. But concerns emerged that extending the tenure of older workers could reduce new hiring for the youth.
- **Compensatory Measure :** Mandatory Youth Hiring Quota for Public Institutions and best-effort duty clause to employers and employee representatives to restructure seniority-based wage systems.
- **Constitutional Concerns :** On August 28, 2014 (2013Hun-ma33), five out of the nine Constitutional Court justices found that the youth quota was unconstitutional, but short of the six-vote quorum for a declaration of unconstitutionality, the law’s validity was maintained.

III. Ongoing Debate on Youth Employment

- **2. Inter-generational Conflict for a Limited Decent Jobs**
 - **Research on the Impact of the Mandatory Retirement Age Extension in 2013**
 - The result varies, but a study indicated that in private enterprises (notably firms with 100+ employee), statutory retirement age extension is linked to a decrease in youth employment.
 - **Current Social Dialogue for Statutory Retirement Age Extension (to 65)**
 - In 2025, labor unions have intensified their demands to extend the statutory retirement age to 65, but legislative discussions have reached a standstill due to fierce resistance from the younger generation amidst the worsening youth employment trend.

III. Ongoing Debate on Youth Employment

- **3. Rapid AI Adoption and Youth Job Cuts**

- **Fastest AI Adoption in the World**

- Early enactment of the AI Basic Act(effective from Jan 2026) and the exceptionally rapid integration of generative AI across all industrial sectors

- **Frictions in Youth Labor Market due to AI**

- A recent report highlights a concerning correlation between AI diffusion and a contraction in youth employment, primarily driven by what is termed "seniority-biased technical change."
- This suggests that while AI significantly enhances the productivity of high-skilled, experienced workers, its rapid adoption is simultaneously diminishing the demand for entry-level roles typically held by the younger generation.

IV. Conclusion

- Despite robust efforts to support Youth Employment, current situation of youth and South Korea's record-low birth rate(0.80 in 2025) is a clear warning that a ‘Squid Game’ labor market is unsustainable.
- The fundamental solution to youth employment lies in narrowing labor market disparities to achieve ‘**Decent Work for All**’.
- To achieve dismantling of Dual Labor Market, several critical legislative and policy initiatives are currently under review. Such as:
 - Shifting from seniority-biased pay structures to job-based pay for intergenerational fairness
 - Revitalizing sectoral bargaining to establish standardized labor conditions across industries regardless firm size or employment status
 - Promoting job sharing through a strategic reduction in working hours; etc.



THANK YOU

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