A Tug-of-War? Current Policy Issues Surrounding Youth Employment in South Korea

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I. Defining “youth” within the South Korean legal framework

In the Korean legal system, the definition and age range of “youth” (青年) vary depending on the legislative purpose. Under the Special Act on the Promotion of Youth Employment (PYE Act) and its presidential decree, the term “youth” means a person who desires to be employed and is between 15 and 34 years of age.

The floor age, 15, aligns with the minimum age for employment set by the Labor Standards Act (LSA) and ILO conventions. Under the Constitution and LSA, minor employees (aged 15 to 18) are entitled to special protection, particularly regarding maximum working hours and hazardous conditions.

But the age range up to 34 is considerably broader than the generally accepted notion in the international community (under 24 or 29). The inclusion of individuals in their early 30s as “youth” reflects the structural characteristics of the Korean labor market. South Korea maintains an almost 100% high school enrollment rate (99.7% in 2025) and, as noted in recent OECD indicators, has the highest tertiary education attainment rate among OECD countries (69.69% among those aged 25 to 34 years, as of 2023). According to a recent survey (Ministry of Data and Statistics 2025), the average duration for university graduates (including those from two-year colleges) to complete their degrees is 4 years and 4 months.[1]

As a result, the average age for completing formal education is notably high, which has directly contributed to a steady rise in the age of first-time employment. A comparative analysis of birth cohorts in 2024 reveals this trend clearly; while the average entry age into the labor market was 22.12 for those born between 1975 and 1979, it significantly rose to 23.36 for the 1990–1994 birth cohort. This delay creates a domino effect, pushing back the ages of marriage and childbirth, which exacerbates population decline.

Due to the prolonged decline in fertility rates since the 1980s, South Korea’s youth population has experienced a steady and significant contraction. Specifically, the population aged 19 to 34[2] has dropped from 12.88 million in 2000 to 10.40 million in 2024. In terms of the total population share, this represents a sharp decline from 28.3% to 20.2% over the past two decades, and it is projected to fall to 10.8% in 2050.

1. There is a notable gender gap, with men taking 5 years and 1 month, largely due to mandatory military service (typically 18–21 months) compared to 3 years and 10 months for women.
2. The Framework Act on Youth defines youth as those aged 19–34.

II. Legal and policy approach to youth employment

1. The state's duty to promote youth employment: PYE Act

Youth unemployment emerged as a distinct socioeconomic challenge in South Korea in the early 2000s, and as a response to structural youth unemployment, the government enacted the Special Act on Resolving Youth Unemployment in 2004. In 2009, the name of the law was officially changed to its current title, the PYE Act.

Under the PYE Act, state and local governments shall establish and implement measures including forecasts for the supply and demand of human resources, fact-finding surveys on unemployed youth, vocational guidance, job placement services, and vocational skills development training, and shall endeavor to create social and economic environments to promote the employment of unemployed youth.

While most provisions of the PYE Act are framed as "best-effort" obligations or supportive measures by the government, there are specific clauses that impose binding legal mandates, such as the mandatory youth hiring quota for public institutions. Under Article 5, Government-funded Public Institutions, conceptually similar to Japan's Independent Administrative Institutions（独立行政法人）, are required to hire unemployed youth at a rate of at least 3% of their total regular workforce each year. This mandate reflects the high level of preference among the youth for public institutions, which is driven by higher wage levels and exceptional job security.

To ensure compliance, the government directly incorporates failure to meet the mandatory quota into the annual management performance evaluation of public institutions. This results in significant administrative and financial disadvantages to the institutions, such as budget reductions by the government and cuts in performance-based bonuses for employees. As of 2025, the compliance rate among target institutions reached 84.6% (391 institutions), resulting in the recruitment of approximately 25,000 young individuals under this mandatory quota system.

2. Vocational training and support for transition

The National Lifelong Vocational Skills Development Act establishes a legal framework requiring the State and local governments to implement policy measures that support the vocational growth of citizens, including youth, throughout their lives. To enhance employment stability and job creation, the government is authorized to provide financial subsidies to both training providers and participants. This includes the issuance of vocational skills development accounts by the Minister of Employment and Labor to facilitate autonomous training. The Act also empowers the government to provide subsidies and loans for vocational projects conducted by business owners' associations and employee organizations. Furthermore, it serves as the statutory basis for the State, local governments, or educational foundations to establish and operate "Korea Polytechnics," which are colleges dedicated to training essential industrial personnel and supporting continuous skill development.

To support the transition from education to occupation, an official "field placement" system is in operation, enabling students from specialized high schools, colleges, and universities to acquire practical experience within industrial settings.[3]

Specialized high schools implement vocational curricula specifically designed to cultivate professional

3. Its legal foundation is the Vocational Education and Training Promotion Act and Industrial Education Enhancement and Industry-Academia-Research Cooperation Promotion Act.

talent. Currently, approximately 18% of all high school entrants enroll in these specialized high schools. Furthermore, for third-year students at these schools, the government operates an employment-oriented field placement program, which serves as a direct bridge to formal recruitment and long-term career placement. Universities also implement a "Field Placement Semester System," through which students can earn academic credits for their practical training in industrial settings.

However, there have been persistent criticisms that the field placement system was being exploited merely as a source of cheap labor—avoiding minimum labor standards—and was failing to fulfill its original educational objectives.

In response to these concerns, significant institutional reforms have been implemented to strengthen student protections and ensure the quality of training. For high school students, it is now mandatory to execute a formal field placement agreement with the company in advance. If the host company violates the terms of the agreement or operates the program in a manner inconsistent with its original educational objectives, the agreement may be terminated and the company may be fined by the government. To ensure a stable training environment, the government provides financial support to high school students in the form of a field placement grant, amounting to 60,000 KRW per day (up to a maximum of 3.6 million KRW).

In the case of university students, the "Field Placement Semester System" requires that job-related educational sessions account for at least 10% of the total training hours. For the remaining hours spent on practical tasks, the host company must pay students a field placement stipend equivalent to (at least) the minimum wage.

Furthermore, to guarantee the safety of these students, special application provisions have been established under the Industrial Accident Compensation Insurance Act (Article 123, since 2007) and the Occupational Safety and Health Act (Article 166-2, since 2020); since 2023, protection against workplace harassment and violence has also been extended to these students. These measures ensure they receive statutory protection despite their legal status as students.

And the Future-Tomorrow Work Experience Program is a flagship government-led initiative designed to bridge the gap between academic education and the labor market by providing youth with diverse, field-based career opportunities. As the Korean recruitment landscape shifts toward experience-based hiring, this program facilitates various tracks, ranging from short-term corporate exploration to multi-month internships, hosted by private companies and public institutions. To incentivize participation and ensure stability, the government provides direct financial support in the form of training stipends (400,000 KRW per week) to the participants, while also covering administrative and mentoring costs for the host organizations.

For On-the-Job Training Support, the Work-Study Combination system, which provides apprenticeship-style field training for employees, is implemented pursuant to the Act on Work-Study Combination at Industrial Sites.

Under this framework, apprentice-employees undergo a comprehensive training process that integrates both field-based practical education and theoretical instruction. Upon the successful completion of these training modules, participants are eligible to acquire National Vocational Qualifications. To facilitate the stable operation of this system, the government provides financial support to both participants and companies, covering the direct costs of training and providing training incentive allowances (200,000 KRW per month) to encourage long-term participation and professional development.

Regarding working conditions, the statutory minimum wage (10,320 KRW/hour for 2026) is mandatory for all employees, including those on apprenticeship; however, a 10% reduction is permitted for the initial three months, provided the employment contract is for a duration of at least one year. But this reduction is strictly prohibited for short-term workers on contracts for less than one year or for those engaged in "simple

manual labor" requiring no specialized training.

3. Vocational guidance and livelihood support for youth

The Korean unemployment safety net has traditionally been centered on the Employment Insurance system. However, eligibility for unemployment benefits (Job Seeker's Allowance) requires a contribution period of at least 180 days within the 18 months preceding unemployment. This structural requirement inevitably excluded first-time job seekers—particularly the youth generation—who lacked sufficient prior work experience to qualify for benefits.

To bridge this gap in the social safety net, the Act on the Encouragement of Employment of Job Seekers and the Support of Their Livelihood Stability was enacted in 2020.

Under this Act, the Minister of Employment and Labor oversees the formulation of an Individual Action Plan (IAP) in collaboration with each recipient. Based on the IAP, the government provides a comprehensive suite of Employment Support Programs, including professional career counseling and vocational training. Furthermore, Job Search Support Programs, such as active job referrals and matching services, are provided to facilitate rapid entry into the labor market.

To ensure the effectiveness of these programs and alleviate the financial burden on job seekers, the Act mandates the payment of a Job Search Promotion Allowance. This allowance, amounting to 600,000 KRW per month for up to six months (totaling 3.6 million KRW), is contingent upon the recipient's faithful implementation of the agreed-upon IAP. In addition to this primary allowance, the framework includes support for employment activity expenses and a specialized Employment Success Bonus of 1.5 million KRW (the first third is paid at six months, and the remaining two-thirds at 12 months of continuous employment).

Furthermore, to provide targeted assistance to university students and recent graduates, the government operates the University Job Plus Center program in close collaboration with universities nationwide. As of 2025, 121 centers are in operation across South Korea, providing comprehensive career counseling, job matching, and industry-specific training programs tailored to both enrolled students and local youth in the community.

4. Job creation and employment support measures

The labor market for Korean youth is characterized by a significant structural mismatch (OECD 2019). Because many job seekers are highly educated, competition for the scarce supply of high-tier jobs is intense. However, SMEs, which possess a substantial demand for labor, suffer from chronic recruitment difficulties. This imbalance highlights the urgent necessity for targeted SME employment support programs.[4]

A primary instrument under this Act is the employment subsidies (Youth Job Leap Grant) to SMEs. Under this program, the government provides an employment incentive of up to 7.2 million KRW to SMEs that hire youth unemployed for over four months as full-time employees. Simultaneously, to encourage long-term career stability, youth who maintain employment for at least 18 months are eligible for direct support of up to 4.8 million KRW. Starting in 2026, the government has introduced additional support for regional preference, which aims to curb the over-concentration of the youth workforce in the metropolitan area (Government of the Republic of Korea 2026).

And to encourage long-term retention and asset formation among young employees, the government operates the Performance Compensation Fund for Youth Workers and Core Personnel of SMEs. These

4. The legal foundation for addressing the labor mismatch is the Special Act on Support for Human Resources of Small and Medium Enterprises enacted in 2003.

initiatives function as a matching fund model, where a specified portion of an employee's monthly savings is matched by an employer's contribution over a maturity period of three or five years. To encourage corporate participation, the government allows employers to treat their contributions as fully deductible business expenses and provides additional tax credits.

And to bridge the disposable income gap, young employees at SMEs are entitled to a 90% reduction in individual income tax for a period of five years. Furthermore, the "Durunuri" Social Insurance Support project targets micro-enterprises with fewer than 10 employees to lower the barriers to the formal social safety net. For new subscribers earning an average monthly wage of less than 2.7 million KRW, the government subsidizes 80% of both Employment Insurance and National Pension premiums for up to 36 months.

III. A tug-of-war? Ongoing debate on youth employment

1. Current situation of youth employment

In the 2026 government budget, the allocation for youth employment support has been set at 2.6064 trillion KRW (approximately $1.78 billion USD). This represents an increase of over 150 billion KRW compared to the previous fiscal year, reflecting the government's prioritized commitment to alleviating the structural hurdles faced by young job seekers.

Despite recent extensive policy interventions, as of January 2026, the South Korean youth labor market (ages 15–29) is facing a sustained downturn, with the employment rate falling to 43.6%—marking a continuous 21-month decline—while the unemployment rate has risen to 6.8%, and the extended unemployment rate has reached a staggering 16.6%. But the employment rate for those aged 30–34 has risen steadily to 80.4% by 2024 (76.1% in 2020) (National Statistical Research Institute 2025).

This trend is driven by the prevailing shift toward experience-oriented recruitment, which has led to a continuous decline in the hiring of entry-level employees without prior experience, who now account for a mere 32.4% of all positions held by those in their 30s and younger. Hence, the gap in regular employment rates between these two groups has more than doubled from 8.8% in 2010 to 19.1% in 2023 (Chae and Jang 2025).

On top of that, a particularly concerning development is the surge in the economically inactive population classified as "Just Resting,"[5] which has reached 469,000 (5.9% of the youth population), contributing to an all-time high of 760,000 for the combined 20–30 age group. This trend is primarily driven by a deep-seated qualitative mismatch; according to the latest survey, 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. These findings imply the potential for the NEET status to become a structural fixture unless targeted employment support measures are intensified.

As can be inferred from this, the quality of youth employment has worsened, with the share of non-regular workers among those in their 20s and 30s reaching 32% as of August 2025, driven largely by fixed-term contracts. While the average time to secure a first job after graduation takes 11.3 months, the average length at that job is just 1 year and 6.4 months. This pattern is primarily fueled by dissatisfaction with compensation and working conditions (46.4%) and contract expirations (15.5%), highlighting the increasingly precarious and low-quality nature of the entry-level labor market.

5. In the Economically Active Population Survey, "Just Resting" (쉬었음) refers to individuals within the economically inactive population who responded as such without a specific reason—such as job seeking, vocational training, education, childcare, housework, or illness—for their inactivity during the previous week (Ahn and Kim 2024).

2. Intergenerational dynamics in the Korean labor market

As youth employment continues to deteriorate both quantitatively and qualitatively, competition for a limited number of decent jobs is increasingly manifesting as intergenerational conflict. A prime example of this is the debate over the impact of the statutory retirement age extension on youth employment. Following the 2013 amendment to the Elderly Employment Act, a mandatory 60-year-old retirement age was introduced (requiring that if a retirement age is set, it must be at least 60). During the legislative process, significant concerns were raised that this extension could inhibit youth employment by reducing new recruitment opportunities.

In response, the legislature introduced a temporary, mandatory youth employment quota for public institutions for an initial three-year period. Shortly thereafter, a constitutional complaint was filed. On August 28, 2014 (2013Hun-Ma553), five out of the nine Constitutional Court justices found that the youth quota was unconstitutional, arguing that it restricted employment opportunities for other age groups, thereby infringing upon the constitutional freedom of occupational choice and violating the principle of equality. However, as the opinion fell short of the six-vote quorum required for a declaration of unconstitutionality, the law's validity was maintained. Since then, however, the sunset clause has been extended four times and remains in effect until December 31, 2026.

Research on the impact of the 2013 mandatory retirement age extension has yielded varied results. While some studies found no significant correlation (Jung and Kang 2022), one study (Han 2020) indicated that in private enterprises, for every one person expected to benefit from the retirement extension, senior employment (ages 55–60) increased by 0.6 persons, while youth employment (ages 15–29) decreased by 0.2 persons. This effect was notably more pronounced in workplaces with 100 or more employees. This is attributed to the fact that most small- and medium-sized enterprises (SMEs), struggling with chronic labor shortages, do not set a formal retirement age. Conversely, in public institutions, both senior and youth employment increased simultaneously, thanks to the synergistic effects of the youth quota and wage structure reforms, such as the Wage Peak System.[6]

Recently, labor unions have intensified their demands to extend the statutory retirement age to 65 to bridge the "income crevasse"—the gap between retirement and the commencement of pension benefits. While the government initially signaled its acceptance, legislative discussions have reached a standstill due to fierce resistance from the younger generation amidst the worsening youth employment trend. This resistance is further fueled by the dissatisfaction accumulated during the 2025 Pension Reform, which required youth to "pay more and receive less," deepening the sense of intergenerational unfairness.

3. Rapid AI adoption and the contraction of youth employment

South Korea has positioned itself as a global frontrunner in the AI landscape, as evidenced by the early enactment of the AI Basic Act and the exceptionally rapid integration of generative AI across all industrial sectors.

However, this technological acceleration is creating unexpected friction in the youth labor market. A recent report (Han and Oh 2025) 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

6. The Wage Peak System is a compensation scheme that gradually cuts salaries for senior workers several years before retirement under a seniority-based wage system.

is simultaneously diminishing the demand for entry-level roles typically held by the younger generation.

IV. Beyond the "Squid Game," toward decent work for all

South Korea's record-low birth rate is a clear warning that a "Squid Game" labor market is unsustainable. We must move beyond youth employment support toward the structural realization of "decent work for all." This requires a fundamental dismantling of labor market dualism—bridging the gaps in firm size, employment status, and gender—to transform a zero-sum struggle into a sustainable ecosystem for the future.

To achieve this, several critical legislative and policy initiatives are currently under review: narrowing the wage gap and shifting from seniority-biased pay structures to job-based pay for intergenerational fairness; revitalizing sectoral bargaining to establish standardized labor conditions across industries; and promoting job sharing through a strategic reduction in working hours; etc.

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