The Demographic Paradox and Strategic Policy Axes for Youth Employment

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I. Introduction

1. Discovering the paradox

We have been exploring the critical issue of youth employment across nine diverse nations in the Asia-Pacific region. Inspired by the rich reports and discussions we have shared so far, I would like to offer a cross-cutting analysis of the challenges and policies across these nine countries.

Generally, we divide these countries into two demographic categories. The first includes those experiencing a "demographic dividend" with a booming youth population, represented by the orange areas on this map:

Note: While some argue that Thailand's demographic dividend has already come to an end, it is marked in orange for the purpose of this analysis.

Figure 1. Two demographic categories of the 9 Asia-Pacific nations

Thailand, the Philippines, Malaysia, and Indonesia. The second category comprises those facing aging and shrinking populations, indicated by the blue areas on the map: East Asian countries and Australia.

Traditional economic logic suggests that in aging countries where young workers are scarce, the youth unemployment rate should be quite low, and job quality should skyrocket. Conversely, in youth-heavy countries, we expect high unemployment simply because the market cannot absorb the sheer volume of new entrants.

However, a paradoxical reality has emerged: despite their opposite demographic landscapes, countries with a surplus of youth and those with a severe shortage share the same crisis. Across the board, we see a universal rise in youth unemployment, underemployment, and precarious work.

What is causing this paradox? There are likely three underlying causes. I attempted to identify these fundamental causes and establish five key policy axes as a framework for solving these problems.

2. The paradox in aging and shrinking populations

Let's start with the countries experiencing rapid demographic decline—nations where young workers are supposed to be a highly valuable, scarce resource.

In South Korea, despite a shrinking youth population, the youth unemployment rate has reached a staggering 16.6%, with one-third of young workers trapped in temporary contracts. Similarly, in Taiwan, the youth labor force has declined for four straight years, yet their unemployment rate remains more than double the national average. In Japan, while the labor shortage has lowered the absolute unemployment rate to 4.2%, the quality of jobs remains a massive issue. Over 22% of young workers are in non-regular employment, and nearly half of new graduates quit within three years due to poor working conditions. Finally, Australia is also facing an aging population, but youth unemployment sits persistently high at 9.6%, far exceeding the national average.

Across these diverse nations, we see a deeply concerning paradox: even where young people are scarce and highly educated, they continue to struggle with job instability and poor working conditions.

3. The struggle in demographic dividend nations

Let's look at the other side of the spectrum: countries currently enjoying a demographic bonus.

In Indonesia, which is in its prime demographic phase, youth unemployment stands at double the national average. Even more alarmingly, a majority of young workers are trapped in informal jobs with absolutely no social protection. The Philippines faces a similar challenge. Despite a massive youth population of over 30 million, an estimated 3.2 million young people are classified as NEET (Not in Education, Employment, or Training). Malaysia tells a similar story. While labor participation is high, unemployment for those under 24 is 10.1%, and we are seeing a massive surge in young people forced into informal gig work, such as food delivery.

In all three countries, the "demographic dividend" is being undermined by a lack of stable, high-quality employment.

II. Three root causes

Cause 1: The education-job mismatch

The first common factor is structural: a severe mismatch between what the education system produces and what the labor market actually demands. We are seeing massive "credential inflation."

In Taiwan, an incredible 81.8% of individuals in their late 20s hold academic degrees. However, their

primary reason for remaining unemployed or rejecting job offers is that the compensation and job roles do not match their high educational expectations. We see the exact same phenomenon in Thailand. Over 52% of all unemployed individuals hold a college degree, because the highest labor demand in Thailand is actually for unskilled laborers and vocational technicians, not university graduates. In South Korea, maintaining the highest tertiary education attainment rate in the OECD (nearly 70%) has resulted in hyper-competition for a shrinking pool of top-tier corporate jobs, while Small and Medium Enterprises (SMEs) suffer from chronic labor shortages.

Young people are simply over-educated for the jobs that are actually available.

Cause 2: Digitalization and the gig economy trap

The second shared factor is the rapid rise of the gig economy. Across the board, the nature of entry-level work has changed.

In countries like Malaysia, youths are increasingly relying on platform-mediated gig work, which offers immediate income but no upward mobility, leading to severe "skill-related underemployment." In China, flexible employment has become a vital reservoir for young job seekers, but a survey showed that 43.5% of young platform workers lacked basic labor contracts, and less than half had social insurance.

Whether in an aging society or a youth-heavy country, the gig economy is replacing traditional entry-level jobs. It provides a temporary stopgap for youth unemployment, but it traps young workers in a cycle of precarious, non-standard employment, preventing long-term career development.

Cause 3: Employer risk aversion and the "experience" barrier

The third and final common factor is the behavior of employers. Across all these nations, with the notable exception of Japan, companies are increasingly unwilling to invest in training inexperienced youth.

In South Korea, the recruitment landscape is shifting heavily toward "experience-based hiring." Entry-level positions for fresh graduates have been disappearing, now accounting for only one-third of the positions held by young people. In Thailand, employers demonstrate a systematic preference for experienced workers even for low-skilled positions, completely locking out recent graduates. In Taiwan, this might be exacerbated by strict labor laws. Because dismissal protections are so rigid, employers view hiring an inexperienced young worker as a massive financial risk.

As a result, employers across the Asia-Pacific are demanding experience for entry-level jobs—creating a paradox where youth cannot get a job without experience, but cannot get experience without a job.

III. A five-axis analysis of 9 Asia-Pacific nations

While youth employment challenges are universal, the legal and policy countermeasures deployed by these governments vary significantly. To better understand these approaches, I have categorized the policy landscape into five distinct "axes." I try to unpack each axis and examine specific examples from these nine countries.

Axis 1: Adjusting working conditions to lower hiring barriers

Let's begin with the first axis: legally adjusting labor conditions to make inexperienced youth easier and cheaper to hire. This approach lowers the risk for employers.

A classic example is Australia, which maintains a system of "Junior Wage Rates." Employers can legally pay workers under the age of 21 a sub-minimum wage, historically justified as a necessary incentive for

businesses to hire and train young people. However, this is highly debated, and unions are currently arguing that it is age-discriminatory and should be abolished. In Thailand, the government identified that the standard daily minimum wage structure discouraged employers from hiring students for part-time work. To resolve this, they introduced a special hourly minimum wage specifically for students, allowing young people to legally work and earn income while continuing their education.

Axis 2: Employer mandates, incentives, and subsidies

Moving to the second axis, we look at direct market interventions—special programs, quotas, and subsidies designed to incentivize or force employers to hire youth.

South Korea takes a particularly aggressive approach. The government legally mandates that public institutions hire unemployed youth at a rate of at least 3% of their regular workforce annually. If they fail, they face administrative penalties. Additionally, the government provides the "Youth Job Leap Grant" to SMEs as a subsidy for hiring unemployed youth. Malaysia leverages foreign investment through its unique "1:3 Internship Policy." In Japan, the Youth Employment Promotion Act introduced the "Youth Yell Certification" to financially reward SMEs with excellent youth employment practices. Furthermore, the government can refuse job postings from companies known to violate labor laws, protecting young job seekers. The Philippines utilizes the Special Program for Employment of Students, subsidizing wages to encourage private and public employers to hire students during breaks. China also provides social insurance subsidies and tax credits to SMEs that hire unemployed graduates or accept youth trainees.

Axis 3: Vocational education and skill-up support

The third axis focuses on the supply side: bridging the gap between education and the labor market through vocational training and direct financial support for job seekers.

In South Korea, the "Job Search Promotion Allowance" provides youth lacking employment insurance with a certain amount of financial support for up to six months, contingent on their participation in a job search action plan. Malaysia is heavily investing in Technical and Vocational Education and Training (TVET) and the "K-Youth Program," targeting non-degree youths for on-the-job training in strategic sectors. Similarly, Indonesia rapidly scaled its "Pre-Working Card" program during the pandemic, providing training vouchers and incentives to upskill young workers. The Philippines enacted an Act to provide free TVET access to unemployed youth. For vulnerable youth, Japan operates "Saposute" (Regional Youth Support Stations), which provide comprehensive counseling and workplace experience to NEETs and socially withdrawn youth. China tackles its NEET population through a precise "1131 mechanism," guaranteeing each youth one policy briefing, one guidance session, three job leads, and one training opportunity. Meanwhile, Taiwan provides extensive subsidies for youth participating in training related to its strategic "5+2 Innovative Industries," as well as subsidies for self-directed learning.

Axis 4: Expanding protection for precarious and gig work

The fourth axis addresses the modern realities of the labor market: the surge of youth entering the gig economy and informal sectors. Traditional labor laws often fail to protect gig workers.

To fix this, Malaysia passed the landmark "Gig Workers Act 2025." This new law mandates minimum terms of service, social security registration, and a dedicated dispute resolution mechanism for gig workers without forcing them into formal employment structures. China has enacted similar adaptive regulations. Through "Circular No. 56," the government now mandates that digital platform workers who do not meet the criteria for formal labor contracts must still sign written agreements that clarify basic rights, guarantee local

minimum wages, and protect against illegal overtime.

Axis 5: Comprehensive labor market regulatory reforms

Finally, the fifth axis examines holistic labor market reforms. These policies rethink the rules around fixed-term contracts, dismissal regulations, and the transition from non-regular to regular work. In Indonesia, the 2021 employment law introduced stricter caps on consecutive fixed-term contracts to prevent young entry-level workers from being trapped in indefinite temporary arrangements. Japan has been pushing a "Work Style Reform" to prohibit unreasonable disparities between regular and non-regular employees, alongside offering "Career-up Subsidies" to companies that transition part-time or fixed-term youth into regular employment. South Korea is exploring a shift away from seniority-based pay toward job-based pay to resolve intergenerational hiring conflicts and dual labor market issues.

Conversely, in Taiwan, we see the unintended consequences of strict labor laws. Taiwan's rigorous dismissal protections and strict limitations on fixed-term contracts make employers reluctant to take a risk on inexperienced youth. To counter this institutional barrier, the Taiwanese government is heavily subsidizing "hire-then-train" programs for companies that successfully convert non-standard youth workers into regular employees.

IV. Solving the demographic paradox

1. Rejecting a "race to the bottom"

The critical question now is: How do we solve this crisis? Let's start with what not to do. Axis 1 focuses on adjusting or lowering working conditions—such as setting sub-minimum wages for young workers—to make inexperienced youth cheaper and easier to hire. While this was historically used as an incentive, deploying Axis 1 seems counterproductive in addressing today's paradox.

Why? Because the current global youth crisis is not just about a lack of jobs; it is a crisis of job quality. For instance, in Australia, the debate over "Junior Wage Rates" highlights that minimum wages alone cannot solve youth employment, as outcomes are shaped by a complex ecosystem of structural and social factors. While enabling students to engage in simple paid work, as seen in Thailand, is meaningful as a form of livelihood support, creating an environment where students can focus on their studies without having to work should fundamentally be an issue addressed by educational policy.

Pushing young people into lower-paying, precarious roles exacerbates the "working poor" cycle and deepens their dissatisfaction. Even if Axis 1 were to be implemented, it should be restricted to limited, temporary periods, such as during training. Therefore, to solve the modern demographic paradox, we must reject a "race to the bottom" and instead focus on Axes 2, 3, 4, and 5.

2. Tackling the mismatch

The first root cause of the paradox is the structural mismatch between education and the labor market.

The most effective countermeasure here might be Axis 3: Vocational education and skill-up support. Regardless of whether your youth population is shrinking or growing, if they do not possess the specific skills the market demands, they will not be hired. To bridge this gap directly, we must look at policies like Malaysia's aggressive expansion of TVET, alongside the "K-Youth Program," which trains non-degree youths for high-value sectors. Likewise, Indonesia has a program to provide direct training vouchers for continuous upskilling. We have to realign human capital with actual market needs.

While Malaysia and Indonesia are strengthening vocational training as an alternative path to higher

education, even in countries with high university graduation rates, there is a clear need for strategies that enhance employability beyond academic degrees.

3. Protecting the gig generation

The second root cause is the massive shift toward the gig economy. In both aging and youth-heavy nations, traditional entry-level jobs are disappearing, replaced by digital platform work.

This is where Axis 4: Expanding protection for precarious and gig work becomes absolutely essential. Gig work prevents immediate unemployment, but it makes people stuck in low-skill Job without long-term career progression. To fix this, governments must create new, adaptive legal safety nets. Excellent examples include Malaysia's "Gig Workers Act 2025," which mandates social security and dispute resolution mechanisms without forcing workers into rigid formal employment structures. Similarly, China's "Circular No. 56" legally guarantees local minimum wages and written agreements for platform workers who do not meet formal contract criteria. Expanding these protections is an urgent priority to prevent a lost generation of informal workers.

The expansion of digitalization, the use of AI, and the rise of gig work are irreversible trends. While these currently act as a trap for young people, we must find ways to turn them into opportunities for stable job creation instead.

4. Overcoming employer risk aversion

The third root cause is employer behavior. Across the Asia-Pacific, companies are highly risk-averse. They demand "experienced" workers and refuse to train fresh graduates. To break this barrier, we must combine two axes.

First, Axis 5: Comprehensive labor market reforms. We need to safely increase labor market fluidity, so employers aren't paralyzed by strict dismissal rules or rigid limitations on fixed-term contracts.

Second, we must pair this with Axis 2: Employer mandates and subsidies. The government must subsidize the risk of hiring. For example, Taiwan offers subsidies to companies that use "hire-then-train" programs to convert non-standard youth workers into regular employees. South Korea provides the "Youth Job Leap Grant" to hire unemployed youth as full-time workers. By using Axis 2 to absorb the financial risk, we can force the doors of the formal labor market back open for the youth.

V. Conclusion

In conclusion, the demographic paradox proves that a shortage of young people does not automatically guarantee them high-quality jobs. To solve this crisis, we cannot rely on lowering labor conditions. The effective solution requires a synchronized strategy: using Axis 3 to fix the education-skills mismatch, Axis 4 to legally protect the booming gig workforce, and a powerful combination of Axes 5 and 2 to remove employer risk-aversion and subsidize the creation of stable, entry-level jobs. Only through this targeted, multi-axis approach can we build a resilient "flexicurity" model for the next generation.

While summarizing it this way makes it sound simple, translating these axes into concrete policies and making them succeed is an immense challenge. This begs the fundamental question: How do we actually define "success" in youth employment policy? The answer may vary depending on the individual or the society. For me, success is not just about individuals developing their careers through employment; it is about creating a foundation where they can nurture the next generation and enhance the long-term sustainability of our society. In many countries with rising education levels, the declining birth rate might, in fact, be a clear

sign of the failure of youth employment policies.

Ultimately, providing employment to young people is not just about financial support; it is fundamentally about social inclusion. When young people feel excluded or even exploited by society, they lose their sense of belonging and cease to value their communities. Therefore, youth employment policies are not merely economic tools, but crucial safeguards for social stability and security. The younger generation is the future of our society, and the brightness of that future depends entirely on the youth employment policies we discuss in this seminar.

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