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Lifetime Impact of Delayed Labor Market Entry and Housing Cost Burden on the Youth Generation

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Jaeho Lee*

☐ The youth generation, by the nature of being in the entry phase of economic activity, inevitably has a weaker economic base compared to other age groups due to an absolute lack of accumulated assets and experience; however, recently, difficulties in the initial job search process and housing aspects are becoming more aggravated than in the past

☐ First, regarding the employment conditions of the current youth generation, looking only at macro statistics such as the labor force participation rate and unemployment rate, it appears to have generally improved since the early to mid-2010s; however, beneath the surface, significant difficulties such as the prolongation of the job search period in the initial stage of labor market entry are inherent. This is mainly due to the deepening of the dual structure of the labor market caused by the weakening of the corporate growth ladder and employment rigidity, leading youth to postpone job seeking, while companies prefer experienced workers and expand occasional recruitment. In addition to these structural factors, the recent decrease in decent jobs due to the economic slowdown is also having a negative impact on youth employment. While the job search period is prolonged, youth are prone to being buried in wasteful specification competition, and inevitably enter temporary or daily jobs. Furthermore, there is even a concern that they may fall into a "just resting" state and leave the labor market for the long term.

☐ If the job search period for youth in the early stages of career development lengthens, they not only lose opportunities for skill acquisition, leading to a failure in proper human capital accumulation, but they also experience problems of weakened employment stability and reduced income throughout their subsequent lives$_{\text{scarring effect}}$. The analysis results estimated that if the non-employment period is 1 year, the probability of working as a regular employee 5 years later is 66.1%, but if it increases to 3 years, it lowers to 56.2%, and in terms of income, a 1-year increase in past non-employment period reduces current real wages by 6.7%. This phenomenon appeared similarly in the case of Japan's "Employment Ice Age Generation$_{\text{or Lost Generation}}$" who experienced difficulties entering the labor market between the mid-90s and the 2000s.

☐ In terms of housing, the current youth generation also faces a higher housing cost burden compared to the past. As independence increases due to studies and employment, single-person households among the youth have rapidly increased recently, centered in the metropolitan area, and most of them reside in the form of monthly rent. However, unlike the spread of small households due to such household differentiation, the supply of small non-apartment housing, where young people mainly reside, has not increased sufficiently due to profitability deterioration and rising costs after the pandemic. Due to this supply-demand mismatch, monthly rents have risen steeply, and the housing cost burden on the youth has increased significantly. Nevertheless, the proportion of youth using vulnerable living quarters continues to increase$_{5.6\% \text{ in '10} \rightarrow 11.5\% \text{ in '23}}$, and the proportion falling short of the minimum housing standard$_{\text{area of 14 square meters or less}}$ also turned to an upward trend last year$_{6.1\% \text{ in '23} \rightarrow 8.2\% \text{ in '24}}$, indicating that the quality of housing falls far short of that.

☐ The excessive housing cost burden on youth can have negative ripple effects on asset formation, human capital accumulation, and financial soundness throughout their lives. The analysis showed that when housing costs rise by 1%, total assets decrease by 0.04%. Also, when the proportion of housing expenditure rises by 1%p, the proportion of education expenditure fell by 0.18%p, implying that an increase in housing burden can hinder the accumulation of human capital. Furthermore, the housing cost burden was a factor that significantly increased youth debt$_{\text{Youth debt ratio (vs. all ages): 23.5\% in '12} \rightarrow 49.6\% \text{ in '24}}$. Such an increase in debt not only reduces their consumption capacity but is highly likely to constrain future investments related to education or occupation.

☐ In summary, the employment and housing problems of today's youth generation are not just individual problems of the youth but structural problems constraining Korea's growth. Therefore, in terms of employment, mitigating labor market rigidity to improve the dual structure, and in terms of housing, resolving the supply-demand imbalance through the expansion of small housing supply would be the more fundamental solutions. And for the short-term, while expanding work experience support programs to alleviate the problem of youth leaving the labor market, it is also necessary to consider strengthening financial support for minimum housing stability for the youth.

* Senior Economist, Macroeconomic Analysis Team, Research Department, Bank of Korea, Tel.: 02-759-5223, Email: jaeho.lee@bok.or.kr

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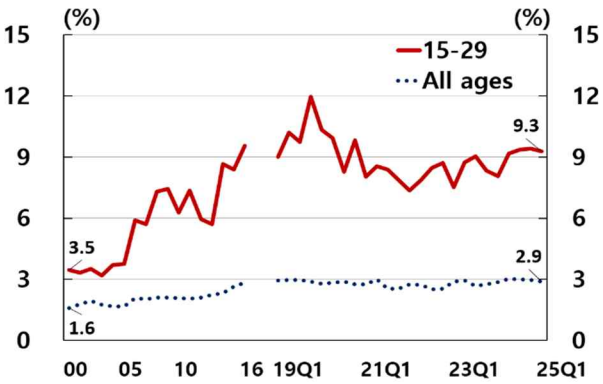
Ⅰ. Necessity and Purpose of the Study

1 The youth generation (aged 15-29) is naturally vulnerable in economic bases such as jobs and assets compared to other age groups due to their characteristics, but recently, difficulties are being aggravated specifically in the employment and housing sectors. This not only negatively affects individual lifetime income, net assets, and human capital, leading to consumption contraction and lower labor productivity, but also has a high possibility of acting as a structural factor weakening the growth foundation in the mid-to-long term from a macroeconomic perspective. First, looking at the employment aspect, it appears that recent youth are experiencing many difficulties in the initial job search process. Representatively, the proportion of those taking more than 1 year for their first employment increased from 24.1% in 2004 to 31.3% in 2025, and the increase has been very steep recently.[1, <Figure 1>] In addition, in the housing aspect, the housing cost burden on youth is very high. Looking at the ratio of housing costs to disposable income, while it has risen very gently for all age groups since 2000, for the youth, it rose rapidly until around 2020 and has maintained a high level since.[<Figure 2>] This implies that housing vulnerability has further increased due to the steep rise in monthly rent prices.

<Figure 1> Proportion of Time Taken for First Employment Exceeding 1 Year

Source: Ministry of Data and Statistics

<Figure 2> Ratio of Real Housing Cost to Disposable Income



Note: 1) Calculated as (Average actual housing expenses / Average disposable income) × 100 for each age group
2) Discontinuity in the time series between 2017 and 2018 resulting from changes in the survey methodology
3) Data frequency: Annual through 2016 and quarterly starting from 2019

Source: Ministry of Data and Statistics

1 Meanwhile, due to employment difficulties, the time taken to university graduation increased from an average of 45 months in 2007 to 52 months in 2025.

2 Based on this awareness of the problem, this paper proceeds with the study in the following order. First, in Chapter II, the economic reality of the youth generation is diagnosed in terms of employment and housing conditions by comparing them with past generations. In Chapter III, I examine how the vulnerable employment and housing situation of the youth impact on their income, net assets, and human capital in the long term, focusing on empirical analysis and overseas case studies. Finally, in Chapter IV, this paper dicusses policy implications to alleviate the economic vulnerability of the youth generation and strengthen the long-term growth foundation.

Ⅱ. Structural Problems in Jobs and Housing Faced by the Current Youth Generation

In this chapter, I check the economic reality of the current youth generation in terms of employment and housing, specifically focusing on the difficulties in the first job search process and the high housing cost burden problem.

A. High Barrier to the First Job

3 Judging by macro statistics such as the employment rate, the employment conditions of the current youth generation have improved aspects compared to the previous generation. The labor force participation rate and employment rate of the youth have continued to rise after the trend reversed around the early 2010s,<Figure 3>, <Figure 4> and the youth unemployment rate also showed a rapid decline after the mid-2010s.[2], <Figure 4>

<Figure 3> Youth Labor Force Participation Rate

Source: Ministry of Data and Statistics

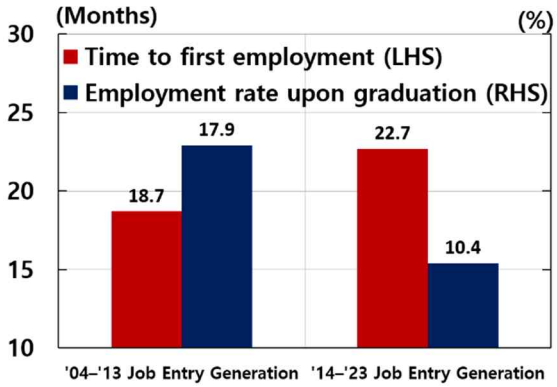
<Figure 4> Youth Employment Rate and Unemployment Rate

Source: Ministry of Data and Statistics

2 However, from 2023 onwards, the labor force participation rate and employment rate are falling, showing the trend of improvement in employment conditions turning or slowing down.

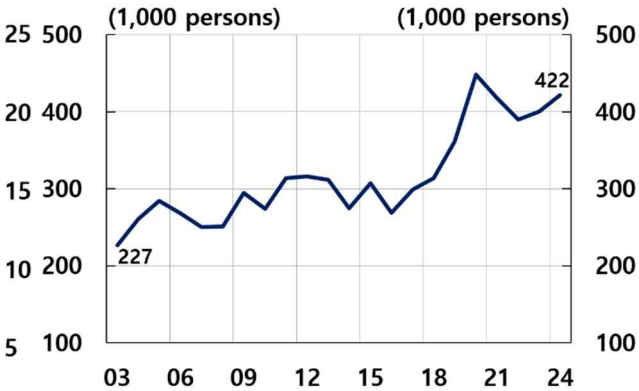
4 However, underneath that, vulnerability still exists; specifically, it appears that the youth are experiencing significant difficulties in the initial stage of entering the labor market. First, as seen in <Figure 1>, the initial job search period is becoming prolonged. According to the analysis of the Youth Panel Survey by Hwang Kwanghoon & Park Gayeol (2025), the 2004-13 employment generation took an average of 18.7 months until their first job, whereas the 2014-23 employment generation increased to 22.7 months, and the rate of employment simultaneously with graduation also dropped from 17.9% to 10.4%.<Figure 5> In this process of prolonged job searching, there are not a few cases of stopping job search activities and transitioning to the 'just resting' population.<Figure 6> Furthermore, even if they get a job, the employment is often unstable, as shown by the continuously increasing proportion of temporary or simple labor positions for the first job.<Figure 7> The wage level of the first job for youth compared to all wage workers has also continued to decline recently,<Table 1> revealing the high barrier to the first job faced by the current youth generation as it is.

<Figure 5> Time Taken for First Job & Rate of Employment Immediately After Graduation



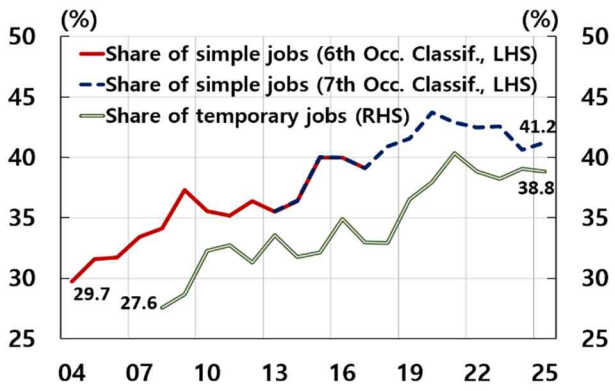
Source: Hwang Kwanghoon and Park Gayeol (2025)

<Figure 6> Number of Youth 'Just Resting' Population



Source: Ministry of Data and Statistics

<Figure 7> Proportion of Simple and Temporary Workers in First Job



Note: 1) Simple occupations include service/sales and elementary labor.
2) Temporary workers include those with a contract term of one year or less or those reporting their jobs as temporary

Source: Ministry of Data and Statistics

<Table 1> Income Level of First Job

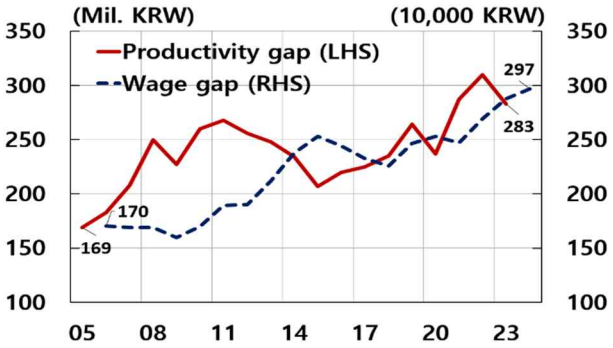
Year	First Job Median Income(A)	Wage Workers Median Income (B)	Ratio (A/B, %)
2017	144만원	210만원	68.8
2018	152만원	220만원	68.9
2019	157만원	234만원	67.0
2020	162만원	242만원	66.9
2021	168만원	250만원	67.4
2022	175만원	267만원	65.7
2023	180만원	278만원	64.7

Note: 1) The median income of the first job was calculated using linear interpolation.

Source: Ministry of Data and Statistics, Author's Calculation

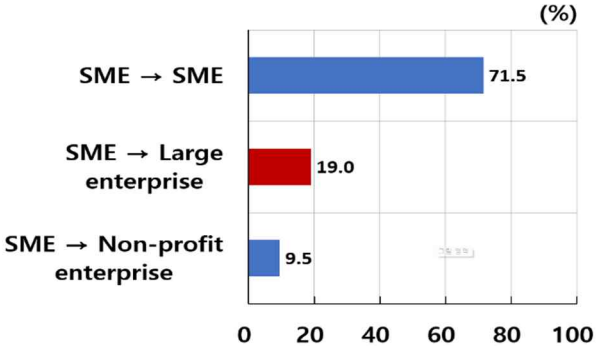
5 The difficulties of youth's initial job search are the result of a combination of factors. First, looking at the labor supply side, it is judged that youth are delaying labor market entry as the dual structure of the labor market deepens due to constraints on corporate growth and employment rigidity.[3] As the corporate growth ladder weakened due to the conglomerate-centered economic structure and various regulations, SMEs could not create decent jobs, leading to the fixation of a dual structure of the primary labor market (conglomerates) and the secondary labor market (SMEs).<Figure 8> Also, due to employment rigidity, upward mobility from the secondary labor market to the primary labor market became difficult,<Figure 9> leading to a tendency for youth to continue long-term job search activities aiming for entry into the primary labor market from the beginning rather than building a career in the secondary labor market. According to Lee Tae & Ahn Junhong (2023), the possibility of upward mobility from SMEs to conglomerates continues to decrease, so the problem of prolonged job search periods for youth is evaluated as difficult to resolve in a short period.

<Figure 8> Productivity and Wage Gap between Large Corporations and SMEs



Note: 1) Manufacturing productivity = Real value added (million KRW) / Labor input (persons)
2) Wages based on total monthly wages
Source: Korea Productivity Center, Ministry of Employment and Labor

<Figure 9> Probability of Upward Mobility for Youth Jobs



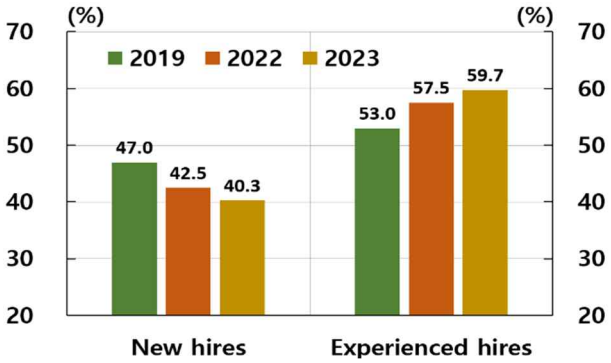
Note: 1) As of 2023
2) Based on movement within 3 years of SME entry
Source: Ministry of Data and Statistics

6 On the labor demand side, companies' preference for experienced workers and the expansion of occasional recruitment are further aggravating the difficulties of youth's initial job search. Companies are expanding hiring centered on experienced workers to increase workforce operation efficiency and reduce costs amidst a rigid labor market and uncertain economic environment,<Figure 10> and accordingly, the occasional recruitment method suitable for this is also increasing together.<Figure 11> Chae Minseok & Jang Sujeong (2025) analyzed that this expansion of experienced hiring lowers the probability of regular employment for non-

3 Korea's labor market is divided into a primary labor market and a secondary labor market. The primary is mainly composed of conglomerates, regular workers, and high-wage workers, while the secondary is composed of SMEs, irregular workers, and low-wage workers. Yoon Yoonkyu & Cho Sunghoon (2018) diagnosed the dual structure of the labor market as the main cause of the prolonged job search period for youth, meaning that they invest more time in preparation for employment or job searching after graduation to get employed in decent jobs provided by the primary labor market.

experienced workers to half the level of experienced workers, explaining a significant part of the regular employment rate gap between those in their 20s and 30s.

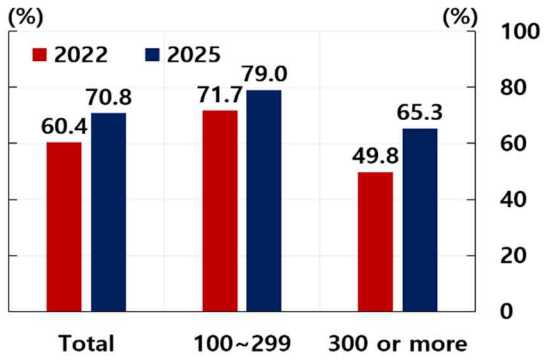
<Figure 10> Proportion of Experienced Hiring



Note: 1) Based on 100 companies (500+ employees, annual revenue ≥ 1tn KRW) over the past 5 years

Source: Lee Sangjun et al. (2023)

<Figure 11> Proportion of occasional recruitment



Source: Korea Enterprises Federation

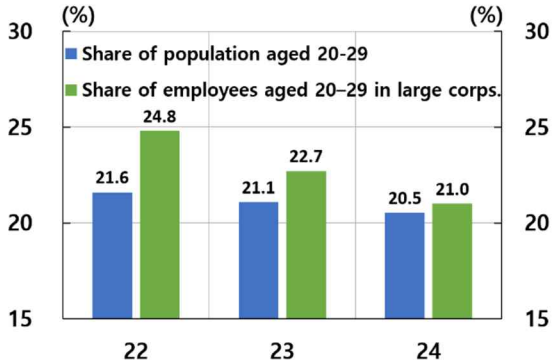
7 In fact, companies considered job-related work experience as the most important factor when hiring new employees, which implies a preference for talents equipped with a certain level of practical capabilities even before employment. This change in hiring practices acts as a high entry barrier to youth in the initial stage of labor market entry, and as a result, the time it takes for youth to find decent jobs is evaluated to be gradually lengthening. According to the Ministry of Employment and Labor's 'Corporate Hiring Trend Survey' in the second half of 2023, the proportion of citing 'job experience' (35.6%) and 'job competency' (27.3%) as factors determining new hires exceeded half.<Figure 12> Considering that the proportion of workers in their 20s within large corporations is decreasing faster than the rate of decrease in the population in their 20s recently,<Figure 13> securing decent jobs for youth in their 20s is judged to be becoming more difficult.

<Figure 12> Factors Determining New Hiring

Note: 1) Survey of HR managers at the top 500 companies by revenue

Source: Ministry of Employment and Labor

<Figure 13> Proportion of Employees in Their 20s in Large Corporations



Note: 1) Survey of 67 of the top 100 domestic companies by revenue: Employee count and share by age group (2022–24)

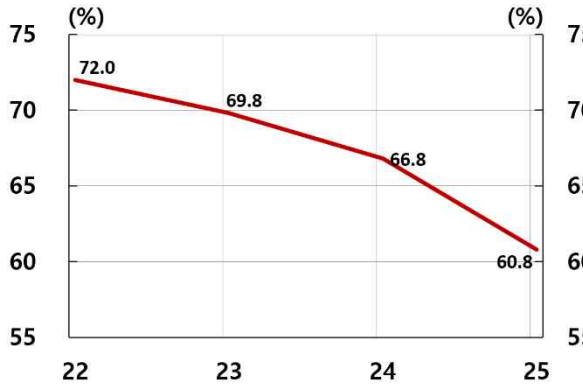
2) Share of 20s population = (Pop. aged 20–29 / Pop. aged 20–59) × 100

Source: CEOSCORE, Ministry of the Interior and Safety

8 With the rapid development of Generative AI, there is a high possibility that tasks mainly performed by youth manpower will be structurally replaced in the future.[4] Han Jinsoo & Oh Samil (2025) analyzed that youth jobs decreased by 211,000 over the past 3 years, of which 208,000 occurred in industries with high AI exposure. Also, Brynjolfsson et al. (2025) confirmed that while total US employment increased between October 2022 and July 2025, youth employment was rather constrained, pointing out that this was mainly due to the decrease in youth employment in job groups with high exposure to AI.

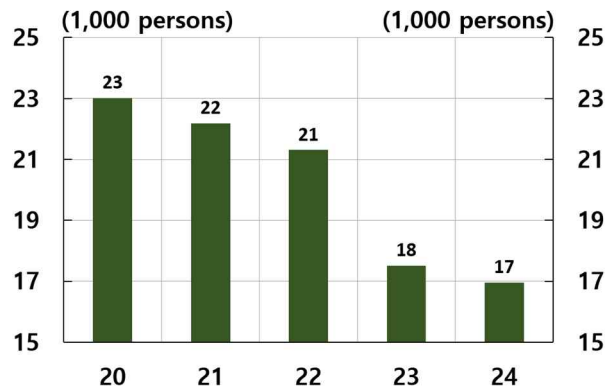
9 In addition to the structural factors so far, the contraction in the scale of decent jobs due to recent economic slowdowns is also a factor making youth employment difficult. Companies are adjusting hiring plans conservatively amidst an uncertain business environment,<Figure 14> and the public sector showed a significant decrease in the number of new hires during 2023-24.<Figure 15> Unlike past generations, the current youth generation is entering the labor market in a low-growth phase, so it is a difficult situation to enjoy the benefits of rapidly increasing jobs as in times of active economy. As such, as decent jobs preferred by youth decrease, job search competition is judged to be deepening further.

<Figure 14> Proportion of Responses Planning New Hiring 'Yes'



Note: 1) Survey of 500 companies (100+ employees)
Source: Korea Enterprises Federation

<Figure 15> Number of New Youth Hires in Public Institutions



Note: 1) Youth category in new hiring
Source: All Public Information In-One

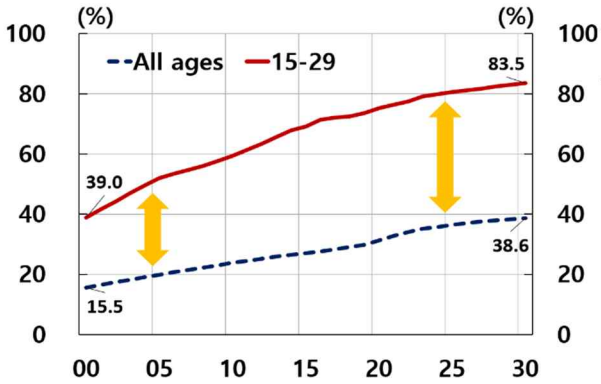
B. High Housing Cost Burden

10 Looking at the main characteristics of youth housing first, single-person households have increased very rapidly, mostly residing in small non-apartments (one-room studios, officetels,

4 Brynjolfsson et al. (2025) argued that while AI well replaces codified knowledge based on rote memorization, it is difficult to replace tacit knowledge coming from experience, so in professions where experienced workers or AI play complementary roles, the negative impact of AI would be less.

etc.), and monthly rent accounts for the majority of housing tenure types. The proportion of youth single-person households has steadily and rapidly increased due to reasons such as education, employment, preference for independence, late marriage, and non-marriage, and according to the Ministry of Data and Statistics forecast, this proportion is expected to reach 84% by around 2030.<Figure 16> According to the Ministry of Land, Infrastructure and Transport's Korea Housing Survey, the median residential floor area for all ages was 66.1m² in 2023, whereas for single-person households aged 29 and under, it was 26.4m², appearing at a level lower than half of all ages. Most youth households reside in monthly rentals, and recently, due to reasons such as Jeonse fraud and the conversion of Jeonse to monthly rent, the proportion of monthly rent has further increased, reaching nearly 70%.<Figure 17>

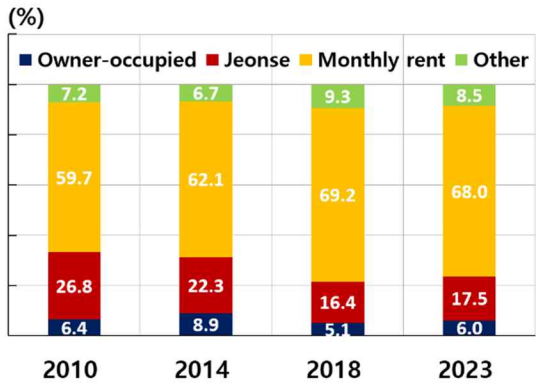
<Figure 16> Proportion of Single-Person Households



Note: 1) As of 2022

Source: Ministry of Data and Statistics

<Figure 17> Youth Housing Tenure Types

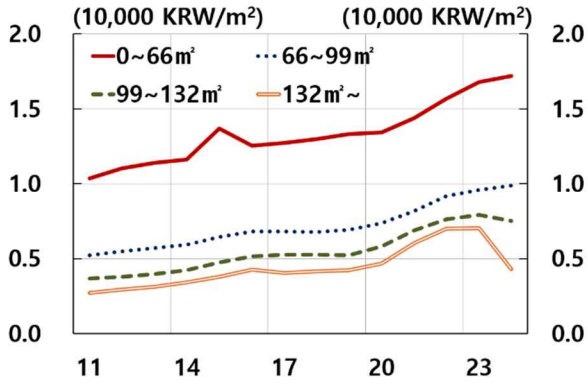


Note: 1) 'Other' includes advanced monthly rent, annual rent, daily rent, and rent-free housing.

Source: Ministry of Land, Infrastructure, and Transport

11 As monthly rents skyrocketed due to the supply-demand imbalance of small non-apartments where the youth generation mainly resides, their housing cost burden has expanded significantly. While the demand for small non-apartments surged due to household differentiation like the increase in single-person households and population concentration in the metropolitan area, the supply contracted due to low profitability and rising costs after the pandemic, which has deepened the upward pressure on monthly rent costs.<Figure 18> Looking at the proportion of consumption expenditure by item, the proportion of housing cost expenditure for youth increased significantly from 11.4% in 2000 to 17.8% in 2024, accounting for the highest proportion after food services.<Figure 19> The households with excessive housing rental burden$_{\text{housing cost/income > 30\%}}$ among the youth generation amount to about one in three households, showing a level twice as high as the standard for all ages.<Figure 20> As such housing costs increase rapidly, the proportion of youth residing in poor environments, the so-called 'Ji-ok-go' (semi-basement, rooftop, gosiwon), has significantly increased recently.<Table 2>

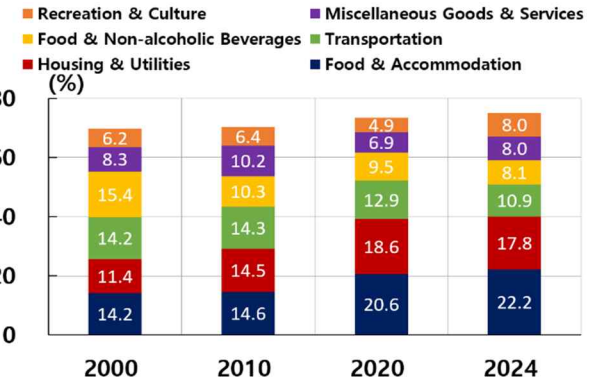
<Figure 18> Monthly Rent Real Transaction Price by Size of Non-Apartments



Note: 1) Based on monthly rent per unit area
2) Non-apartments include row/multiplex and detached/multi-family houses

Source: Ministry of Land, Infrastructure, and Transport

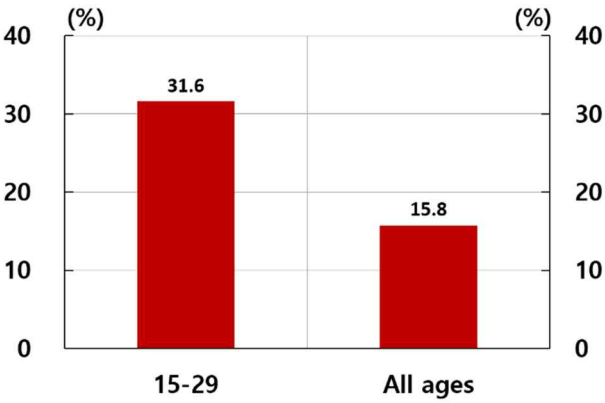
<Figure 19> Consumption Weight by Item for Youth



Note: 1) Based on top 6 items (2024)
2) (Avg. expenditure per item / Avg. total consumption expenditure) × 100

Source: Ministry of Data and Statistics

<Figure 20> Proportion of Households with Excessive Housing Rental Burden



Note: 1) Housing cost-burdened households: RIR (Rent to Income Ratio) > 30%
2) Based on 2023 survey

Source: Ministry of Land, Infrastructure, and Transport

<Table 2> Youth Housing Types

	2010	2014	2018	2023
Multi-family	44.3	45.6	53.6	41.4
Apartment	21.3	25.3	13.3	18.7
Officetel	9.5	9.3	12.6	14.5
Multiplex	8.4	11.1	9.5	11.1
Townhouse	2.5	2.2	0.7	1.9
Single-family	8.3	3.5	1.5	1.0
Other	5.6	3.0	8.8	11.5

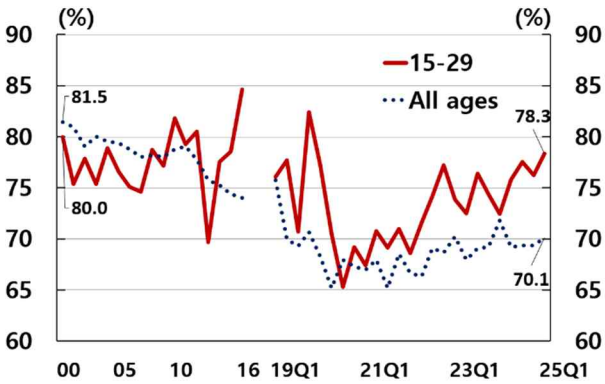
Note: 1) 'Other' includes gosiwon, shop-houses, housing in non-residential buildings, shanties, vinyl houses, containers, and shacks.

Source: Ministry of Land, Infrastructure, and Transport

12 Looking at the consumption aspect, the propensity to consume[consumption expenditure/disposable income] of the youth appears to improve after the pandemic, but a large optical illusion due to the increase in housing costs is acting here. Also, as consumer prices rose rapidly after the pandemic, the burden of living costs is also being aggravated on top of the housing cost burden. According to the life-cycle hypothesis, the propensity to consume of the youth should generally appear higher than other age groups, but excluding housing costs, it rather appeared to drop to a level similar to all ages.<Figure 21>, <Figure 22> This indirectly shows the housing cost burden on the youth. Also, the youth have a high proportion of expenditure on essentials such

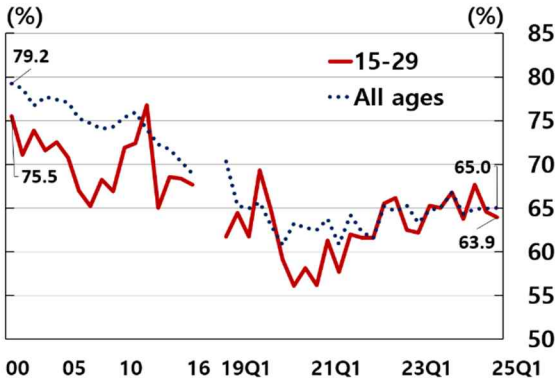
as food/lodging, groceries, and clothing,[<Figure 23>] so the price increase of these items after the pandemic seems to have further increased the perceived burden.[<Figure 24>]

<Figure 21> Average Propensity to Consume



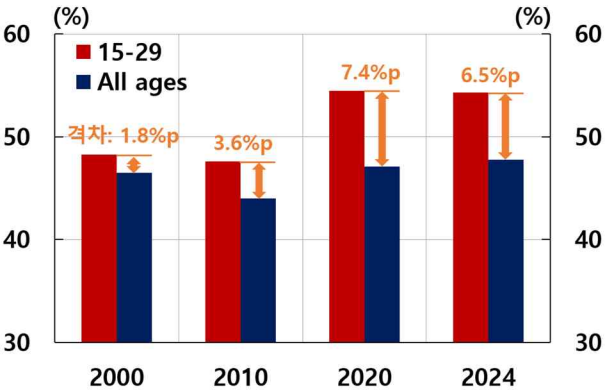
주: 1) Time-series break (2017–18) due to methodology changes
2) APC: Median of individual household APCs per year
Source: Ministry of Data and Statistics

<Figure 22> Average Propensity to Consume (Excluding Actual Housing Costs)



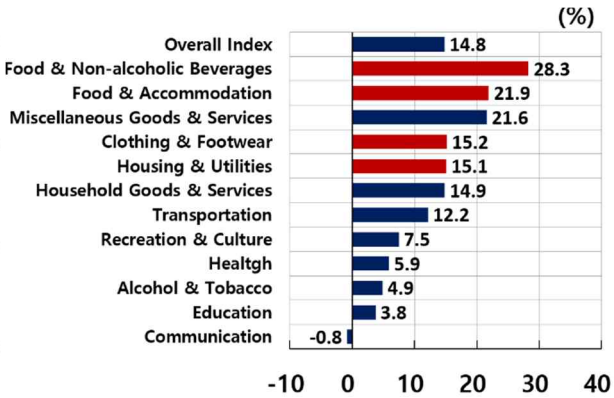
3) Annual until 2016; Quarterly from 2019
4) APC (excl. actual housing cost): Calculated from total consumption expenditure minus actual housing costs

<Figure 23> Weight of Spending on Food, Clothing, and Shelter



Note: 1) Including housing & utilities, restaurants & hotels, food & non-alcoholic beverages, and clothing & footwear.
Source: Ministry of Data and Statistics

<Figure 24> Inflation Rate Since the Pandemic



Note: 1) Inflation rate (2024 vs. 2019)
Source: Ministry of Data and Statistics

Ⅲ. Lifetime Impact of Youth Generation's Economic Reality

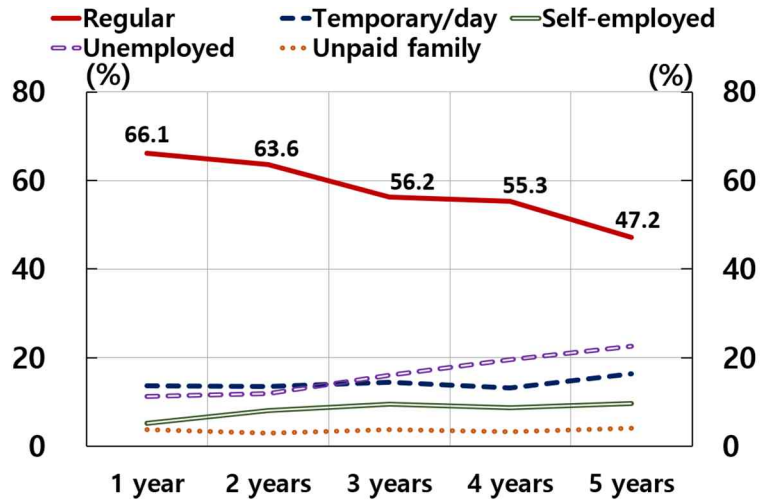
As examined earlier, the current youth generation is experiencing early job search barriers and high housing cost burden problems in a complex manner. In this chapter, I examine what impact such difficulties have throughout life through empirical analysis and overseas case studies.

A. Economic Impact of Early Job Search Barriers

13 The early job search barriers experienced by the youth generation are highly likely to weaken employment stability throughout their lives and have a negative impact on wages as well.

14 If the job search period for youth in the early stages of career development lengthens, they cannot sufficiently gain opportunities to accumulate human capital through education and training in decent jobs, and as a result, employment stability throughout life will weaken. This actually appears in data analysis as well; as a result of analysis using the Korea Labor and Income Panel Study data from the 1st to 25th years, for those aged 20-29, if the non-employment period was 1 year, the probability of working as a regular employee 5 years later was 66.1%, but if it increased to 3 years, it lowered to 56.2%, and for 5 years, it lowered to 47.2%. <Figure 25>

<Figure 25> Probability of Employment Status 5 Years Later by Youth Non-Employment Period



Note: 1) Calculated unemployment duration (ages 20–29) and probability of employment status 5 years post-last unemployment by duration
Source: Author's Calculation Using Korean Labor and Income Panel Study

15 The prolonged early job search for youth restricts opportunities for skill formation and is expected to have a negative impact on wages as well. As a result of analysis using the Korea Labor and Income Panel Study data from the 1st to 25th years, this paper finds that if the past non-employment period increases by 1 year, the current real wage decreases by 6.7%. <Table 3> In this analysis, to control for other factors affecting wages, age, years of education, regular worker dummy, marital status dummy, etc. are used, and the detailed explanation of the model and variables and the estimation results are as follows.

$$\ln(wage)_{i,t} = \alpha + \beta_1 unemployduration_{i,t} + \beta_2 age_{i,t} + \beta_3 education_{i,t}$$

$$+\beta_4 jbtyp \quad e_{i,t} + \beta_5 m\,arta \quad l_{i,t} + \Gamma\, bcatio \quad n_{i,t} + \psi_i + \nu_t + e_{i,t} \qquad (1)$$

In equation (1), for individual i, $wage$ is the real wage, $unempduration$ is the past non-employment period, age is the age, $education$ is the years of education, $jbtype$ is the regular worker dummy (regular 1, non-regular 0), $marital$ is the marital status dummy (married 1, unmarried 0), $location$ is the residential area dummy (19 city/province dummies), ψ_i and ν_t are the individual and yearly fixed effects respectively, and e is the error term.

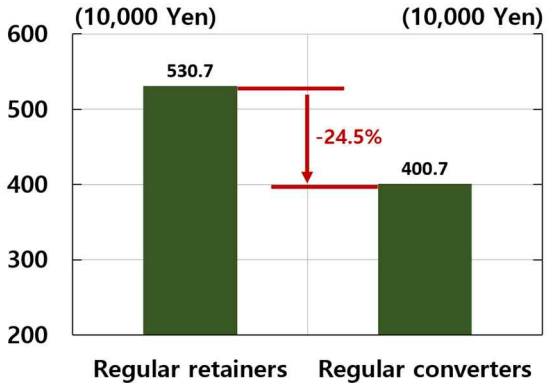
<Table 3> Estimation Results of Equation (1)

변수	계수	p값
Unemployment duration	-0.067	0.000
Age	0.027	0.000
Years of Education	0.045	0.000
Regular Worker Dummy	0.326	0.000
Marital Status Dummy	0.139	0.000
Residential Area Dummy	YES	
Within R-squared	0.2362	
Obs.	117,511	

16 Japan's "Employment Ice Age Generation$_{\text{or Lost Generation}}$" is a generation that experienced negative effects such as employment instability and income reduction throughout their lives after undergoing a period of high unemployment due to a long-term economic recession, which has great implications for Korea as well.[5] They are the generation that graduated from school between the mid-1990s and the mid-2000s, and amidst the triple distress of high unemployment, low wages, and employment insecurity, they repeated frequent job changes and could not sufficiently gain opportunities for capability accumulation through in-house training. According to Lee Keuntae & Lee Jisun (2017), the employment rate of university graduates in Japan at the time this generation entered the labor market plummeted from 81.3% in 1991 to the 55% level in 2003, and the proportion of irregular workers aged 15-24 rose from 20.5% in 1990 to 47.7% in 2005. Even now that they have become middle-aged, they are suffering from the aftereffects of the employment shock during the social entry period, such as low wages and employment insecurity$_{\text{high proportion of irregular workers}}$. According to the Japan Institute for Labor Policy and Training (2024), the average annual salary of Japanese men aged 35-44 who converted to regular employees was 24.5% lower than the average of those who worked as regular employees from the beginning.<Figure 26> Also, Jung Sungchun & Kwon Hyukwook (2019) analyzed that while the wages of all general workers increased during 2012-17, the wages of those aged 40-49, who can be seen as the employment ice age generation, rather declined.<Figure 27>

5 There are various studies mentioning the importance of early experience in the labor market. For example, Bruhn et al. (2025) emphasized that early job experience is a key path forming long-term quality of life and economic stability.

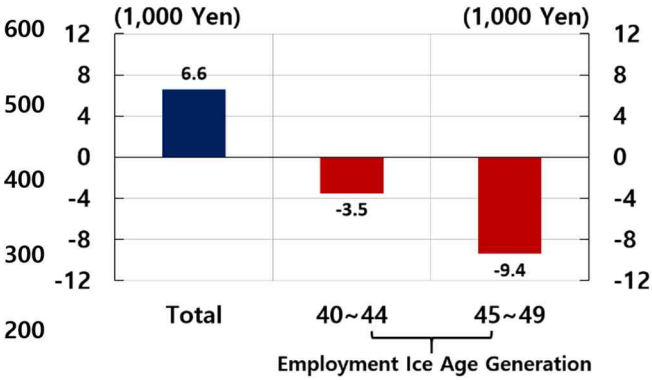
<Figure 26> Average Annual Salary by Regular Employment Type



Note: 1) Regular converts: Workers transitioned from non-regular to regular status

Source: 労働政策研究·研修機構(2024)

<Figure 27> Wage Change for the Employment Ice Age Generation



Note: 1) Based on wage change amount (2017 vs. 2012)

Source: Jung Sungchun and Kwon Hyukwook (2019)

B. Economic Impact of High Housing Cost Burden

17 The high housing cost burden on the youth generation constrains the accumulation of assets and human capital throughout life, and furthermore, is expected to induce excessive debt.

18 As seen earlier, in a situation where employment stability lowers and income decreases due to job search delays, the rise in housing costs further shrinks opportunities for asset formation. This not only reduces consumption capacity in the long term but may deepen structural problems such as the widening of the asset gap between generations and classes. As a result of regression analysis using the Korea Labor and Income Panel Study 1st-25th data, this paper finds that when housing costs rise by 1%, the household's total assets$_{\text{including financial and real assets}}$ decrease by 0.04% on average.<Table 4> In this analysis, in addition to housing costs, financial debt, income, life expectancy, economic policy uncertainty, number of household members, age, and age squared terms are utilized as control variables, and the detailed explanation of the model and variables and the estimation results are as follows.

$$\ln(totalasset)_{h,t} = \alpha + \beta_1 \ln(judgeo)_{h,t} + \beta_2 \ln(finadbt)_{h,t} + \beta_3 \ln(income)_{h,t} + \beta_4 lifexp_t + \beta_5 epu_t + \beta_6 numoffam_{h,t} + \beta_7 age_{h,t} + \beta_8 age^2_{h,t} + \psi_h + \nu_t + e_{h,t} \quad (2)$$

In equation (2), for household h, $totalasset$ is total assets adding financial and real assets, $judgeo$ is housing expenditure, $finadbt$ is financial debt, $income$ is income, $lifexp$ is life expectancy, epu is economic policy uncertainty, $numoffam$ is the number of household members, age and age^2 are the household head's age and age squared, and ψ_h and ν_t are

the household and yearly fixed effects respectively, and e is the error term.[6]

<Table 4> Estimation Results of Equation (2)

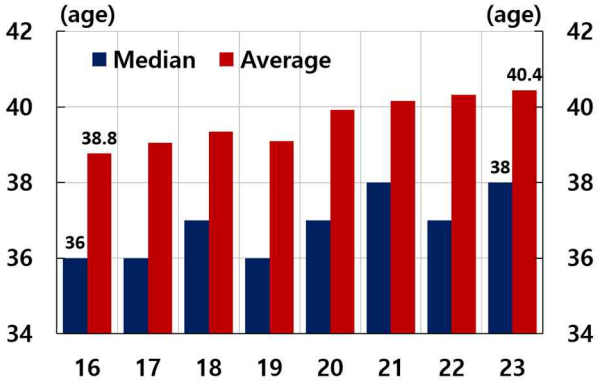
변수	계수	p값
Housing costs	-0.043	0.011
Financial Debt	0.252	0.000
Income	0.145	0.000
Life Expectancy	0.122	0.068
Economic Policy Uncertainty	0.002	0.192
Number of Household Members	0.085	0.000
Age	0.047	0.178
Age Squared	-0.0005	0.000
Within R-squared	0.1879	
Obs.	22,026	

19 In fact, the asset accumulation speed of the youth generation is slowing down relatively compared to other age groups. The ratio of assets of youth aged 29 and under compared to $assets_{financial + real}$ of all age groups fell from the early 30% range in the early 2010s to the early 20% range in 2024.<Figure 28> In such a situation where asset formation is difficult, as real estate prices also rose rapidly, the age of first home purchase is also showing a trend of continuous delay.<Figure 29> In addition, the asset gap between the youth and older generations has widened,<Figure 30> which is expected to weaken growth potential due to the reduction of the wealth effect and insufficient resource allocation to productive sectors. In addition to the gap between generations, the phenomenon of deepening asset inequality within the youth is also being observed,<Figure 31> and there is a high possibility that this will lower social mobility and cause the fixation of inequality.

<Figure 28> Youth Asset Level (vs. All Ages)

Note: 1) (Median assets of aged ≤ 29 / Median assets of all ages) × 100

<Figure 29> Age of First Home Purchase in Life

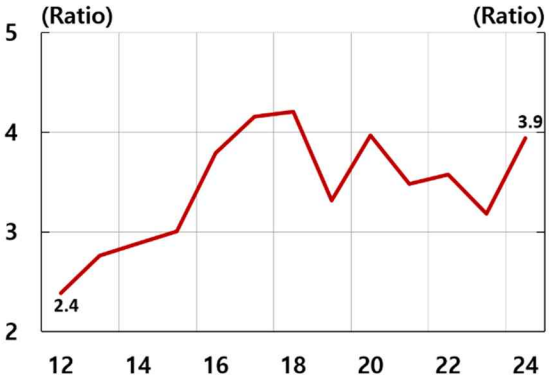


Note: 1) Age at first home acquisition after becoming household head
Source: Ministry of Land, Infrastructure, and Transport

6 Life expectancy is from the National Data Agency, and the Economic Policy Uncertainty Index is from www.policyuncertainty.com.

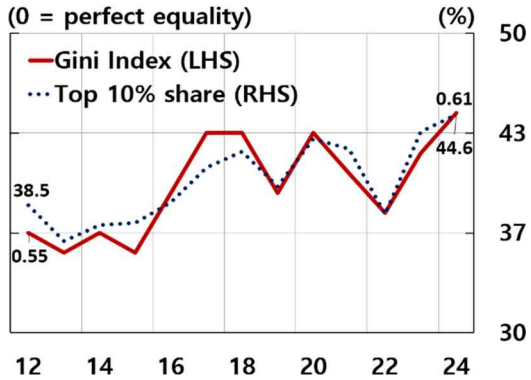
Source: Survey of Household Finances and Living Conditions

<Figure 30> Asset Gap between Elderly and Youth



Note: 1) Median assets (aged 60+) / Median assets (aged ≤ 29)
Source: Survey of Household Finances and Living Conditions

<Figure 31> Asset Inequality Within the Youth Generation



Source: Survey of Household Finances and Living Conditions

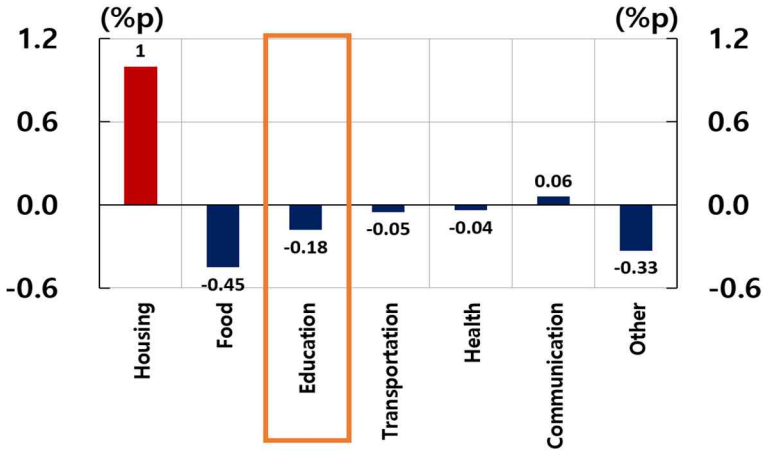
20 If education expenditure decreases due to the surge in housing costs, there is a high possibility that the human capital formation of the youth generation will be constrained. As a result of analyzing using the Survey of Household Finances and Living Conditions data from 2017 to 2024 using the Pooled OLS method, when the proportion of housing costs in total consumption expenditure increased by 1%p, food expenditure decreased by 0.45%p showing the largest decline, followed by education expenditure decreasing by 0.18%p.<Figure 32> If education costs decrease like this, it restricts the accumulation of human capital for the youth, which has a negative impact on the growth potential of our economy in the long term. Besides this, with a 1%p increase in the proportion of housing expenditure, transportation costs decreased by 0.05%p and medical costs by 0.04%p, respectively, but in the case of communication costs, it is estimated to increase by 0.06%p due to reasons such as digital consumption substitution. However, the changes in these items are relatively minor compared to food costs or education costs. The detailed explanation of the model and variables used in the empirical analysis and the estimation results are as follows.

$$\begin{aligned} item\_share_{h,t} = \alpha + \beta_1 hgeos\_share_{h,t} + \beta_2 h(finasset)_{h,t} + \beta_3 h(realasset)_{h,t} \\ + \beta_4 h(finliabl)_{h,t} + \beta_5 h(dispincome)_{h,t} + \beta_6 age_{h,t} + \beta_7 sex_{h,t} \\ + \Psi education_{h,t} + \Omega year_t + e_{h,t} \end{aligned} \quad (3)$$

In equation (3), for household h, $item\_share$ is the consumption expenditure proportion by item such as education costs, $hgeos\_share$ is the housing expenditure proportion, $finasset$ is financial assets, $realasset$ is real assets, $finliabl$ is financial debt, $dispincome$ is disposable income, age is household head's age, sex is household head's gender dummy (male 1, female

0), *education* is household head's education level dummy, *year* is yearly dummy, and *e* implies the error term. The analysis target is aged 15-39, residing in non-owned housing, and limited to single-person households to resolve the issue of including child care expenses.

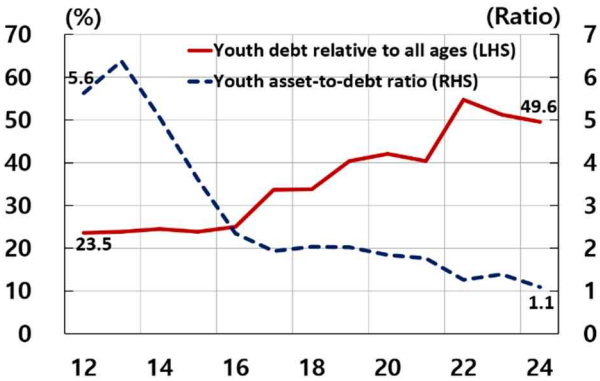
<Figure 32> Adjustment Details of Consumption Expenditure by Item upon 1%p Increase in Housing Cost Share



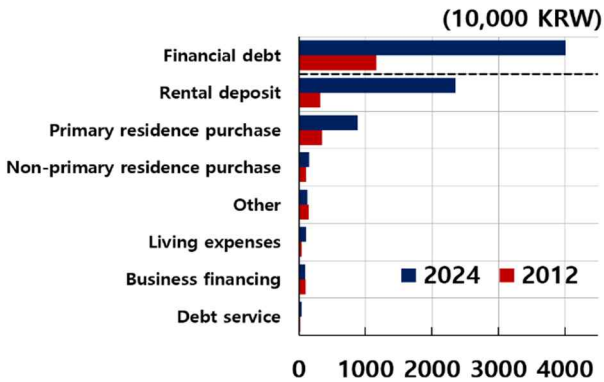
Source: Author's Calculation Using the Estimation Results of Equation (3)

21 The youth generation has significantly increased the scale of debt holdings to afford the rising housing cost burden. Since the early 2010s, the speed of debt increase for the youth has been much faster than for all age groups, and the ratio of assets to debt also fell from 5.6 times in 2012 to 1.1 times in 2024, indicating that the financial soundness of the youth generation has deteriorated.<Figure 33> The main factor for the increase in debt was preparing for rental deposits, which accounted for the largest portion, followed by the purpose of purchasing a home.<Figure 34> This implies that the increase in housing cost burden was the key cause of the surge in youth debt. Looking at the level of financial debt relative to income, while there was no significant change for all age groups, it rose rapidly for the youth,<Figure 35> and the ratio of interest repayment to income also decreased for all ages, whereas it showed an upward trend for the youth.<Figure 36>

<Figure 33> Youth Debt Level (vs. All Ages) and Asset/Debt Ratio



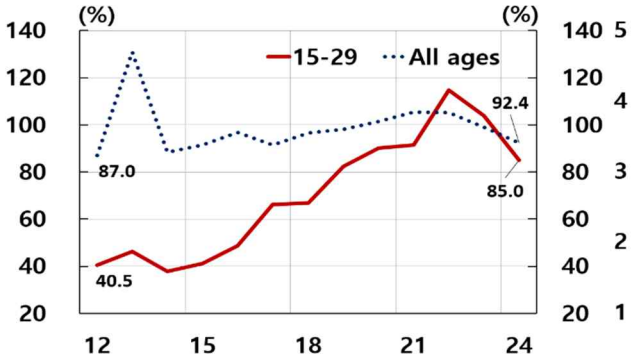
<Figure 34> Purpose of Loans for Youth



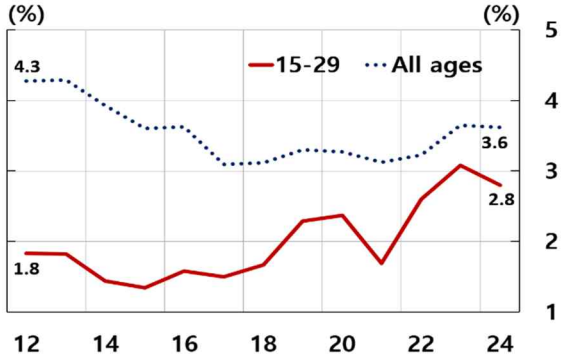
Note: 1) (Avg. debt of aged ≤ 29 / Avg. debt of all ages) × 100
2) (Median assets of aged ≤ 29 / Median debt of aged ≤ 29) × 100
Source: Survey of Household Finances and Living Conditions

Note: 1) Based on average values of each item for aged ≤ 29
Source: Survey of Household Finances and Living Conditions

<Figure 35> Financial Debt to Income Ratio



<Figure 36> Interest Payment to Income Ratio



Note: 1) (Avg. financial debt / Avg. ordinary income) × 100
Source: Survey of Household Finances and Living Conditions

Note: 1) (Avg. interest payments / Avg. ordinary income) × 100
Source: Survey of Household Finances and Living Conditions

22 If the scale of debt expands, disposable income decreases due to increased interest payments, which not only delays asset formation for youth but shrinks consumption, highly likely leading to a decrease in investment in education, training, and health. Analyzing using the Survey of Household Finances and Living Conditions data from 2017 to 2024 using the Pooled OLS method, it appeared that when disposable income decreases by 1%, total consumption expenditure decreases by 0.18%.<Table 5> In this analysis, various control variables affecting consumption such as assets, debt, and age are used in addition to disposable income, and the detailed explanation of the model and variables and the estimation results are as follows.

$$\ln(consumption)_{h,t} = \alpha + \beta_1 \ln(finasset)_{h,t} + \beta_2 \ln(realasset)_{h,t} + \beta_3 \ln(finlabl)_{h,t} + \beta_4 \ln(dispincome)_{h,t} + \beta_6 age_{h,t} + \beta_7 sex_{h,t} + \Psi education_{h,t} + \Omega year_t + e_{h,t} \quad (4)$$

In equation (4), for household h, $consumption$ is total consumption expenditure, $finasset$ is financial assets, $realasset$ is real assets, $finlabl$ is financial debt, $dispincome$ is disposable income, age is household head's age, sex is household head's gender dummy (male 1, female 0), $education$ is household head's education level dummy, $year$ is yearly dummy, e implies the error term. The analysis target is aged 15-39, residing in non-owned housing, and limited to single-person households, same as the estimation in equation (3).

<Table 5> Estimation Results of Equation (4)

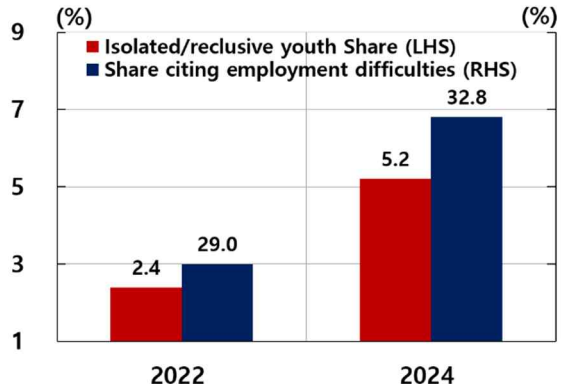
변수	계수	p값
Disposable Income	0.179	0.005
Financial Asset	0.019	0.687
Real Asset	-0.018	0.471
Financial Debt	0.060	0.058
Age	0.005	0.563
Sex	0.042	0.590

Education Level Dummy	YES
Year Fixed Effects	YES
R-squared	0.3776
Obs.	107

C. Socio-cultural Impact of Employment and Housing Insecurity

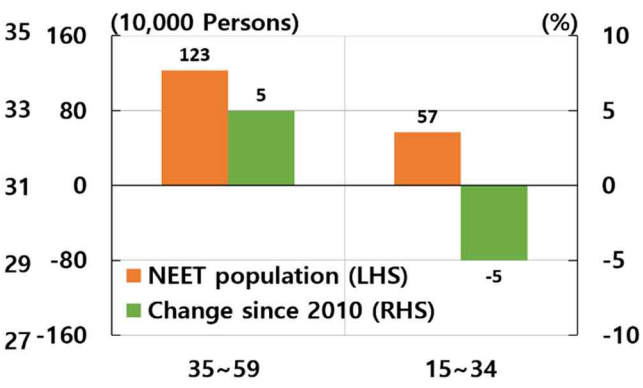
23 Employment and housing insecurity of the youth generation has a large impact not only economically throughout life but also on the formation of social relationships and values. The absence of stable jobs and housing foundations delays marriage, childbirth, and social participation, and weakens socio-cultural vitality by spreading social isolation such as disconnection from the community and becoming reclusive loners. The proportion of isolation and reclusion among Korean youth increased more than twofold during 2022-24.<Figure 37> Looking at major preceding studies, Lee Chulhee (2023) proves the causal relationship that job quality has a positive effect on fertility rates and marriage rates, and Matsuda et al. (2024) empirically analyze that employment insecurity delays the timing of marriage using Korean and Japanese data. Japan's 'Employment Ice Age Generation' is evaluated as a representative case where economic dependence between generations and social isolation deepened due to such structural insecurity, and the burden of supporting parents increased. Lee Keuntae & Lee Jisun (2017) argue that while the scale of NEET7 among the middle-aged (35-59) in Japan increased, the NEET among youth (15-34) decreased during the same period,<Figure 38> claiming based on this that the Employment Ice Age Generation caused the NEET problem within Japan to move from youth to middle age. Japan's '8050 problem' refers to a phenomenon where in a household where parents in their 80s and children in their 50s live together, the children live as reclusive loners unable to engage in social life and rely on their parents for support; in this case, as parents age, livelihood maintenance becomes difficult, and a problem arises where income and housing support are cut off simultaneously upon death. Such cases show that problems in the early stage of social entry have a negative impact throughout life, causing large social costs.

<Figure 37> Proportion of Isolation and Reclusion Among Korean Youth



Note: 1) Isolated/reclusive youth (aged 19–34): Respondents

<Figure 38> Scale and Growth Rate of NEET by Age in Japan



Note: 1) As of 2016

7 NEET stands for Not in Education, Employment, or Training, referring to people who do not attend school, do not work, and do not receive vocational training.

answering "out only for hobbies," "to nearby convenience stores," "only leave room," or "rarely leave room." Excludes pregnancy, childbirth, and disability.

Source: Lee Keuntae and Lee Jisun (2017)

Source: Office for Government Policy Coordination

IV. Conclusion and Policy Implications

24 The vulnerable employment and housing situation of the current youth generation is not a simple generational problem but needs to be recognized as a macroeconomic risk that can hinder the growth foundation of our economy and the sustainability of society. As examined earlier, the youth generation faces high barriers to entry for their first job in the labor market and unstable living environments and excessive housing cost burdens in the housing market, so negative effects are expected throughout their lives, such as reduced income and delayed asset formation. Such constraints delay human capital accumulation and weaken consumption capacity, having a negative impact on both productivity and aggregate demand, and consequently, there is a possibility of damaging the growth foundation of our economy.

25 In light of this point, resolving the vulnerable employment and housing situation regarding the current youth generation is the policy task that should be prioritized the most; while short-term measures such as financial support would be necessary, resolving structural problems in the labor and housing markets would be even more vital. Accordingly, the following policy directions can be considered.

A. Policy Direction for Vitalizing Youth Employment

26 To resolve the problem of prolonged early job searching for the youth generation, 1) improvement of the dual structure of the labor market through strengthening the corporate growth ladder and mitigating labor rigidity is considered most important, and in addition to this, measures such as 2) expansion of work experience support, 3) linkage of education and occupation, and 4) vitalization of entrepreneurship need to be prepared and improved.

(Improvement of labor market dual structure through strengthening corporate growth ladder and mitigating labor rigidity)

27 First, an environment must be created where decent jobs can be created in SMEs by supporting the corporate growth ladder$_{\text{micro -> small -> medium -> large enterprise}}$ to operate smoothly. To this end, a policy shift[8] supporting growth companies rather than protecting marginal companies is

8 According to the in-depth study in the Bank of Korea Economic Outlook (Nov '25 issue) (Jang Keunho et al., 2025), Korea's SME support policy shows aspects closer to universal support rather than selection, and this report argued for switching universal support to 'support for companies with a business history of 7 years or less' to alleviate side effects.

needed, and efforts such as abolishing step-like regulations[9] that make companies give up on growth are required. In addition, it would also be important to secure labor market flexibility and increase social mobility so that the youth generation can build careers and move smoothly from the secondary labor market to the primary labor market. From this perspective, the government[10] also deals with the resolution of the labor market dual structure and plans to foster SMEs where youth want to work as key tasks in depth.[11]

(Work Experience Support)

28 It is necessary to seek ways to shorten the initial job search period by strengthening support so that youth can experience various jobs in their fields of interest in advance. The government's 'Youth Work Experience Support Project' currently in progress shows high satisfaction overall and is reaping positive effects, but there are still parts needing improvement.[12] Specifically, accessibility should be increased so that youth and companies can participate more easily, and the opportunity gap between regions should be alleviated by expanding programs concentrated in the metropolitan area to local regions. Also, considering that in the early stages of a career, youth have a great desire to grow their skills and capabilities rather than just work experience, reinforcing programs with high achievement such as project-type and contest-type would be a good method to increase participation. However, in the case of some programs, there is a difficulty in having to derive results within a somewhat short period, so measures to flexibly extend the experience period according to the job seem necessary. Comprehensively, the direction of the policy should be placed on 'qualitative substantiation' rather than 'quantitative expansion', and it is necessary to systematically manage the quality of the program so that youth can actually acquire the job capabilities they want beyond the level of simple internships.

(Education and Job Linkage)

29 It is necessary to support the smooth entry of youth into the labor market by organically linking education and jobs. Germany is a representative country where the education-job linkage dual system is established, and learning takes place in parallel at company sites and vocational

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9 The Korea Chamber of Commerce and Industry (Press Release dated Nov 24, 2025) pointed out that there are 343 step-like regulations by company size, and that regulations increasing as growth occurs weaken companies' incentives for growth

10 『New Government Growth Policy Guide (2025.6)』 and 『New Government Economic Growth Strategy (2025.8)』 etc.

11 Lee Ho-yeon & Yang Jae-jin (2017) also argue that policies to improve the quality of relatively poor jobs and mitigate labor market rigidity are needed for smooth job mobility.

12 Refer to Jung Ran et al. (2024), "Monitoring and Evaluation Study of Youth Work Experience Support Project".

schools. Specifically, students receive vocational training at companies for 3-4 days a week and receive theoretical education at vocational schools for 1-2 days a week. Lee Dongim (2019) evaluated that this system facilitates securing skilled manpower and reduces hiring costs from the company's perspective, and from the student's perspective, it shortens the education period, enables early employment, and provides an environment to concentrate on human capital formation based on financial stability. In the case of Korea, through the expansion of industry-academia cooperation between local universities and SMEs, strengthening of job-linked internships within universities, and joint development of vocational education courses directly participated by the industry similar effects could be achieved in stages. If efforts are made to prepare a foundation where youth can build field experience and job capabilities before graduation through such efforts, it will contribute to advancing the timing of labor market entry and shortening the job search period.

(Vitalization of Entrepreneurship)

30 Entrepreneurship can be a more practical alternative to promote employment revitalization by providing youth with opportunities to create new jobs. In a situation where traditional employment paths hit a limit and the hiring structure centered on large corporations persists, entrepreneurship draws attention as an important means to expand youth's participation in economic activities and alleviate the problem of delayed labor market entry. Through entrepreneurship, youth can create new added value based on their ideas and technologies, and grow as innovation subjects in new industry fields such as digital industries and platform businesses. The government needs to create an environment where youth can take on challenges more actively by reducing the burden of failure through start-up support and expansion of re-challenge opportunities.

B. Policy Direction for Youth Housing Stability

31 To alleviate the housing cost burden on youth, resolving the supply-demand imbalance regarding small housing where they mainly reside should be prioritized, and in the short term, measures utilizing financial support systems could also be considered.

(Resolving Supply-Demand Imbalance of Small Housing)

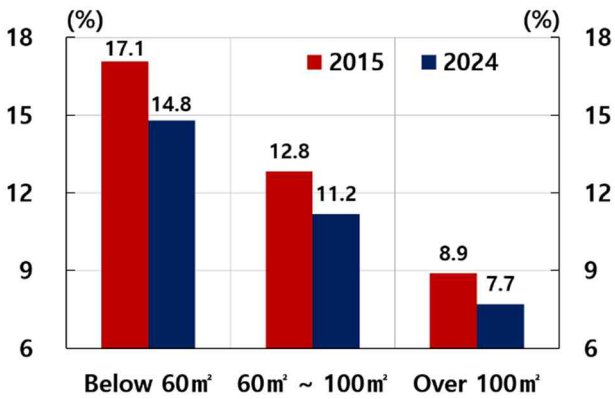
32 For the housing stability of youth, a more fundamental approach of expanding the supply base of small housing where youth demand is concentrated is necessary. Recently, as single-person youth households rapidly increased in the metropolitan area, the rental demand for small non-apartment housing increased significantly, whereas supply contracted due to rising project costs after the pandemic, deepening the supply-demand imbalance. In particular, while the

proportion of non-apartment housing decreased overall due to the expansion of preference for apartments, the decrease in small-area non-apartments where youth mainly reside was even larger.<Figure 39> Considering that demand is very solid, such as the continued high competition rate for public rental housing, efforts to expand supply through the development of new housing friendly to youth are required. As the government presented a plan to expand youth housing by utilizing old public offices, railway stations, university idle sites, vacant shops, and office facilities in the "Housing Supply Expansion Plan (Sep 7, '25)", it is necessary to thoroughly check whether the relevant projects are being promoted without setbacks at the sites.

(Utilization of Financial Support System)

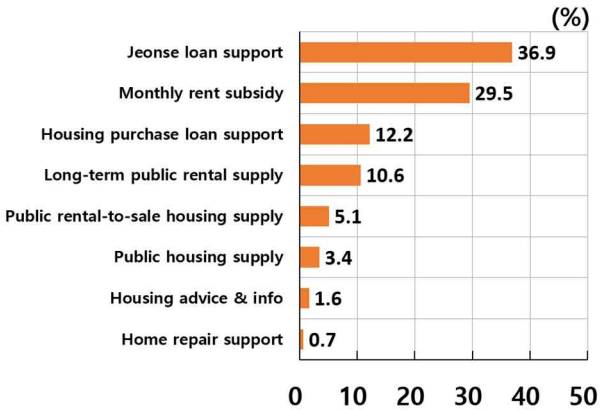
33 To alleviate the housing cost burden on youth, it is necessary to complement or strengthen financial support systems related to housing rental and purchase funds. Specifically, various means such as expanding support funds, applying preferential interest rates, and discounting guarantee fees can be reviewed. Even in the 2023 Housing Survey, the majority of youth picked direct financial support such as Jeonse loan, monthly rent subsidy, and home purchase loan as the most necessary policies.<Figure 40> However, while such support is effective in lowering the housing cost burden in the short term, considering that it may have side effects of increasing the debt repayment burden on youth or weakening fiscal sustainability in the long term, it is also a point to consider. Ultimately, regarding the expansion of financial support, it is necessary to view its effects and limitations in a balanced manner.

<Figure 39> Proportion of Non-Apartment Housing by Area



Note: 1) Share of total housing
2) Non-apartments include detached, multiplex, and row houses
3) Based on gross floor area
Source: Ministry of Data and Statistics

<Figure 40> Preferred Housing Support Programs by Youth



Note: 1) Based on survey in 2023
Source: Ministry of Land, Infrastructure, and Transport

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