Policy Brief

Navigating the Future of Work in Asia-Pacific: Building the resilience of youth entrepreneurs through digital inclusion

Strategic Intelligence Brief 1

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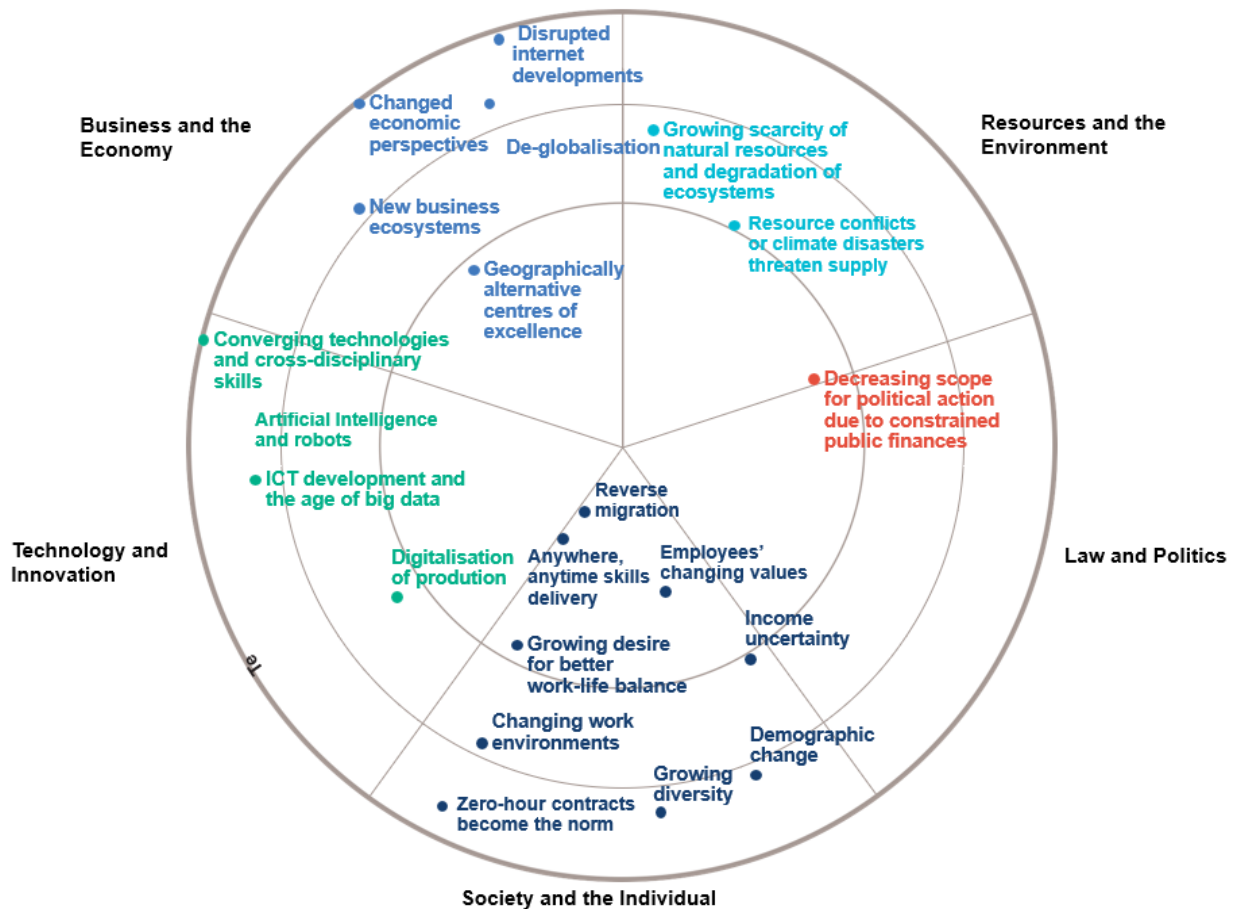
Background

The Asia-Pacific region is home to more than 600 million young people, between the ages of 15 and 24; making up about 60 percent of the world's youth population (ILO, 2021). The region has varying degrees of economic growth and human development, with some countries showcasing greater growth than others(GDP, investment, trade, etc.) and advances in human development (life expectancy, education, and per capita income).

UNICEF (2023) acknowledges that young people are facing a 'polycrisis' as they are confronted by continued impacts of the pandemic, a major war in Europe, rising inflation, job losses and limited employment opportunities, food insecurity and growing negative impacts of climate change on people's livelihoods. It is clear that these crises are intertwined and remain difficult for policymakers to untangle to keep up with the multiple urgent needs.

In the Asia-Pacific region, 23.8% of the young people are not in employment, education, or training (NEET); with a gender disaggregation of 13.8% male and 34.8% female (ILO, 2022). During the COVID-19 period with the disruption of economic activities, the region faced a fall in youth employment by approximately 10% (ILO,2022a). Although the youth employment rate regained some of its momentum post-COVID-19, it remained 3.4 percentage points below the 2019 level (ILO,2022b).

However, the work experience for many young people remains not decent enough. Although a gradual decline in vulnerable and low-paid employment has been observed over the years, after stalling during the COVID-19 period, the vulnerable employment stood at 50% in 2021 (ILO, 2022). In 2019, the 'moderate working poverty' rate for youth was 31.2% amounting to approximately 27.2 million young people, earning between $1.90-$3.10 per day (purchasing power parity) a day (ILO, 2022a).

The challenge for the region's countries is to provide decent employment opportunities for the sizable human resources available in the shape of a 'youth bulge' including self employment and entrepreneurship. Incidentally, the landscape of future work is fast changing, thanks in part to economic globalization, digitalization and other pertinent drivers (such as climate change, shifts in demographics etc.), which offers ample opportunities for rising entrepreneurship generating work, inclusive growth, and socio-economic empowerment. The key trends shaping future of work and digitalization are shown in the following map (adapted from (UKCES, 2015)):

Business and the Economy

- Disrupted internet developments
- Changed economic perspectives
- De-globalisation
- New business ecosystems
- Geographically alternative centres of excellence

Resources and the Environment

- Growing scarcity of natural resources and degradation of ecosystems
- Resource conflicts or climate disasters threaten supply

Law and Politics

- Decreasing scope for political action due to constrained public finances

Technology and Innovation

- Converging technologies and cross-disciplinary skills
- Artificial Intelligence and robots
- ICT development and the age of big data
- Digitalisation of prodution

Society and the Individual

- Reverse migration
- Anywhere, anytime skills delivery
- Employees' changing values
- Income uncertainty
- Growing desire for better work-life balance
- Changing work environments
- Demographic change
- Zero-hour contracts become the norm
- Growing diversity

'Digital Transformation': Current Landscape & Opportunities

PwC (2017) identifies 'the red world' as one of the four worlds of work in 2030 which focuses on a future economy in which digital innovation rules and entrepreneurs can leverage the potential of technology to reach far beyond their size in terms of influence and scale. The Asian Development Bank (2021) estimates that with the aid of digitalization, the Asia-Pacific region could garner an 'economic dividend' of more than $8.6 trillion by 2025. Further noting that *'digital technologies and services can help provide new growth opportunities for businesses of all sizes across Asia-Pacific'*. This is further endorsed by studies suggesting that a $1 investment in ICT drives $13 dollars in the GDP output (World Economic Forum, 2023). As these technologies are central to key economic sectors such as agriculture, education, energy, finance, health, manufacturing, transportation, etc.

An MIT Technology Review (2018) report notes that the "Southern-Asia-Pacific" region is a front-runner in the digital age, has the advantage of homegrown companies catering to regional digital needs and challenges, and is also graduating towards higher levels of digitization (such as the adoption of 5G).

Findex (2017) suggests that across the Asia-Pacific region (especially, in ASEAN and SAARC countries) smartphones, computers, and other digital devices are becoming increasingly accessible and affordable. The study further states that in 2017, the rate of mobile ownership among Asian-Pacific young people (15 to 25 years age bracket) was around 72%. However, this distribution of digital technologies is unevenly distributed within the region and countries, and across varying education levels and gender. Young people who have a higher level of education (secondary/tertiary level) have a higher rate of mobile phone adoption, similarly more males than females own mobile phones.

Both in terms of digital connectivity and progress towards 'digital societies', the countries within the Asia-Pacific region can be broadly placed amongst three categories: emerging, transition, and advanced (*see,* Table below). This highlights the varying level of development in digitalization and calls for greater investment and regional cooperation to upgrade all regional economies to a similar level.

Stage of Digitization	Countries within the Asia Pacific Region
Emerging	Pakistan, Bangladesh, Cambodia
Transition	India, Indonesia, Philippines, Viet Nam, Malaysia, Thailand
Advanced	Japan, Singapore, South Korea, Australia

Source: Okeleke et al. (2022), GSMA

The youth population, in particular, has been at the forefront of this transformation, leveraging digital technology to establish new ventures and turn their entrepreneurial ideas into realities. As first- or second-generation digital natives (owing to early exposure to technologies), and being impacted by an increasingly digitized world, young people are key in adopting and facilitating the use of digital technologies. They are also the most active and influential users of newer technology and digitally-driven platforms, as opposed to the older generations. In a study on young entrepreneurs adopting digital businesses in various sectors by UNDP & Citi, 53 out of 64 (83%) respondents identified digital technology as a driver of the operationalization and expansion of their businesses. Noting that without the aid of digital technologies, their enterprises would not have the same impact or consumer response.

Challenges

The process of leveraging digital technology for youth entrepreneurship does not come without its own set of challenges. Firstly, this digital transformation entails the adoption and mainstreaming of digital tools and mechanisms into the day-to-day processes of businesses, and in the services or products provided by them directly and indirectly. Therefore, this transition to greater digitalization or its utilization as a key enabler of youth-led entrepreneurship goes beyond the mere provision of basic technology. It requires equipping young people with the targeted education, skills, capacities (financial, technological, infrastructural), and behavioral interventions to forge a culture of greater digital integration.

The challenges for leveraging digital technologies in the Asia-Pacific region for youth entrepreneurship include, but are not limited to the following:

Lack of access to capital, infrastructure, and technologies: One of the biggest challenges faced by young entrepreneurs in the Asia-Pacific region is the lack of access to capital (UN ESCAP, 2019). The high cost of starting a business and obtaining financing makes it difficult for young entrepreneurs to launch their businesses; this also poses a hindrance to young people in adopting 'pricey' technologies. In the same thread, according to a report by the International Telecommunication Union (ITU), only 53.4% of the population in the Asia-Pacific region has access to the internet, with significant disparities in access between urban and rural areas (ITU, 2021). These disparities are further magnified on the basis of gender, with just 41% of females (compared to 54.6% of males) who have regular access to the internet in the region (World Wide Web Foundation, 2020).

Lack of Technical Skills and Digital Literacy: Besides the divide in terms of infrastructure and capital; as stated previously, different countries are at different stages of adopting technologies, and related skills. Substantial numbers of youth in developing countries in the region have low levels of both basic literacy and digital literacy, which can largely impact their usage of technologies as a tool for their entrepreneurial activities. According to data gathered by UNESCO In 2019, 128 million young people in Asia Pacific are out of school. Oftentimes, even those in school are not learning adequately and reaching minimum proficiency in foundational skills, such as reading and mathematics. Similarly, results of a survey of youth in 10 ASEAN countries[1] gathered that 61% of the students did not receive any digital skills development (UNICEF, 2023). Concurrently, as per UNESCAP (2022), the percentage of population lacking basic ICT levels can reach up to 90% in some countries within the region, such as Pakistan and the Philippines. Even among high-performance countries in the region, the low skill level poses a challenge with up to 40% of the population lacking basic ICT skills.This is exacerbated by the inadequacy of education and training systems due to absence of relevant knowledge and capacities to support the digital skills development. Teachers are generally unfamiliar with new technologies, and require capacity building prior to using newer tools (UNICEF, 2023).

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[1] Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam

Weak Youth Entrepreneurship Ecosystem Conditions: Youth entrepreneurs largely experience barriers in creating sustainable start-ups, as there is a dearth of relevant business development support (mentoring/infrastructural/financial), due to limited networking with relevant stakeholders (such as governments, academia, financers/enablers and other entrepreneurs. Moreover, there is a lack of access to markets, calling for greater opportunities for youth to enter the labor market as entrepreneurs (Guelich & Bosma, 2019).

Obstacles to inclusive growth: Intersecting inequalities further impede marginalized populations from effectively leveraging digital technologies. Young women, young working-age ethnic minorities, young PWDs are often underrepresented in the technology sector and face significant barriers to entrepreneurship. ITU (2021) observes that 80% of the world's "offline" population are in the Asia-Pacific and African region. Linked to this the UN (2021) notes that marginalized groups (predominantly based on factors such as location, income, age, sex, ethnicity and disability) are 'overrepresented' in this offline population, and in lack of access to the internet or digital technologies/infrastructure. There is therefore a need to encourage and support the participation of young women and underrepresented groups in the technology sector and entrepreneurship through targeted policies and initiatives that promote diversity for their inclusion in the technology sector.

Policy Recommendations

To meet the above-reported challenges, the regional governments need to address them by using the following key policy measures to support and expand the entrepreneurial ecosystem in the region and at national and sub-national levels:

1. ***Access to digital infrastructure, capital, technologies, and skills:*** ensure the development and availability of reliable digital infrastructure to support young entrepreneurs in the Asia-Pacific region (UN ESCAP, 2019), particularly for the youth residing in rural areas and/or belonging to marginalized communities (e.g., the Digital India Program focuses on 'broadband for all' to bridge digital access divide). This should go hand in hand with addressing the issues of limited financial resources by working on access to credit, investment, and funding facilities. To overcome the digital divide, national governments should expedite the provision of access to high-speed internet, affordable technology, technology hubs, digital innovation centers, and targeted training programs to help young entrepreneurs develop their technical skills, through adequately equipping education and training systems (including TVETs).

   For example, the Government of Malaysia adopted the National Entrepreneurship Policy (NEP) in 2019 and included focus on a new economy which would entail assessing enterprise readiness to adopt new and disruptive technologies. It also called out for supporting entrepreneurs and their activities via physical and digital infrastructure and assisting their business through legislation, accounting and technical expertise.

2. ***Digital innovation & creating partnerships and networking:*** to help youth entrepreneurs overcome the challenges of competition, and effectively address the challenge of extending digital innovation support among youth, governments should encourage collaboration and partnerships among young entrepreneurs and key stakeholders (enablers, investors, private sector, policy & regulatory bodies) through networking events, mentorship, incubation programs, and country-level/regional peer-to-peer exchanges.

3. ***Improving data governance in digital technology for young entrepreneurs:*** data governance refers to the rules, processes, and practices that control the collection, storage, and usage of data (International Data Corporation, 2020). In the digital age, it is critical that young entrepreneurs gain access to high-quality data and data governance systems that support the growth and sustainability of their businesses. To improve data governance, policy actions should focus on promoting data privacy, transparency, and security, as well as encouraging the development of innovative data governance solutions.

4. ***Ensuring young entrepreneurs gain access to secure digital platforms and systems:*** in a highly connected and digital world, it is crucial for young entrepreneurs to have access to secure digital platforms and systems. This will help to protect their businesses from cyber threats and data breaches. Governments can implement policies to encourage the use of secure digital platforms and systems, as well as provide training and education to young entrepreneurs on how to safeguard their businesses from cyber threats.

5. ***Strengthening national youth entrepreneurship ecosystems*** to ensure the creation of productive employment and decent working conditions. Realized through creating inclusive youth entrepreneurship-friendly policy & regulatory frameworks, improving access to finance and incentives, business development (human & infrastructural support), and access to markets through spaces/points-of-entry for youth-led products and services.

5. ***Reducing the Gendered Digital Divide for Young Female Entrepreneurs:*** According to a report by the International Telecommunication Union (ITU), the gender digital divide remains a major issue, with women being less likely to own or use digital devices and access the internet (ITU, 2019). This affects the growth and success of young female entrepreneurs who face greater challenges in accessing and using digital technology. To reduce the gendered digital divide, policy actions should focus on promoting gender-responsive policies and programs and increasing access to digital skills training, particularly for women and girls.

6. **Advancing regional cooperation** of knowledge sharing (best practices), technology transfer, harmonization of policies and standards, resource pooling for joint digital initiatives, and opening up access to regional and global markets for youth entrepreneurs.

Case studies showcasing implementation of policies & programmes supporting digitally-led youth enterprises in the Asia-Pacific region:

She Loves Tech: Accelerator Program founded in China in 2015, was specifically designed to support women-led technology startups. The program provides training, mentorship, and networking opportunities to help women entrepreneurs overcome the barriers they face in the male-dominated tech industry. By 2023, the program had expanded to more than 70 countries and supported over 8,000 women-led startups. As a result of the program, many of these startups have gained access to funding and partnerships with major corporations, leading to their successful digital transformation. Their next aim is to catalyze USD 1 Billion in funding for women by 2030.

Startup India initiative: The Indian government launched the Startup India initiative to support young entrepreneurs in the country. The initiative provides financial and technical support, as well as training programs and workshops, to help young entrepreneurs start and expand their businesses (Startup India, 2020).

Alibaba Entrepreneurs Fund in Hong Kong: The Alibaba Entrepreneurs Fund in Hong Kong provides funding and support to young entrepreneurs in the Asia-Pacific region, helping them to leverage digital technology for their businesses (Alibaba Entrepreneurs Fund, 2020).

Lazada is an e-commerce platform that operates in several countries in Asia Pacific, including Indonesia, Malaysia, and the Philippines. The platform allows individuals and businesses to sell products online; essentially providing greater market access. Through its program "LazStar," the organization provides training and support to young entrepreneurs who want to sell their products on the platform, enabling many young entrepreneurs to start their own businesses and become financially independent. The program provides training on product sourcing, marketing, and customer service, which helps young entrepreneurs develop the skills they need to succeed in the digital economy.

Conclusion

To provide a favorable environment for young entrepreneurs to thrive in the digital age, it is critical that policy actions address the key policy questions. Including reducing the gendered digital divide, improving data governance, enhancing infrastructure (including financial inclusion), reducing the skills gap (through access to relevant training), promoting innovation, and providing advanced security measures. By adopting such policies, the Asia-Pacific region can foster a thriving entrepreneurial ecosystem to support the growth of young entrepreneurs, whilst ensuring that no one is left behind.

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