SINGAPORE: With the global economy in the doldrums, the key challenge for the world in the future is jobs.

Singapore's Deputy Prime Minister and Minister for Finance and Manpower Tharman Shanmugaratnam said this at the annual Asia Competitiveness Institute Conference organised by the Lee Kuan Yew School of Public Policy on Tuesday.

High youth unemployment rates are a key factor behind recent protests in the Middle East and North Africa.

Jobless rates amongst youths are also on the rise in Europe and the US.

Speaking at a conference attended by top officials, academics and business leaders in the region, Mr Tharman said this could spell serious long-term consequences for these economies.

"You have a wasted generation, that will find it unable, later on, to get back into the mainstream of an economy and society," he said.

Asia, particularly Singapore, South Korea and China, should watch closely the effects of long-term unemployment among young people in advanced economies because the same situation could also unfold in their economies.

While small and medium enterprises play a key role in creating jobs, Mr Tharman said Asian governments need to lend a helping hand.

For example, these firms can be clustered by industry so that subsidies can be provided to encourage technology sharing and skills development.

Besides banking services, there's also a need to increase small and medium sized firms' access to other forms of financing.

"Capital markets allow for much more differentiated risk, where you can have higher risk instruments for investors who are willing to take a higher risk. The Asian capital markets now are still much undeveloped from that point of view. The venture capital, and the early stage investment industry is still relatively undeveloped," he said.

Another key to growth would be developing human capital by getting more tertiary students to go beyond a general degree and specialise.

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