



A Comprehensive Reform Equivalent to a Wartime Mobilization: The “Big Push” Strategy

Hyuncheol Bryant Kim MD PhD

Professor, Yonsei University College of Medicine, and Economics Department, HKUST, Hong Kong
Director, Yonsei Institute for Population and Human Capital

Introduction: How Can Korea Overcome Its Ultra-Low Fertility Crisis?



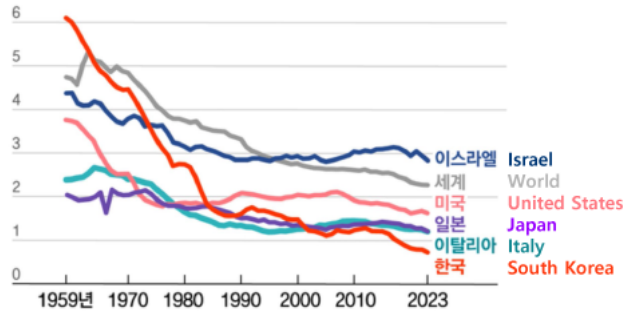
Korea's Ultra-Low Fertility Crisis



- In 2024, Korea's total fertility rate fell to 0.75
- the lowest in the world.

Fertility Rate Trends in Major

Unit: Total Fertility Rate



Source: United Nations

The JoongAng

Hyuncheol Bryant Kim, "The New President Must Commit to a Big Push Equivalent to Wartime Reform," JoongAng Ilbo, May 22, 2025

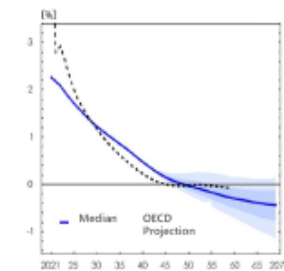
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Why a Young Population Matters



- A young population is essential for sustaining pensions, healthcare, and national defense
- The Bank of Korea (2023) projects negative economic growth during the 2050s and 2060s.

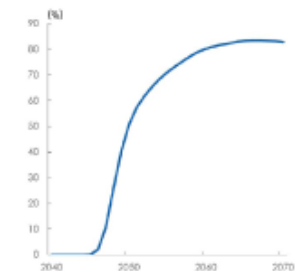
Figure 3. Probability Distribution of Trend Growth Rates under Fertility Uncertainty



Note: Dark shaded area indicates the 50% prediction interval
Light shaded area indicates the 80% prediction interval

Source: Author's own calculations based on raw data from UN (2002) and Statistics Korea (2021) & OECD(2023)

Figure 4. Probability of Trend Growth Falling Below 0%



Harim Lee & Indo Hwang, "Ultra-Low Fertility and Aging Society (1): Severity and Causes," BOK Issue Note, Dec 6, 2023

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The “Big Push” Concept

- A foundational idea in development economics.
- Emphasizes large-scale, strategic intervention
 - in contrast to piecemeal adjustments.
- Simultaneous improvements in assets, training, and health can lead to sustainable poverty escape.



Banerjee, Abhijit, et al. "A multifaceted program causes lasting progress for the very poor: Evidence from six countries." Science 348, no. 6236 (2015): 1260799.

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Why a “Big Push” Policy Is Necessary

- A bold, comprehensive reform strategy is imperative.
- If the current fertility rate of 0.75 persists:
 - 51 million in 2025 → 40 million in 2050
→ 33 million in 2075 → 26 million in 2100
- Over 50% of the population will be aged 60 or older

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I. Financial Support

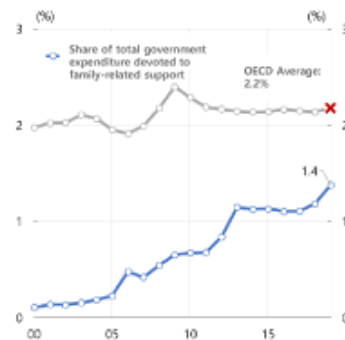


Current Public Spending on Families



- Korea allocates 1.4% of its GDP to family
 - Childbirth grants, Child allowances, and Parental benefits etc
- Significantly lower than the OECD average of 2.2%

Government Spending on Family Policies (as % of GDP)



Taehyung Cho, Seongwon, and Jongwoo Jung, 'Ultra-Low Fertility and Aging Society (2): Policy Responses and Effectiveness,' BOK Issue Note, Dec 8, 2023

Note: Includes both cash and in-kind public spending on family benefits — such as child allowances, parental leave payments, and childcare support

Source: OECD Family Database

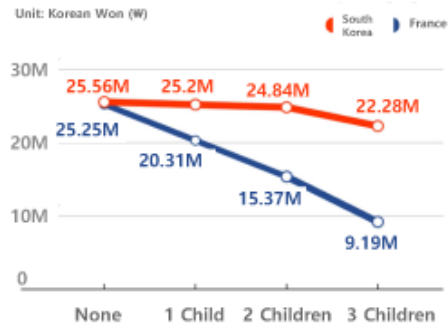
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France's Income Tax System



- Taxation is based on the family unit (as opposed to the individual).
- The more children a household has, the lower its effective tax burden.
 - Local taxes and pension contributions are also reduced based on the number of children.

Income Tax by Number of Children: when each spouse earns 75 million KRW annually



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Money: Having More Children Should Improve Household Stability



- Introduce family-based taxation and complement it with direct cash support.
 - Expand child allowances and caregiving deductions based on the number of children.
- Children are not a financial burden — they are long-term, high-return investments.
 - One additional birth generates an estimated ₩4 billion in GDP and ₩800 million in tax revenue (assuming 2% growth and current tax rates).

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II. Time



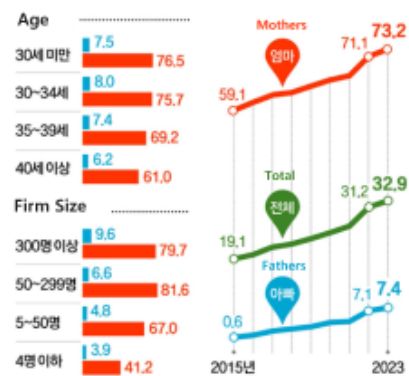
Work-Family Balance

- In 2023, parental leave usage in the year of childbirth showed a stark gender gap:
 - 73.2% of women took parental leave
 - Only 7.4% of men did

Hyuncheol Kim, JoongAng Ilbo, May 22, 2025; Statistics Korea, Dec 18, 2024

Parental Leave Utilization Rates by Parents of Newborns

Unit: %
Year: 2023



Source: Statistics Korea

The JoongAng

Make Joint Parental Leave the Default Option



- Incentivize both parents to take parental leave together.
 - Example: “6 + 6” system — if both parents take more than 6 months of leave, benefits increase.
- Raise benefit caps, strengthen subsidies for small businesses, expand flexible work options, and reduce overall working hours.

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Make Joint Parental Leave the Default Option



- Redesign parental leave as the default option
 - Instead of having to apply to take leave, employees would apply only if they choose not to take it.
- Inspired by Richard Thaler's Nudge: Simply changing the default increases participation.

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III. Jobs and Housing



A Hyper-Competitive Society as the Root Cause of Low Fertility



- Korea's birthrate crisis is rooted in excessive competition and structural insecurity.
- In 2024, private education expenditures reached ₩29 trillion.



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Korea's Educational Zeal and Status Externalities



- Status externalities
 - Status externalities drive excessive investment in private education, as families fear falling behind others — thereby increasing the perceived cost of childbearing.
- Reducing status externalities could raise the fertility rate by 28%.
- Policy idea: Impose an education tax on private tutoring and use the revenue to fund childbirth incentives.

Kim, Seongeun, et al. "Status Externalities in Education and Low Birth Rates in Korea." *American Economic Review* 114, no. 6 (2024): 1576–1611.

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Lowering the Competition Ladder



- Reform university admissions systems, reduce the rigid hierarchy of elite universities, and expand opportunities for students from low-income and regional backgrounds.
- → Promote the idea that "It's okay not to attend a top-tier university."

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Jobs and Housing



- Why do young people avoid marriage and childbirth?
 - Low wages, Job insecurity, High housing costs
- Labor Market Reform
 - Narrow the gap between regular and non-regular workers
 - Raising Wages by Enhancing Small and Medium-sized Enterprises (SMEs) Productivity
 - Expand unemployment benefits and social safety nets
 - Create a society where people can live decently without having to “succeed”

Hyuncheol Bryant Kim, "Narrowing Labor Market Gaps Is Key to Solving Educational Overheating and Low Fertility," JoongAng Ilbo, Jan 11, 2024

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The Housing Problem



- Housing costs and urban density are key determinants of fertility.
 - Seoul's fertility rate is 0.59 vs. 1.12 in Sejong.
- Fertility-Linked Housing Incentives
 - Expand public rental housing
 - Provide mortgage support for newlyweds and families with multiple children
 - Example: Seoul's "Mirinae House" program
 - allows tenants to move in without a deposit and later purchase the home
- Decentralize from the Seoul metro area and strengthen local education, childcare, and healthcare infrastructure

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IV. Immigration and Culture



Immigration: A Strategy for Survival, Not a Choice



- If native-born fertility alone cannot sustain the population,
- Actively attract *high- and mid-skilled* immigrants.
- Example: Japan's 2019 "Specified Skilled Worker Visa"
 - Targets labor shortages in sectors such as construction, caregiving, agriculture, and hospitality
 - Requires minimum skill and language levels
 - Offers long-term residency (5+ years) and paths to permanent settlement

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Immigration: A Strategy for Survival, Not a Choice



- Simplify the path to permanent residency, offer tax incentives, and invest in settlement infrastructure
 - e.g., International schools, English as a co-official language
- Attract mid-skilled workers in caregiving, elder care, and manufacturing
 - Develop phased integration support systems
- The risks of immigration-related social tension are smaller than the threat of demographic collapse

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Values and Cultural Change Must Go Together



Image from *When Life Gives You Tangerines* © Netflix

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Cultural and Communal Values Also Shape Fertility



- Fertility is influenced not only by economics but also by culture, community, and the perceived meaning of life.
 - Example: Fertility rates among Jews in the United States
 - Orthodox Jews: 3.3 children per woman
 - Non-Orthodox Jews: 1.4 children per woman

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Conclusion



Conclusion



- A “Big Push” — a comprehensive reform effort — is essential to address Korea’s demographic crisis.
 - Introduce family-based taxation
 - Make joint parental leave the default option
 - Reduce societal hyper-competition and strengthen the social safety net
 - Expand immigration policies targeting high- and mid-skilled workers
 - Promote a family-friendly culture

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