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South Korea Eyes AI Windfall Fund to Aid Growth, Jobs for Youth

Kim Young-hoon *Source: Ministry of Employment and Labor*

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July 10, 2026 at 6:00 AM GMT+9

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Takeaways by Bloomberg AI

South Korea plans to use part of an expected tax windfall from its booming chip sector to support young people, its labor minister said, as surging AI-related demand boosts the economy for now while fueling concerns over a wave of job cuts to come.

"The key idea is that it should be used to invest in emerging industries and young people," Labor Minister Kim Young-hoon said in an interview with Bloomberg News on Thursday, referring to a new investment fund the government plans to create.

Read more: Korea Plans New Investment Fund Using Tax Windfall From AI

South Korea, home to chip giants Samsung Electronics Co. and SK Hynix Inc., is on track for bumper corporate tax receipts this year as rocketing AI demand lifts corporate earnings. The presidential office announced earlier this week that it will use tax revenue above forecast levels to launch an investment fund aimed at powering long-term growth engines.

Details of the proposed fund, including its size and how it will be managed, will be discussed at a national budget strategy meeting set to take place after President Lee Jae Myung returns at the end of the week from his visit to Mongolia, Kim said.

It remains unclear how much excess tax revenue will be generated, but the two chip giants are both forecast to post record operating profits that could collectively yield more than 100 trillion won ($66 billion) in annual corporate taxes, analyst estimates suggest. That's roughly equivalent to an earlier annual projection for total corporate tax receipts for the entire economy.

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Kim spoke just hours after the International Monetary Fund upgraded South Korea's growth forecast for this year by the most among the world's 30 major economies, adding to evidence that the country's AI-driven semiconductor boom is more than offsetting the economic hit from the Middle East conflict.

Still, the AI-led upcycle has also left policymakers scrambling to find solutions to address growing discontent over widening inequality, as big chip companies and tech workers benefit from the boom while their suppliers and subcontractors miss out and many others fear their jobs may simply disappear.

In South Korea, younger workers are among the hardest hit by advances in technology. An estimated 1.71 million people in their 20s and 30s are struggling to find work – either unemployed or not actively seeking employment – as of April, with the youth employment rate at its lowest level since the pandemic.

A shortage of quality jobs driven by the AI transition, companies' preference for experienced workers, and intensifying job competition are weighing on job prospects in the labor market for younger generations, the government has said.

"One of the problems brought about by AI is that it is eliminating routine, repetitive tasks – especially the kinds of entry-level jobs that young people typically take on when they first enter the workforce," Kim said. He describes this as "jobless growth."

"In a sense, AI has made an already difficult situation even worse," he said.

Kim, a train driver and labor activist-turned-cabinet minister, was one of the key figures involved in recent bonus negotiations at Samsung, helping stave off a strike that threatened to disrupt global supply chains. For workers in the company's memory division, the deal led to bonuses as high at $400,000, roughly four times average pay at Samsung.

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Kim is one of the more vocal advocates of wealth redistribution in the Lee administration, calling for greater profit sharing by conglomerates including the country's chip giants.

"I want to make it clear that this is not a socialist approach, but a discussion about sustainable capitalism and building a sustainable ecosystem," Kim said. While a single chip company can land huge profits, those earnings are the result of a collective process involving nearly 1,700 companies, he added.

"When the Kospi reaches 9,000 and Samsung earns tens of trillions, we must be able to answer young people's question: 'How does that make my life any different?'" he said.

That's why windfall funds should be used to support growth sectors and help the younger generation, he said, characterizing that approach as investment in the future not redistribution. The former union leader also warned that a transition that leaves workers behind is likely to backfire.

That will require dialogue and compromise from both management and employees to communicate closely.

"To navigate this transition successfully, we must communicate thoroughly with the workers expected to suffer and cross this bridge together," he said. "Only then can we prevent them from becoming forces of resistance against technological change."

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