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Interactive Mechanism Between Income Distribution Reform and Improvement of People's Well-being

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Abstract

To explore the two-way interactive logic between income distribution reform and the improvement of people's well-being, resolve practical obstacles to their coordinated development, and advance the goal of common prosperity, this paper constructs a two-way interactive analytical framework of "reform – improvement – re-reform – re-improvement" from multidisciplinary perspectives including Marxist distribution theory and welfare economics. It systematically sorts out the four-stage practical evolution of China's income distribution reform and four major achievements in boosting people's well-being, and analyzes core challenges such as imperfect primary distribution systems, mismatched supply and demand of people's livelihood services, and insufficient policy coordination. The study finds that income distribution reform elevates people's well-being through the foundational support of primary distribution, targeted regulation of redistribution, and supplementary advancement of tertiary distribution. In turn, improved people's well-being feeds back into income distribution reform via human capital accumulation, social stability safeguards, and demand-driven institutional optimization. Accordingly, this paper proposes optimization approaches covering three dimensions: refining the three-tier distribution system, upgrading the quality of livelihood services, and establishing an interactive coordination mechanism. These measures aim to foster a virtuous cycle between income distribution reform and the advancement of people's well-being, providing theoretical references and practical guidance for realizing common prosperity.

Keywords

Income Distribution Reform; People's Well-being; Common Prosperity

1. Introduction

1.1. Research Background

Common prosperity is the essential requirement of socialism and a defining feature of Chinese-style modernization. Since the reform and opening-up, China's economy has sustained rapid growth, with its gross domestic product (GDP) soaring from

367.9 billion yuan in 1978 to 126 trillion yuan in 2023, securing the world's second-largest economic volume and laying a solid material foundation for optimizing income distribution and improving people's well-being. In the field of income distribution, China has gradually built an institutional system featuring coordinated primary, secondary and tertiary distribution. Per capita disposable income of urban residents rose from 171 yuan in 1978 to 49,283 yuan in 2022, while that of rural residents grew from 134 yuan to 20,133 yuan over the same period. The urban-rural income ratio dropped from over 3:1 in 2002 to 2.45:1 in 2022, and the fight against poverty achieved a comprehensive victory, eliminating absolute poverty for the first time in history. In terms of people's well-being, the Engel's coefficients of urban and rural households fell from 57.5% and 67.7% in 1978 to 29.5% and 33% in 2022 respectively. Basic medical insurance covers 1.36 billion people, and basic old-age insurance nearly 1 billion people, marking a shift in residents 'living standards from subsistence to shared affluence.

Nevertheless, China remains in the primary stage of socialism, with prominent unbalanced and inadequate development, alongside persistent challenges in income distribution and people's well-being. In terms of income distribution, the Gini coefficient has long stood above the international warning line of 0.4, reaching 0.466 in 2021, while the wealth Gini coefficient hit approximately 0.7. The share of labor remuneration in primary distribution remains relatively low, and income gaps persist across urban and rural areas, regions and industries. For people's well-being, high-quality public service resources are unevenly allocated between urban and rural areas and across regions; education, medical care, elderly care and other public services in rural regions need substantial upgrading. The accuracy and sustainability of the social security system face tests, and the structural imbalance between diversified livelihood demands and insufficient supply on the supply side has become increasingly prominent.

Income distribution reform and the advancement of people's well-being do not operate in isolation but share profound interactions. Common prosperity rejects egalitarianism; it is a dynamic process featuring universality, comprehensiveness, phased progress and differentiated development. Its core lies in establishing a rational income distribution system to ensure the fruits of development are shared more equitably by all people. Income distribution reform reshapes interest patterns, directly affecting residents 'income levels and public resource allocation, thereby delivering material guarantees and institutional support for improved livelihoods. Meanwhile, enhanced well-being—particularly advances in education and healthcare—improves human capital quality, promotes social equity, creates a stable social environment for income distribution reform, and compels further optimization of distribution institutions. Therefore, systematic research on their interactive mechanisms and solutions to barriers in their interaction is of great significance for achieving more tangible progress toward common prosperity.

1.2. Research Significance

1. Theoretical Significance

This paper constructs a two-way interactive analytical framework linking income distribution reform and people's well-being, enriching interdisciplinary research on income distribution and livelihood theories. Existing studies mostly focus separately on paths for income distribution reform or strategies to boost people's well-being, lacking systematic analysis of their interactive relationship. Drawing on Marxist distribution theory, welfare economics, human capital theory and other multidisciplinary frameworks, this paper dissects transmission mechanisms between primary, secondary and tertiary distribution and multiple dimensions of people's well-being, and reveals feedback effects of improved livelihoods on income distribution reform. It expands the application scenarios and explanatory boundaries of relevant theories, offering theoretical references for subsequent research.

2. Practical Significance

Combined with China's practical realities, this paper identifies key obstacles in the interaction between income distribution reform and livelihood advancement, and puts forward targeted optimization approaches. Its findings can provide decision-making references for governments to formulate income distribution and livelihood security policies, support the construction of a coordinated three-tier distribution system, advance equal access to public services, foster a virtuous cycle between income distribution reform and improved people's well-being, and ultimately serve the strategic goal of common prosperity

2. Theoretical Construction of Interactive Mechanisms Between Income Distribution Reform and Improved People's Well-being

The interaction between income distribution reform and people's well-being advancement operates bidirectionally. Income distribution reform promotes livelihood improvement through multiple transmission channels, while enhanced livelihoods generate feedback effects that drive optimization of income distribution institutions, forming a virtuous cycle of "reform – improvement – re-reform – re-improvement".

2.1. Mechanisms Through Which Income Distribution Reform Boosts People's Well-being

1. Primary Distribution: Foundational Support for People's Well-being

Primary distribution is market-led and shapes the basic landscape of residents ' income, serving as the material foundation for advancing people's well-being.

Raising the share of labor remuneration, refining a dynamic adjustment mechanism for minimum wage standards, and promoting collective labor-capital negotiation directly increase incomes of workers, especially low- and middle-income groups.

Rising disposable income expands consumption expenditure, optimizes consumption structures and elevates material living standards. Meanwhile, income growth eases spending constraints on education, medical care and other livelihood sectors, strengthens capacity for developmental consumption, facilitates human capital accumulation, and indirectly improves long-term well-being.

Orderly distribution of production factors including capital, land, knowledge, technology and data safeguards equal participation rights and revenue entitlements for all factor owners. On one hand, improved factor markets break barriers to factor mobility, enabling rural residents and small and medium-sized enterprises to fairly access factor returns and boost property and operational income. On the other hand, curbing unregulated capital expansion prevents polarization in factor income and narrows inter-group income gaps to drive balanced improvement of people's well-being.

Primary distribution also emphasizes equal opportunity by eliminating discriminatory institutional barriers based on household registration, geography and industry, securing workers 'equal rights to employment and market competition. Equal opportunity enables more people to earn reasonable incomes through hard work, reduces intergenerational poverty transmission, and advances equitable improvement of people's well-being.

2. Redistribution: Targeted Regulation of People's Well-being

Redistribution is government-led, correcting inequities in primary distribution via taxation, transfer payments and equalized public services to guarantee basic livelihoods, acting as a critical safeguard for people's well-being.

Taxes including personal income tax, property tax and consumption tax adjust earnings of high-income groups to narrow income disparities. Progressive personal income tax imposes higher tax rates on high earners while special additional deductions ease tax burdens for low- and middle-income households. Property taxes effectively regulate stock wealth gaps, and consumption taxes levied on luxury and high-pollution goods guide consumption patterns while generating fiscal revenue to fund livelihood spending. Tax revenues redirected to livelihood sectors indirectly raise overall well-being.

Governments channel fiscal transfer payments toward low-income groups and underdeveloped regions to secure basic livelihoods. Individual transfer payments such as subsistence allowances, special hardship relief, pensions and unemployment benefits directly boost disposable income for disadvantaged populations and alleviate poverty. Regional transfer payments include general and special transfers funding infrastructure and public services in rural and central-western areas, narrowing urban-rural and regional livelihood gaps. For instance, special fiscal poverty alleviation funds during the anti-poverty campaign lifted rural populations out of poverty through industrial relocation and resettlement programs, markedly advancing their well-being.

Governments increase fiscal investment in education, medical care, culture, sports and other public services to advance equalization and guarantee universal access to basic public services. In education, expanded investment in rural compulsory education and balanced urban-rural schooling deliver high-quality educational resources to rural children. In healthcare, improved basic medical insurance and county medical consortiums upgrade medical services in rural and underdeveloped regions. In elderly care, a consolidated basic pension system and community senior care services cater to diverse elderly care demands. Equalized public services reduce individual livelihood spending burdens, equalize developmental opportunities, and drive comprehensive improvement of people's well-being.

3. Tertiary Distribution: Supplementary Advancement of People's Well-being

Tertiary distribution is society-driven, complementing primary and secondary distribution through charitable donations and volunteer services to address livelihood demands of vulnerable groups, serving as an important supplement to people's well-being.

Enterprises and individuals provide funds, materials and services to poor regions and disadvantaged groups via charitable donations, directly ameliorating their living conditions. In education, donations establish scholarships and grants to support impoverished students. In healthcare, charitable funds finance critical illness relief and grassroots medical institution construction to ease medical access and cost burdens. In poverty alleviation, donations support rural industrial development and infrastructure to boost rural livelihoods. Data from the China Charity Federation shows total charitable donations exceeded 200 billion yuan in 2022, with substantial funds allocated to livelihood sectors including education, healthcare and poverty reduction.

Volunteers supplement insufficient public service supply and elevate livelihood service quality. In community services, volunteers deliver daily care and health support to the elderly and persons with disabilities. In public culture, volunteers staff cultural venues and rural cultural outreach programs to enrich residents ' spiritual lives. In emergency response, volunteers participate in disaster relief and epidemic prevention to protect public safety and property. Volunteer services foster social mutual assistance, strengthen social cohesion, and raise subjective perceptions of well-being.

Tertiary distribution promotes a charitable culture and corporate social responsibility, cultivating a social atmosphere of universal participation in public welfare and shared development outcomes, advancing social justice and boosting public recognition of improved people's well-being.

2.2. Feedback Mechanisms of Improved People's Well-being on Income Distribution Reform

Advancement of people's well-being constitutes not only the objective of income

distribution reform but also a source of momentum and safeguards for reform, driving deepened income distribution optimization through human capital accumulation, social stability and demand-driven institutional adjustments.

1. Human Capital Accumulation Optimizes Income Distribution

Progress in education, healthcare and other livelihood dimensions enhances human capital quality, facilitates high-quality employment, and thereby improves income distribution structures.

Universal access to quality education elevates workers 'knowledge and skills, strengthening their employability and earning potential. In particular, improved educational attainment among rural and low-income populations breaks intergenerational poverty, opening access to high-wage industries and narrowing inter-group income gaps. Broad-based educational advancement stimulates technological innovation and economic growth, expanding the middle-income group and transforming the "dumbbell-shaped" social structure into an "olive-shaped" one, laying solid human capital foundations for income distribution reform.

Enhanced medical and healthcare services improve residents 'health, reduce poverty triggered or exacerbated by illness, and secure stable employment and income for workers. Healthy laborers achieve higher labor productivity and greater labor compensation; extended working lifespans raise lifetime earnings and narrow income gaps between groups with differing health statuses. Full rural basic medical insurance coverage, for example, has substantially reduced rural households ' medical burdens and mitigated adverse income shocks from health crises.

2. Social Stability Safeguards Advancement of Income Distribution Reform

Improved people's well-being eases social tensions, creates a stable social environment and enables smooth implementation of income distribution reform.

A core objective of income distribution reform is poverty reduction, while universal social security and upgraded public services directly alleviate deprivation, reduce discontent among disadvantaged populations and lower risks of social conflict. A stable social environment allows steady progress of income distribution reform without social unrest triggered by institutional adjustments.

Equalized public services and fair social security strengthen public perceptions of equity and bolster recognition and support for income distribution reform. When residents perceive equitable sharing of development outcomes, they participate more actively in economic and social construction and back policy measures including tax regulation and factor distribution reform, establishing broad public foundations for reform.

3. Upgraded Livelihood Demands Drive Deepened Income Distribution Reform

Evolving diversified livelihood demands raise standards for income distribution and compel continuous refinement of distribution institutions.

Rising resident incomes generate surging demand for high-quality education, medical care, elderly care and other public services, yet uneven supply and

low-quality services remain prominent bottlenecks. This requires intensified redistribution efforts in income distribution reform, expanded fiscal investment in public services, optimized allocation of public resources and equalized service provision to meet residents 'livelihood demands.

As people's well-being improves, public demand for fairness and justice intensifies, with growing attention to excessive income gaps and inequitable factor distribution. This mandates stronger redistributive regulation, standardized primary distribution order and activated tertiary distribution to narrow income and wealth disparities and achieve higher-level distributive equity.

Public aspirations for all-round human development require income distribution reform to prioritize not only income growth but also equal developmental opportunities. It demands elimination of institutional barriers based on household registration, geography and industry, guaranteeing equal market competition rights and factor revenue entitlements for all groups, and enabling every individual to improve their lives through diligent work.

3. Practical Status of the Interaction Between China's Income Distribution Reform and Improved People's Well-being

3.1 Evolution of China's Income Distribution Reform

1. Planned Economy Era (1949–1978): Egalitarian Distribution

After the founding of the People's Republic of China, a unitary public ownership system under a planned economy was established, with distribution governed by the principle of "distribution according to work". In practice, however, egalitarianism prevailed. Urban areas adopted an eight-grade wage system with minimal wage differentials, while rural areas operated a work-point collective distribution scheme regulated by national planning. While this distribution model guaranteed basic livelihoods, egalitarianism severely dampened production incentives, slowed economic growth and limited improvements to people's well-being.

2. Early Reform and Opening-up Period (1978–1992): Exploration to Break Egalitarianism

The Third Plenary Session of the Eleventh Central Committee initiated reforms dismantling egalitarian income distribution. In rural areas, the household contract responsibility system was rolled out under the principle of "deliver to the state, retain for the collective, and keep the surplus for oneself", drastically boosting farmers 'production enthusiasm and incomes. In cities, enterprises gained expanded operational autonomy, implementing a distribution framework of "distribution according to work as the mainstay, supplemented by multiple distribution modes", allowing firms to independently set wages based on operating performance and encouraging some groups to prosper through hard work. This phase broke egalitarianism and drove rapid income growth, yet income gaps began to widen gradually.

3. Establishment of the Socialist Market Economy (1992–2012): Formation of a Diversified Distribution System

The 14th National Congress set the goal of building a socialist market economy, ushering in a new stage of income distribution reform. The Third Plenary Session of the 14th Central Committee affirmed the principle of "distribution according to work as the mainstay with multiple forms of distribution coexisting" and prioritized "efficiency with due consideration to equity". The 15th National Congress integrated distribution according to work with distribution based on production factors, while the 17th National Congress emphasized balancing efficiency and equity in both primary and secondary distribution, with greater focus on equity in redistribution. During this period, market economy mechanisms matured, the scope of factor-based distribution expanded, and residents 'incomes continued rising, yet income gaps widened further, with the Gini coefficient peaking at 0.491 in 2008.

4. New Era of Socialism with Chinese Characteristics (2012–Present): Coordinated Primary, Secondary and Tertiary Distribution

Since the 18th National Congress, common prosperity has been elevated to a prominent strategic position, marking comprehensive deepening of income distribution reform. The Fifth Plenary Session of the 18th Central Committee advanced the concept of shared development. The Fourth Plenary Session of the 19th Central Committee clarified a mechanism for evaluating contributions of labor, capital, land, knowledge, technology, management and data through market pricing and remuneration based on contributions. The 20th National Congress underscored the establishment of a coordinated institutional system covering primary, secondary and tertiary distribution. This phase delivered a comprehensive victory in poverty alleviation, eradicating absolute poverty, gradually narrowing resident income gaps, and maturing the coordinated three-tier distribution system.

3.2. Major Achievements in Advancing China's People's Well-being

1. Sustained Growth in Resident Income

From 1978 to 2022, per capita disposable income of urban residents rose from 171 yuan to 49,283 yuan (a 288-fold increase), while rural residents 'income grew from 134 yuan to 20,133 yuan (a 150-fold increase). National per capita disposable income expanded from 171 yuan to 36,883 yuan, with real growth of nearly 20 times after adjusting for inflation. The middle-income group has expanded to over 400 million people, forming the world's largest high-growth consumer market. Consumption structures have upgraded continuously: national per capita consumption expenditure jumped from 151 yuan in 1978 to 24,538 yuan in 2022, with rising shares of developmental and enjoyment-oriented consumption. Urban

and rural household Engel's coefficients fell from 57.5% / 67.7% to 29.5% / 33%, reflecting a shift from subsistence to affluent living standards.

2. Complete Eradication of Absolute Poverty

Since reform and opening-up, China has lifted 770 million rural residents out of poverty, accounting for over 70% of global poverty reduction over the same period. Targeted poverty alleviation policies launched after the 18th National Congress eliminated all 98.99 million rural poor under the national poverty line by the end of 2020; all 832 poor counties and 128,000 impoverished villages exited poverty. Absolute poverty was eliminated historically, realizing the poverty reduction target of the UN 2030 Sustainable Development Agenda a decade ahead of schedule. In poverty-alleviated counties, rural residents 'per capita disposable income reached 15,111 yuan in 2022, a 2.3-fold increase from 2013, accompanied by dramatic improvements in rural infrastructure and public services that substantially lifted livelihood standards.

3. Continuous Improvement of Public Services

Education has flourished, creating the world's largest education system with a 95.5% retention rate for nine-year compulsory education and popularized higher education, alongside advancing educational equity. Healthcare development has achieved remarkable milestones: basic medical insurance covers 1.36 billion people, basic old-age insurance nearly 1 billion people, forming the globe's largest social security system. Residents 'average life expectancy rose from 65.9 years in 1978 to 78.2 years in 2022. Cultural undertakings have thrived with a nationwide network of public cultural facilities including museums, libraries and cultural centers, enriching residents 'spiritual and cultural lives. Infrastructure construction has advanced rapidly, with full coverage of rural roads, power and communications, vastly improving urban-rural connectivity.

4. Continuous Progress in Social Equity

Urban-rural income gaps have narrowed steadily, with the urban-rural income ratio declining from 3.11:1 in 2002 to 2.45:1 in 2022. Regional income disparities have contracted: between 2012 and 2020, the per capita income ratios of eastern, central and northeastern regions relative to western China (set as 1) shrank from 1.67, 1.09 and 1.25 to 1.62, 1.07 and 1.11 respectively. Equalization of public services has advanced, with integrated urban-rural compulsory education, effective county medical consortium development and rising pooling levels for social security, gradually narrowing livelihood gaps across population groups.

4. Challenges Facing the Interaction Between China's Income Distribution Reform and Improved People's Well-being

Despite remarkable achievements and emerging preliminary virtuous interactions, prominent obstacles constrain the depth and breadth of coordination between income distribution reform and livelihood advancement.

4.1. Prominent Deficiencies in Income Distribution Reform

1. Imperfect Primary Distribution Institutions

China's labor remuneration share of GDP has hovered around 50%, far below the 60%+ average in developed economies, with substantial wage gaps across urban-rural areas, industries and population groups. Labor incomes of rural residents, migrant workers and frontline employees grow sluggishly and fail to keep pace with labor productivity, while monopolistic wage premiums persist in sectors such as finance and internet services.

Structural imbalances plague the distribution of capital, land, data and other key production factors. Diverging returns on capital versus labor widen wealth disparities; institutional flaws in rural land circulation deprive farmers of full property rights, tilting land value appreciation gains toward cities and capital holders. Institutional gaps in data factor distribution spawn new inequities and platform monopolies in the digital economy. Data's non-competitive, non-exclusive nature and near-zero marginal costs create value through aggregated user data, yet current immature data factor markets feature misaligned rights, responsibilities and benefits, with data resources concentrated in a handful of platform enterprises that fail to share revenues with data providers and users.

Fragmented labor markets arise from intertwined barriers including dual urban-rural household registration systems, implicit regional discrimination and explicit industry entry restrictions. Household registration divides labor markets into local versus migrant and urban versus rural cohorts, creating unequal access to employment and welfare. Industry barriers block upward mobility for rural and migrant workers, resulting in unequal pay and benefits. Uneven allocation of education, medical care and other core public resources toward urban and high-income groups restricts developmental opportunities for low-income populations and reinforces intergenerational poverty transmission. Uneven access to education and healthcare essentially constitutes inequitable distribution of developmental opportunities.

2. Insufficient Regulatory Strength of Redistribution

The tax structure remains distorted with an underweight direct tax component: personal income tax accounted for merely 8.95% of total tax revenue in 2022, well below the 25% average across OECD member states. Overreliance on regressive indirect taxes including VAT and consumption tax exacerbates income gaps. The property tax system is incomplete: pilot property taxes operate in limited cities, while inheritance and gift taxes remain unintroduced, limiting regulation of wealth stock disparities.

Transfer payment systems suffer structural misalignment, imprecise targeting and inefficient fund utilization. General transfer payments constitute a low share of total transfers, restricting local fiscal flexibility to cover rigid livelihood expenditures on education, medical care and elderly support. Inaccurate targeting undermines

transfer payments 'capacity to narrow regional gaps and protect basic livelihoods, while weak supervision and inefficient fund deployment waste fiscal resources and erode policy credibility.

Public service allocation remains structurally unbalanced across urban-rural, regional and group divides. Rural schools face shortages of qualified teachers and facilities, hindering educational equity. Weak grassroots medical services perpetuate rural difficulties accessing affordable care, triggering illness-induced poverty. Elderly care supply gaps concentrate in rural areas and care for disabled seniors. Traditional family elder care has weakened amid rural population outflow and shrinking household sizes, while socialized elderly care systems lag severely behind demand.

3. Underdeveloped Tertiary Distribution

Charitable donations accounted for merely 1.23% of fiscal revenue in 2020, with charitable donations equivalent to roughly 0.15% of GDP—far lower than the U.S. (11.28%), UK (6.42%) and Singapore (0.6%–0.7%).

Charitable organizations suffer from insufficient public trust, inadequate information disclosure and opaque use of donated funds. Restrictive tax incentives limit participation: individual charitable deductions cap at 30% of taxable income, while corporate deductions are limited to 12% of annual accounting profits, with non-monetary donations largely excluded from preferential policies, restraining growth of civil charitable forces.

Charitable donations remain concentrated in traditional sectors including education, healthcare and poverty alleviation, with insufficient coverage of elderly care, environmental protection and cultural livelihood needs. Volunteer service systems are underdeveloped: volunteers account for only 15.4% of the national population, compared with 64% in the UK, requiring upgrades to professionalism and sustained participation mechanisms.

4.2. Deficiencies in Advancing People's Well-being

1. Mismatch Between Diversified Livelihood Demands and Service Supply

Rising resident incomes have driven a structural shift in livelihood demands from subsistence to developmental and spiritual needs, imposing new requirements on the quality, structure and delivery models of livelihood services. Nevertheless, the supply system lags behind demand upgrading, dominated by basic public services with limited market and social participation and single government-led delivery models, creating structural mismatches between supply and diversified personalized livelihood demands.

2. Persistent Gaps in People's Well-being

Unbalanced urban-rural development manifests starkly in income, consumption and public service disparities. Rural residents 'per capita disposable income stands at only 40.8% of urban residents', and rural consumption expenditure reaches merely

58.3% of urban levels. Rural compulsory education per-student operating funds lag behind urban counterparts, grassroots medical facilities lack beds and medical staff, and rural pension benefits remain low. Overlapping disparities constrain rural living standards and hinder integrated urban-rural development toward common prosperity.

Eastern residents 'per capita disposable income is 1.62 times that of western residents, with significantly higher human development indices in eastern regions that concentrate high-quality education and medical resources. Central, western and northeastern underdeveloped regions allocate low fiscal shares to livelihood spending, weakening their capacity to guarantee residents 'well-being.

Low-income populations, persons with disabilities and the elderly suffer relatively low livelihood standards. Low-income groups face heavy education and medical spending burdens; persons with disabilities encounter employment barriers and insufficient daily care; elderly care demands remain largely unmet.

3. Insufficient Sustainability of Livelihood Security

Vulnerable groups including low-income households, persons with disabilities and the elderly constitute core targets of livelihood security systems, yet their support mechanisms contain multiple shortcomings. Low-income populations bear heavy education and medical cost burdens; persons with disabilities face dual barriers of employment discrimination and inadequate care; elderly care supply fails to meet demand. Intertwined challenges leave these groups with persistently subpar well-being, a critical shortfall in advancing common prosperity.

4.3. Coordination Barriers Between the Two Systems

1. Weak Livelihood Orientation in Income Distribution Reform

Income distribution reform's core mission is to adjust wealth patterns and boost people's well-being toward common prosperity, yet many policy designs lack clear livelihood-centric value orientation. Factor distribution policies overly favor capital and technology while marginalizing labor rights and livelihood value; tax regulation lacks sufficient power to narrow income and wealth gaps for equitable livelihood advancement; transfer payment funds allocate insufficient resources to livelihood sectors, disconnected from actual resident needs and weakening policy effectiveness.

2. Underexploited Feedback Effects of Improved Well-being on Income Distribution Reform

Upgraded livelihood demands should serve as core drivers for deepened income distribution reform, yet transmission channels between evolving livelihood needs and institutional optimization remain blocked. Surging demand for high-quality education, medical care and elderly services has failed to reshape public resource allocation or strengthen redistributive regulation. Persistent urban-rural, regional and group livelihood gaps have not compelled deeper primary distribution reforms

to equalize market opportunities, leaving household registration and industry barriers intact. Emerging livelihood challenges including the digital divide and elderly care shortages have failed to trigger targeted adaptive adjustments to income distribution institutions.

3. Insufficient Institutional Coordination

Income distribution and livelihood security policies are designed to complement one another: distribution reform adjusts wealth allocation to fund livelihood guarantees, while livelihood safeguards stabilize social environments for distribution reform. In practice, however, severe coordination deficits exist including disjointed policy alignment and misallocated resources, compounded by absent systematic evaluation frameworks for their interaction, preventing formation of a virtuous "distribution adjustment – livelihood improvement" cycle. Labor remuneration growth and social insurance contribution adjustments lack synchronized coordination in primary distribution, potentially raising burdens for low-income households. In redistribution, tax regulation, transfer payments and public service equalization policies operate in silos, eroding aggregate regulatory effects. Tertiary distribution and government livelihood spending lack coordination, leading to duplicated investment and uncovered livelihood gaps. Furthermore, no integrated evaluation system exists to assess interactions between distribution and livelihood policies, leaving policy optimization fragmented.

5. Optimization Paths for the Interactive Mechanism Between Income Distribution Reform and Improved People's Well-being

To address the above challenges, a virtuous cycle must be constructed across three dimensions: refining the income distribution system, upgrading livelihood service quality, and establishing coordinated interactive mechanisms.

5.1. Improve the Income Distribution System to Consolidate Material Foundations for People's Well-being

1. Refine Primary Distribution Institutions to Advance Equal Opportunity and Income Growth

Raise the share of labor remuneration: establish a mechanism synchronizing labor remuneration growth with labor productivity, refine dynamic minimum wage adjustments targeting 40%–60% of local average wages, advance collective labor-capital negotiation to strengthen workers 'wage-setting bargaining power, and increase income support for frontline workers, migrant workers and rural residents alongside improved agricultural subsidies to boost rural operational income.

Standardize factor distribution order and factor markets to eliminate mobility barriers for capital, land and data, securing equal participation rights for all factor owners. Regulate capital revenue distribution and curb unregulated capital

expansion to prevent excessive surplus extraction. Deepen rural land system reform to expand farmers 'land property rights and optimize land circulation revenue sharing mechanisms enabling farmers to capture land value appreciation gains. Build a data factor distribution system clarifying data property rights to share value gains between data providers and users.

Guarantee equal opportunity through deepened household registration reform, abolishing dual urban-rural household registration categorization and establishing a unified national registration system to secure rural residents 'equal rights in employment, education and medical care. Eliminate industry barriers and regional discrimination via fair competition reviews of labor markets to guarantee equal employment rights. Expand educational support for low-income groups, refine student financial aid systems, and advance balanced compulsory education to narrow educational opportunity gaps.

2. Strengthen Redistributive Regulation to Narrow Income and Livelihood Gaps

Optimize tax structure to raise the share of direct taxes. Refine personal income tax by expanding comprehensive income taxation scope, optimizing tax brackets to reduce burdens on middle-income groups and intensify regulation of high earners. Expand pilot property tax programs targeting multi-home and high-end residential properties to regulate wealth stock disparities. Timely introduce inheritance and gift taxes to curb intergenerational wealth transmission. Reduce reliance on indirect taxes by restructuring VAT rates with low or zero rates for daily necessities to ease tax burdens on low-income households.

Improve transfer payment systems: raise the proportion of general transfer payments, consolidate fragmented special transfer payment projects and boost fund utilization efficiency. Scale up transfer payments targeting low-income groups, refine social assistance systems including subsistence allowances and emergency relief with raised benefit standards to achieve full coverage of eligible populations. Increase transfers to rural, central-western and underdeveloped regions to fund infrastructure and public services and narrow urban-rural and regional livelihood gaps.

Advance equalized public services with long-term fiscal investment mechanisms prioritizing education, medical care and elderly care. Promote high-quality balanced compulsory education with expanded investment in rural teachers and facilities to narrow urban-rural and regional educational disparities. Deepen medical system reform, advance county medical consortiums to strengthen grassroots healthcare capacity and optimize cross-regional medical insurance settlement. Consolidate the elderly care system with expanded service supply, integrated urban-rural elderly care and medical-elderly care integration.

3. Activate Tertiary Distribution to Supplement Livelihood Shortfalls

Optimize charitable tax incentives: raise individual charitable deduction limits to 50%

of taxable income, allow full corporate charitable deductions with five-year carry-forward for excess donations, expand preferential policies to cover physical, intangible asset and service donations, and simplify application procedures for tax benefits.

Improve charitable governance through cultivation of credible, professional charitable organizations with tiered development frameworks guided by government and market forces. Establish closed-loop supervision combining government oversight, social monitoring and third-party evaluation to strengthen accountability. Diversify donation channels by expanding digital platforms including online charity crowdfunding to lower public participation thresholds.

Cultivate a charitable culture rooted in traditional Chinese virtues of benevolence aligned with modern socialist values to foster a nationwide culture of universal philanthropy. Encourage corporate social responsibility and shift charitable support from one-off financial aid to sustainable industrial empowerment. Upgrade volunteer service systems to enhance professionalism and sustained participation, mobilizing broad public resources to fill livelihood gaps.

5.2. Upgrade Livelihood Service Quality to Strengthen Feedback Effects on Income Distribution Reform

1. Prioritize Key Livelihood Sectors to Meet Diversified Demands

Expand affordable preschool education resources and advance balanced integrated urban-rural compulsory education to narrow school, urban-rural and regional disparities. Pursue connotative development of higher education with optimized structures to boost talent cultivation quality. Expand vocational education and skills training to raise employability, especially for rural laborers and low-income populations.

Improve basic medical insurance by raising reimbursement ratios and expanding coverage for chronic outpatient treatments. Strengthen grassroots medical staffing and compensation to enhance primary care capacity, advance tiered diagnosis and treatment to redirect high-quality medical resources to grassroots levels, and develop smart healthcare to improve service accessibility and efficiency.

Consolidate the basic pension system with higher pooling levels and dynamic benefit adjustment mechanisms. Expand elderly care supply including home and community services alongside institutional care, promote medical-elderly integration to meet diverse elderly healthcare and care demands, and develop rural mutual-aid elderly care models with increased rural investment.

Perfect the public cultural service system with expanded facility coverage and improved service quality, develop cultural industries to satisfy diverse spiritual demands, and carry forward Chinese fine traditional culture, revolutionary culture and socialist advanced culture to elevate residents ’cultural literacy.

2. Narrow Livelihood Gaps for Equitable Shared Development

Fully advance rural revitalization with expanded investment in rural infrastructure and public services to achieve integrated urban-rural infrastructure connectivity and public service provision. Boost rural residents 'incomes through integrated primary, secondary and tertiary rural industries to expand operational and property incomes. Refine rural social security systems with raised rural pension and medical insurance benefits to shrink urban-rural social security disparities.

Implement coordinated regional development strategies targeting weaknesses in central-western and underdeveloped regions via industrial gradient transfer and regional cooperation built on differentiated resource endowments to activate endogenous growth momentum in lagging areas. Deepen east-west collaboration and paired assistance to facilitate mobility of high-quality public service resources to underdeveloped regions, and scale up fiscal transfer payments to strengthen livelihood security capacity in disadvantaged areas.

Strengthen targeted livelihood safeguards for vulnerable groups as a benchmark of social equity. Establish full-chain support mechanisms for persons with disabilities covering employment, education, medical care and daily care to enable equal social participation. Improve special policies protecting the elderly, children and women covering the full life cycle. Build precise long-term support systems for low-income populations focused on poverty prevention and income growth to upgrade their livelihood standards.

3. Boost Sustainability of Livelihood Security

Build sustainable social security fund mechanisms: optimize pension fund financing, expand insurance coverage, appropriately raise the retirement age and enrich national social security reserves. Improve medical insurance fund management through cost control and enhanced utilization efficiency, and establish market-oriented investment operations to preserve and increase fund value.

Formulate long-term livelihood investment mechanisms enshrining priority livelihood spending in fiscal budgets with steady growth targets for livelihood expenditure ratios. Diversify investment channels by encouraging social capital to participate in livelihood infrastructure construction, forming multi-source government-market-social investment frameworks. Strengthen supervision of livelihood funds to eliminate misappropriation and improve utilization efficiency.

Digitally transform livelihood services by deploying digital technologies to upgrade education, medical care and elderly care efficiency. Bridge the digital divide through expanded rural digital infrastructure and digital literacy training for elderly and low-income populations to ensure universal access to digital economy dividends.

5.3. Establish Coordinated Interactive Mechanisms to Secure Virtuous Circulation

1. Strengthen Policy Coordination

Align income distribution and livelihood policies: synchronize labor remuneration

growth, social insurance contributions and minimum wage adjustments in primary distribution to avoid overburdening low-income groups. Coordinate tax regulation, transfer payments and public service equalization policies in redistribution to generate unified regulatory effects. Align tertiary distribution with government livelihood spending by clarifying respective priority sectors to eliminate duplicated investment and uncovered gaps.

Establish cross-departmental coordination mechanisms through a leading group overseeing income distribution and people's well-being to unify policy formulation, implementation and adjustment. Build regular policy evaluation frameworks to identify coordination bottlenecks and strengthen inter-agency collaboration between finance, taxation, human resources, education and healthcare authorities.

2. Refine Evaluation Systems

Construct an integrated indicator system covering labor remuneration share, Gini coefficient, factor distribution equity, resident income levels, public service access, social security coverage and quality of life to quantitatively measure interactive effects between distribution reform and livelihood advancement.

Adopt mixed quantitative-qualitative, subjective-objective evaluation methodologies with independent third-party assessors to ensure objectivity and impartiality. Conduct regular dynamic tracking assessments, and integrate evaluation results into policy adjustment cycles to form a closed-loop "evaluation-feedback-adjustment" mechanism.

3. Reinforce Supervision Mechanisms

Strengthen people's congress supervision through closed-loop pre-review, in-process oversight and post-evaluation of distribution and livelihood policies to ensure scientific formulation and effective implementation.

Expand social supervision via integrated online-offline reporting channels including government service hotlines and petition platforms, establish closed-loop complaint handling with reward and whistleblower protection systems to eliminate retaliation risks. Enforce comprehensive information disclosure with standardized public data lists covering core income distribution metrics.

Strengthen judicial safeguards by improving relevant laws and regulations to provide legal foundations for distribution reform and livelihood advancement. Legally penalize tax evasion, illegal income acquisition and misappropriation of livelihood funds to uphold social equity and justice.

6. Conclusion

This paper systematically investigates the interactive relationship between income distribution reform and improved people's well-being, clarifying the two-way cyclical functional logic linking the two systems. Income distribution reform drives livelihood advancement through tiered effects of the three distribution frameworks: primary distribution consolidates material livelihood foundations by raising labor

remuneration shares, standardizing factor distribution and guaranteeing equal opportunity; redistribution targets narrowing income gaps and securing basic livelihoods via taxation, transfer payments and equalized public services; tertiary distribution supplements livelihood support for vulnerable groups through charitable donations and volunteer services. In turn, improved people's well-being feeds back into income distribution reform along three pathways: advances in education and healthcare accumulate human capital to optimize income structures; expanded social security and public services maintain social stability to create favorable conditions for reform; evolving livelihood demands compel institutional refinement of income distribution systems.

China has accumulated rich practical experience in income distribution reform and livelihood advancement yet faces prominent real-world challenges. The distribution system has evolved through four historical phases: egalitarian planning under the planned economy, post-1978 reforms dismantling egalitarianism, diversified distribution under the market economy, and the coordinated three-tier distribution framework of the new era. People's well-being has achieved landmark progress including sustained income growth, complete elimination of absolute poverty, establishment of the world's largest public service and social security systems, and continuous advances in social equity. Nevertheless, critical deficiencies persist: primary distribution suffers low labor remuneration shares; redistribution lacks sufficient regulatory power; tertiary distribution remains underdeveloped. Livelihood systems face mismatched supply and diversified demand, persistent urban-rural-regional well-being gaps and insufficient long-term security sustainability. Furthermore, their interaction is hampered by weak policy coordination, insufficient livelihood orientation in distribution reform, and underutilized feedback effects of livelihood advancement on institutional optimization.

Three sets of optimization paths are proposed to foster a virtuous cycle between income distribution reform and improved people's well-being. First, refine the income distribution system by strengthening equitable primary distribution mechanisms, amplifying redistributive regulatory capacity and activating supplementary tertiary distribution to consolidate material foundations for people's well-being. Second, upgrade livelihood service quality by prioritizing core sectors including education, medical care and elderly care, narrowing cross-regional and urban-rural well-being gaps and enhancing long-term security sustainability to reinforce feedback forces driving income distribution reform. Third, build integrated interactive coordination mechanisms through aligned policy frameworks, comprehensive evaluation systems and multi-layered supervision safeguards to unify all policy measures toward the strategic objective of common prosperity.

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