

## ENHANCING THE PEOPLE'S LIVING STANDARDS THROUGH INSTITUTION BUILDING

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*Received:*

October 11, 2025

*Revised:*

November 17, 2025

November 28, 2025

December 3, 2025

*Accepted:*

December 19, 2025

*DOI:*

10.56289/ijcsrp.207

### ABSTRACT

Ensuring and enhancing the people's wellbeing in the course of development is one of the major tasks of Chinese modernisation. At present, the world is experiencing accelerating changes unseen in a century, while Chinese society development is facing a shift in its principal contradiction, with imbalanced and inadequate development becoming an increasingly prominent problem. To meet the growing expectations of the people, China must continue to push forward reform. To further deepen reform comprehensively in areas related to the people's lives, the country should step up institutional transformation by focusing on the main task of institution building and leveraging economic reform as the spearhead. This involves addressing bottlenecks hindering high-quality development, difficulties in improving the people's wellbeing, and hotspot issues affecting social fairness and justice, including income distribution, employment, social security, healthcare, population development, and integrated urban-rural development. At the same time, greater emphasis should be placed on systemic integration and key priorities, so as to enhance the people's living standards, promote social fairness and justice, and achieve better alignment between state governance and social progress.

**Keywords:** *Chinese Modernisation; Deepening Reform Comprehensively; Institution Building; People's Wellbeing; Living Standards.*

### INTRODUCTION

Reform and opening up help make China what it is today. It is also integral to the success of Chinese modernisation. At present, the world is experiencing accelerating changes unseen in a century, while China faces far-reaching shifts in principal issues, with imbalances and inadequacies in development remaining prominent. In the face of uncertainties and risks both domestically and internationally, and with the rising expectations of the people, the country must continue to push forward reform. The Third Plenary Session of the 20<sup>th</sup> Central Committee of the Communist Party of China (CPC) identified that "ensuring and enhancing the people's wellbeing in the course of development is one of the major tasks of Chinese modernisation", requiring further reform in areas related to the people's lives.

As institution building is fundamental, widespread and long-lasting, reforms for improving the people's livelihoods should target institutional transformation through focusing on the main task of institution building and leveraging economic reform as the spearhead. This involves addressing bottlenecks hindering high-quality development, difficulties in improving the people's wellbeing, and hotspot issues affecting social fairness and justice, including income distribution, employment, social security, healthcare, population development, and integrated urban-rural development. At the same time, greater emphasis should be placed on systemic integration and key priorities, to improve living standards,

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promote social fairness and justice, and achieve better alignment between state governance and social progress.

The following sections focus on introducing the specific measures of institutional reform from six aspects.

### **I. Improving the Income Distribution System and Keeping Income Distribution Well-Regulated**

Income is closely related to people's expectations for the future, as well as their willingness and capacity to spend. It serves as a barometer of social confidence. *The Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernisation* plans to develop an institutional framework under which primary distribution, redistribution, and tertiary distribution are well coordinated and mutually complementary, raising the share of personal income in the distribution of national income and giving more weight to work remuneration in primary distribution.

To this end, efforts should be made to expand channels for personal income growth. Disposable income comprises wages and salaries, net business income, net property income, and net transfer income. According to the National Bureau of Statistics, these four income sources accounted for 56.5 percent, 16.7 percent, 8.3 percent, and 18.5 percent of Chinese residents' per capita disposable income in 2024, respectively; growing by 5.8 percent, 5.6 percent, 2.2 percent, and 5.3 percent year on year. Among them, net property income featured both the smallest share and slowest growth rate, significantly constraining residents' willingness and capacity to spend, and thereby affecting the sustainability of economic development.

To build China into a modern socialist country in all respects and achieve solid progress in promoting common prosperity, the most challenging and arduous tasks need to be confronted in rural areas. Boosting rural incomes requires a two-pronged approach. Firstly, it is essential to improve the investment mechanisms for rural revitalisation, stabilise the prices of grain and other key agricultural products, and step up the effort to improve the mechanisms for ensuring the incomes of grain growers, thus providing farmers with more opportunities for income growth.

Secondly, reform of the land system should be deepened by advancing the separation of the ownership, contractual, and management rights for contracted rural land; and encouraging rural households to put idle residential plots and houses to good use by leasing them out, contributing them in the form of shares, and engaging in cooperative ventures. These will enable the low- and middle-income groups to earn more from production factors by leveraging their rights to use and profit from factors like land and capital.

In parallel, measures should be taken to raise farmers' property income, including by developing and expanding new rural collective economies and establishing related operating mechanisms featuring clearly defined property rights and rational income distribution. For example, in developing its signature product Pixian *douban* (broad bean paste), Zhanqi Village in Pidou District, Chengdu, has adopted a model of collective asset shareholding. This has not only significantly increased the value of collective assets but also increased the income of residents from non-agricultural work.

In Shanghai, a platform that enables villagers to convert their plot use rights into equity shares was established with support from state-owned enterprises (SOEs). This initiative

offers a steady rental income plus profit dividends and has spawned diversified modes like “households + individuals” and “households + village collective”, which make the best use of vacant rural residential plots. In 2024, through this rights-to-equity conversion model, land that was once sitting idle in Xiangyang Village, Shanghai’s Jiading District, skyrocketed in value by 10 times, and villagers’ per capita income rose by 23,000 yuan.

Meanwhile, income distribution and the means of accumulating wealth should be kept well-regulated. The middle-income group is the anchor of society. The key to effectively stimulating domestic demand and managing social pressures is to ensure stable policy expectations. This involves alleviating the living burdens and operational risks faced by the middle-income group, steadily expanding this demographic, and establishing an effective social security net, thus creating an olive-shaped income distribution pattern predominantly driven by middle-income earners. Only by doing so can China effectively boost domestic consumption and fundamentally relieve social pressure.

Further deepening reform comprehensively also requires reforming the salary-setting mechanism for SOEs to properly regulate excessive incomes, so that remuneration standards, allowances, and benefits for SOE executives at all levels are rationally determined and strictly enforced. Better mechanisms should be developed to ensure the contributions of production factors, such as labour, capital, land, knowledge, technology, management, and data, are determined by the market and rewarded accordingly.

In terms of taxation, it is vital to improve the personal income tax system, which is based on both adjusted gross income and specific income types. This includes differentiating taxation policies on incomes generated from business operations, capital, and property, unifying tax rates for incomes earned through work, and enhancing tax regulation. More safe, reliable financial products that meet family wealth management needs should be offered. These moves will effectively enable the low- and middle-income groups to earn more from production factors and properties.

## **II. Developing Sound Mechanisms for Promoting High-Quality and Full Employment**

Employment is pivotal to the people’s wellbeing. In the post-pandemic era, China’s economic development faces mounting challenges, including external headwinds from the uneven global recovery and geopolitical tensions, a lack of effective domestic demand, divergent economic performances across regions, numerous hidden risks in key areas, and pain points in the transition from old to new growth drivers. To navigate this new development stage, part of the efforts to further deepen reform comprehensively should include applying the new development philosophy, fostering a new development paradigm, and promoting high-quality and full employment.

Firstly, it is crucial to improve the systems and mechanisms for promoting equality of opportunity and innovate the way opportunities and resources are distributed. Economic entities under all forms of ownership shall have equal access to factors of production in accordance with the law and compete in the market on an equal footing. This will ensure a level playing field for private enterprises and stimulate the intrinsic momentum and creativity of market entities, thus boosting the job-creation capacity of economic growth.

Small and medium-sized enterprises (SMEs) have been a foundational force to promote employment, improve the people’s livelihoods, ensure social stability, bolster economic development, and advance innovation. They contribute over 50 percent of China’s tax revenue, 60 percent of GDP, 70 percent of technological innovation, 80 percent of urban

employment, and account for more than 90 percent of the total number of enterprises. As such, efforts should be centred on formulating a private sector promotion law to remove barriers to market access; eliminating laws, regulations, and hidden obstacles that prevent fair competition among enterprises; implementing tax and fee reductions and fiscal subsidies; and refining financial support policies and mechanisms for private enterprises to invest and access financing. These initiatives will ultimately promote the development of the private sector and better leverage SMEs' role as a reservoir of job opportunities.

Secondly, priority should be given to enhancing the vitality of our society by supporting and regulating the development of new forms of employment as well as creating new areas for employment growth. This requires a more tolerant social atmosphere and an open, inclusive innovation ecosystem, where local authorities are encouraged to pioneer bold trials and experiments, and a fresh wave of creative, entrepreneurial, and innovative potential is unleashed throughout society. These will effectively improve social vitality indicators and generate more diversified job opportunities.

Take Guizhou for example. The province's Village Super League, Village Basketball Association Championship Tournament, and Village Olympic Games, which rose to prominence through the integration of cultural tourism and sports, have significantly boosted consumption, created numerous jobs, and driven local economic growth. In 2024, Rongjiang County in Guizhou received almost 9.5 million visits, up 24.36 percent year on year, with comprehensive tourism revenue reaching 10.8 billion yuan, up 28.64 percent year on year. The success of Guizhou highlights that it is necessary to create favourable conditions and provide supporting services to promote the nighttime, holiday, and cultural-tourism economies.

Other channels to facilitate labourers' pursuit of innovation and entrepreneurship, diversify industries in urban and rural areas, and expand employment opportunities include guiding and regulating the rapidly evolving platform, sharing, and gig economies to fully tap the potential of new forms of employment; facilitating the flow of agricultural products into urban markets, granting farmers and low-income urban residents greater autonomy in production and business operation; and removing unreasonable restrictions imposed by urban management, road administration, and transportation authorities on vehicle operation and residents' production and business operation.

Thirdly, greater efforts should be made to tackle structural unemployment. The system of employment support for key groups such as college graduates, rural migrant workers, ex-service personnel, and those in new forms of employment should be improved, introducing a series of promotion policies focusing on job creation, matchmaking, skills training, career guidance and targeted assistance. On the one hand, it is essential to develop discipline adjustment mechanisms and talent training models to meet the needs of China's scientific and technological development, national strategies, and markets, which will see extraordinary moves to plan for disciplines and majors that are in urgent demand. This will yield a talent pool more responsive to social demands.

In the meantime, in line with the industrial structure and talent needs, a wide range of vocational experience centres, practice and internship bases, and employment and entrepreneur hubs should be developed, and a comprehensive, lifelong training network built, to enhance the skills and career potential of the key groups. By fostering a synergised employment mechanism linking schools, enterprises, and other employers, a larger job market will take shape.

On the other hand, a smart employment service platform should be established to break down data silos among government agencies, enterprises, schools, and other employers, enabling network-based, digitalised, and regular employment services. Such a platform will ensure efficient and precise delivery of job and service information and reduce costs for both job seekers and recruiters, thereby supporting sustainable, high-quality employment. In addition, the bottom line should be defined as ensuring that no families have no member in work.

### **III. Moving Faster to Develop a Multi-Tiered, Multi-Pillar Social Security System**

Social security is an important institutional framework for improving the people's wellbeing, safeguarding social equity, and allowing the people to share the fruits of reform and development. China now boasts the most extensive social security and healthcare systems in the world. By the end of 2024, participants in China's basic pension and basic medical insurance schemes reached 1.073 billion and 1.326 billion, respectively. The coverage rate of the basic medical insurance scheme remained steady at around 95 percent. A multi-tiered social security system that covers the entire population in urban and rural areas has initially taken shape. At the new development stage, it is essential to adapt the system to new forms of employment and improve the unified national management system for basic old-age insurance funds, firmly guarding against risks.

First of all, actions should be taken to build a sound social security system to serve people in flexible employment, rural migrant workers, and those in new forms of employment, and lift all restrictions preventing people from accessing social security in the places where they work but do not hold permanent residency. This addresses the actual need to expand insurance coverage and protect the legitimate rights of people in new forms of employment. Currently, China has about 240 million people in flexible employment. Among them, approximately 84 million are in new forms of employment. This massive workforce features flexible employment, platform-based organisation, task autonomy, multi-faceted professional identities, and ambiguous labour relations (Yu, 2023).

These characteristics often lead to income instability, and heightened unemployment risks during industrial shifts. Therefore, it is imperative to lift all restrictions preventing people from accessing social security in the places where they work but do not hold permanent residency, boost participation among people in flexible employment, including new forms of employment, through category-based approaches based on work hours and income levels, and resolve such issues as gaps in coverage and individuals dropping out of social security schemes or suspending contributions. In doing so, we will enhance the accessibility and fairness of social security, meet the diverse and multileveled social security demands of those in new forms of employment while meeting their basic living needs, and ultimately achieve the goals of achieving universal coverage and ensuring benefits for all.

Secondly, social security schemes should be better coordinated to bolster their collective resilience. This involves improving the system for unified national management of basic old-age pension funds and the unified national platform for social insurance public services. Economic disparities and demographic differences among eastern, central, and western regions, compounded by population mobility that has reshaped the pension framework, have resulted in significant interprovincial pension variations, with some northeastern and central provinces experiencing pension fund deficits. In response, a system has been established for the central government to allocate pension funds.

Through central arrangements, fiscal subsidies, transfer payments, and the use of state-owned assets as replenishment, the system plays a crucial role in balancing interprovincial pension fund burdens and addressing pension shortfalls. Beginning January 1, 2025, the statutory retirement age is gradually being raised. This strategic move against population aging will positively reshape the pension framework. Provincial-level unified management of basic medical insurance funds is also important. This initiative aims to unify the coverage scope, contribution standards, benefits, fund operation, fund allocation, medical insurance payment methods, and public service standards, to optimise medical insurance fund efficiency, ensure enrollees' healthcare access, and facilitate the rational, efficient allocation of medical resources.

Thirdly, it is vital to step up a dynamic monitoring system for low-income residents, refine the regular mechanisms for preventing rural residents from lapsing or relapsing into poverty on a large scale, and establish a system of multi-tiered and categorised support for low-income rural residents and underdeveloped areas. Such a system would ensure social assistance is delivered in a precise, timely, and effective manner. This includes implementing more proactive fiscal policies with increased subsidies and transfer payments for low-income residents, as well as facilitating the transfer of land management rights in rural areas to enable farmers to earn more from properties and raise low-income rural residents' living standards, thus driving all-round rural revitalisation and common prosperity.

#### **IV. Implementing a Health-First Strategy and Further Reforming the Medical and Healthcare Systems**

A healthy population is a key mark of a prosperous nation and a strong country. Building a healthy China is a major campaign that wins popular support. China has built the world's largest basic medical insurance network covering both urban and rural areas. It leads the upper-middle-income countries in terms of residents' key health indicators. Continuous improvements have been made in public health as well as the equity and accessibility of basic medical and healthcare services. On the new journey of the new era, further reforming the medical and healthcare systems should focus on two priorities.

The first is to deepen the reform of public hospitals to see that they better serve the public interests. To resolve the problem of difficult access to medical treatment and high medical expenses, it is necessary to advance the development of closely integrated medical and healthcare consortia at the county level and establish a unified and efficient mechanism for policy coordination, information sharing, and regulatory synergy among medical services, medical insurance, and pharmaceuticals, promoting coordinated development and regulation of the three sectors. To further improve medical and healthcare service systems and promote tiered diagnosis and treatment, more work should be done to increase the availability of quality medical resources, channel such resources toward the community level, and distribute them more evenly among regions.

For example, Class A tertiary hospitals can help upgrade the services and capabilities of community-level medical and healthcare institutions through personnel deployment, telemedicine, training programs, mobile medical services, and the establishment of renowned doctor studios or medical expert studios at community-level hospitals. In addition, eligible village clinics may be included in the medical insurance network. These efforts will ensure the public enjoys reliable, convenient, and premium medical and healthcare services close to home.

The second is to improve the public health system, promoting collaboration and integration between hospitals and disease prevention and control institutions and boosting capacities for epidemiological investigation, risk assessment, and disease monitoring and early warning. The focus should be shifted from prevention and treatment to healthcare. At present, improving the system and capacity for disease prevention and control faces multiple challenges, including an overemphasis on treatment over prevention, fragmented management, insufficient integration within medical consortia, and poor information sharing between medical and prevention institutions. To prepare for major public health emergencies, priorities should be given to strengthening early detection and emergency response capabilities for major epidemic outbreaks, establishing new mechanisms for collaboration and integration between hospitals and disease prevention and control institutions, and effectively containing the spread of major infectious diseases. By doing so, we can promote the high-quality development of China's medical and healthcare sectors.

#### **V. Improving the Systems for Supporting Population Development and Providing Related Services in Response to an Aging Population and the Declining Birth Rate**

Population-related issues remain widespread, long-lasting, and strategically challenging for China. Population and talent constitute the most valuable resources for a nation's sustainable development. Maintaining an appropriate birth rate and population size is essential to high-quality demographic development. As China enters the new development stage, systems thinking and a holistic population perspective should be adopted. The population development strategy should be refined in response to population aging and the declining birth rate. A sound system should be established to provide full life-cycle population services to all, with focus on marriage, childbirth, parenting, education, employment, healthcare, housing, and elderly care. These will ensure high-quality population development as a pillar for Chinese modernisation.

Specifically, the policy system for boosting the birth rate should be refined to build a childbirth-friendly society. Currently, a common practice across localities is introducing childbirth subsidies, which can be further integrated and gradually improved. It is also important to incorporate reproductive technologies into medical insurance programs, expand maternity insurance coverage, refine parental leave policies, and establish comprehensive basic institutional support for family childcare. By creating childbirth-friendly employment and social environments with lower costs of childbirth, parenting, and education, we can effectively increase the willingness of having children, promoting a rebound in fertility rate toward more sustainable levels. Simultaneously, parents' childcare concerns should be addressed through an inclusive childcare system that supports employer-run nurseries, community childcare facilities, and home-based childcare.

Emphasis should also be given to senior citizens by exploring a mutual-aid elderly care model led by Party organisations. By supplementing the existing 90/7/3 framework where 90 percent of the seniors receive home-based care, 7 percent rely on community services, and 3 percent reside in elderly care institutions, the initiative will ensure that the seniors have a stronger sense of security, worthiness, and happiness. Every family has elderly members, and everyone will inevitably grow old.

According to the National Bureau of Statistics, as of the end of 2024, China had more than 310 million people aged 60 and above, accounting for 22 percent of the total population—including 220 million aged 65 and above, taking up 15.6 percent of the total. The seventh National Census reveals that among seniors aged 65 and above, 32.5 percent live in cities,

20.1 percent in county towns, and 47.4 percent in rural areas. Population aging represents both a significant societal trend and a long-term national reality for China. In response, we should foster a positive perspective and a healthy approach with regard to aging, intensifying elderly-friendly and smart renovations of community environments, and enhancing vocational education in elderly care to cultivate a large pool of professional nursing personnel.

To bridge service gaps in rural areas, multiple mutual-aid elderly care models should be explored, drawing from local experiences in establishing mutual-aid elderly care cooperatives. These models include rural mutual-aid happy homes for the elderly, rural mutual support platforms, silver-youth paired support programs, fixed-location mutual assistance, time banking, and intergenerational co-living arrangements. Other elderly care initiatives include exploring integrated home, community, and institution care services, building community-based elderly care consortia, developing cultural-tourism products suited to local conditions, promoting senior tourism and wellness industries, and creating synergies among basic old-age insurance funds, elderly care services and industries, and gradual retirement age extension. These will make sure that the seniors can be better protected and covered by the social security system and better enjoy elderly care.

## **VI. Promoting Integrated Urban-Rural Development to Make Steady Progress toward Common Prosperity**

Currently, access to certain basic public services and social welfare programs in urban areas remains directly tied to household registration, creating barriers to the free flow of population. President Xi Jinping, also general secretary of the CPC Central Committee, noted, *"In the process of modernisation, how we deal with the relationships between industry and agriculture and between urban and rural areas determines, to some extent, the success or failure of our modernisation drive"*. A pivotal task to advance Chinese modernisation is eliminating the lingering urban-rural divide and invisible barriers, to enhance social mobility, narrow gaps, and promote common prosperity between urban and rural areas.

To this end, a priority is to establish a basic public service provision mechanism that aligns with demographic changes. Such a mechanism must ensure that eligible people moving from rural to urban areas enjoy the same rights as registered local residents in terms of social insurance, housing support, and access to compulsory education for their children living with them; that migrant workers have equal job opportunities, equal pay, and equal rights with urban labourers; and that housing provident funds extend to broader groups, including migrant workers and those in flexible employment.

As of the end of 2024, the urbanisation rate of permanent residents in China was 67 percent, while the registered urban residents accounts for only 50 percent of the country's total population, indicating great potential for new urbanisation. Allowing people to obtain household registration and access basic public services in their place of permanent residence will help eliminate barriers to the free flow of labour factors, enabling migrant populations to equally benefit from the achievements of urban development and reform. The process of granting permanent urban residency to people who have moved to cities from rural areas should be accelerated based on the general patterns underlying population flows.

This entails establishing a coordination mechanism to link increases in urban construction land quotas for cities with the growth of their permanent residents; engaging the government, enterprises, and individuals in sharing the costs from the process; making sure

that public services and transfer payments follow the movement of populations; and facilitating the reasonable concentration and orderly flow of population and accelerate the urbanisation of people moving from rural areas. The lawful land rights and interests—including their rights to contract rural land, to use their rural residential land, and to share in the proceeds from rural collective undertakings—of former rural residents who now hold permanent urban residency should be protected in accordance with the law. Avenues to facilitate voluntary, paid transfers of these rights should also be explored, ensuring these new rural residents have sufficient options.

Another priority is to promote equal exchanges and two-way flows of production factors between urban and rural areas, to advance rural revitalisation on all fronts and lay solid material foundations for integrated urban-rural development. The Comprehensive Rural Revitalisation Plan (2024-2027) emphasises the need to deepen agricultural and rural reforms to invigorate rural growth. Challenges facing rural areas include suboptimal market-based allocation of land factors and severe outflows of capital, labour, and talent, leading to numerous hollowed-out villages. It is therefore imperative to reverse the unidirectional urban-bound flow of rural resources and production factors by removing institutional barriers restricting the movement of labour, land, capital, technology, and digital elements to rural areas, thus promoting equal exchanges and two-way flows of production factors.

Orderly reforms should be implemented for market-based transfers of rural collective land designated for business construction, ensuring equal access, equal prices, and equal rights for urban and rural land transactions. Rural financial services should be improved. Consortia for rural revitalisation fostered through horizontal alliances can scale up collective industries. Zhejiang Province, for example, has organised such consortia based on the resource endowments of villages.

Featuring joint governance, resource sharing, and integrated industrial cultivation, these consortia exemplify a shift from fragmented operations to region-wide synergies. In addition, it is equally significant to catalyse new industries and business models through the digital transformation of agricultural and non-agricultural sectors. In Xinzhuan Village, Guizhou's Xiuwen County, the Guiyang Agricultural Product Logistics Park employs a smart wholesale cloud platform to provide one-stop services integrating dynamic pricing, food inspection, and cold-chain storage. By enhancing farm-to-market connectivity, it has laid a solid material foundation for all-round rural revitalisation and integrated urban-rural development.

The third priority is to build a sound system for ensuring fairness in society, featuring, among other things, equal rights, equal opportunities, equal distribution, and fair rules for all, thereby fostering a new development mechanism characterised by fairness, justice, joint contribution, and shared benefits. Such a mechanism will provide equal opportunities for all and ensure that development is for the people and by the people, and that its fruits are shared among the people.

Achieving common prosperity is an essential requirement of Chinese socialism and an essential feature of Chinese modernisation. General Secretary Xi Jinping stated, *"The people-centred development philosophy is not an abstract, abstruse concept. We will not restrict ourselves to lip service or idle reflection but put it into practice in all areas of social and economic development"* (Xi, 2023). A stronger system for ensuring social fairness is needed—through institutional arrangements and designs—to enable the rational distribution of national income across sectors, regions, and members of the society, while balancing and coordinating mutually

reinforced efficiency and equity, thus driving more substantial progress in people's well-rounded development and common prosperity for all.

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