

Advancing Common Prosperity in the Yangtze River Delta: Policy Implementation, Challenges, and Strategic Solutions

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Abstract: As China's most economically dynamic region, the Yangtze River Delta (YRD) serves as a critical testing ground for the national common prosperity policy, aiming to reconcile rapid growth with equitable development. The study explores how this region, which plays a pivotal role in the national economy, has applied targeted reforms to address income inequality, regional disparity, and imbalances in public service provision. A detailed case analysis of Shanghai, Zhejiang, Jiangsu, and Anhui reveals that the policy has led to significant progress in industrial upgrading, income redistribution, and social welfare improvements. However, challenges persist, including structural unemployment, fiscal pressure on local governments, and uneven policy outcomes across subregions. To address these issues, the paper proposes a set of actionable strategies, such as enhancing income redistribution mechanisms, expanding inclusive vocational training programs, improving fiscal efficiency, and strengthening regional coordination. The findings suggest that while the common prosperity policy has yielded notable short-term results, its long-term success depends on localized, flexible, and data-informed governance. The study advances the debate on equitable growth in emerging economies by demonstrating that common prosperity requires not only redistributive policies but also institutional innovation. Its findings offer a replicable model for other rapidly developing regions grappling with inequality.

Keywords: Common Prosperity, Income Inequality, Fiscal Governance, Regional Development, Industrial Transformation

1. Introduction

1.1. Research background

The Yangtze River Delta region exhibits significant disparities in economic development, income distribution, and infrastructure levels. As a key driver of China's economic growth, the Yangtze River Delta (YRD) region—comprising Shanghai, Jiangsu, Zhejiang, and Anhui—accounts for approximately one-quarter of the national GDP. In recent years, the Chinese government has prioritized the concept of “common prosperity” as a central policy goal to address wealth inequality and promote coordinated regional development. Despite rapid economic growth, the region faces significant structural imbalances. These imbalances threaten long-term sustainability, making the YRD a critical test case for assessing whether common prosperity policies can reconcile growth with equity.

On the one hand, the regional economic disparity between cities is obvious. For example, Shanghai and Suzhou are highly developed economically, while some cities in Anhui are still in the early stages of industrial transformation. On the other hand, the income inequality and infrastructure level difference between urban and rural areas are still significant, and there is a large gap between rural residents and urban residents in terms of income, education, medical care, and other public services.

According to Chen, Sun, and Li, the widening income gap between urban and rural residents significantly constrains industrial upgrading in the Yangtze River Delta region [1]. Specifically, the disparity in income levels has weakened the consumption capacity of rural populations and limited the formation of unified regional markets. As a result, investment in innovation and industrial diversification becomes increasingly concentrated in developed urban centers, further exacerbating regional inequality.

Additionally, income distribution across industries is uneven, with employees in emerging sectors such as high-end manufacturing and the digital economy earning significantly more than those in traditional sectors like agriculture and low-end manufacturing. Driven by the “common prosperity” policy, the YRD region is expected to become a model for achieving regional coordination and income balance through reform and innovation.

In this context, this study aims to provide an in-depth analysis of the results achieved and challenges encountered during policy implementation, as well as offer theoretical insights and practical recommendations for sustainable and equitable development.

1.2. Literature review

The existing research mainly focuses on three aspects: regional economic development models, income redistribution mechanisms, and urban-rural integration strategies.

Many scholars argue that the YRD region has achieved high-quality growth through an innovation-driven model, but this development tends to benefit already-advanced cities. The effect on underdeveloped areas remains limited.

In terms of income distribution, researchers have examined the impact of fiscal transfers and tax reforms on narrowing income inequality. While short-term improvements have been observed, the long-term sustainability of these mechanisms remains uncertain, particularly in the absence of strong industrial support and employment transformation.

Regarding urban-rural integration, studies suggest that infrastructure investment can stimulate rural development, but it may also contribute to rising costs and unequal access to resources, limiting the benefits for low-income groups.

In addition, Xu et al. found that although science and technology policies in the YRD region share a similar architecture, their industrial policy contents suffer from serious homogenization, which weakens differentiated regional competitiveness and may result in inefficient allocation of innovation resources. This lack of policy coordination across provinces further constrains the formation of integrated development strategies [2].

While these studies provide a theoretical basis, most of them emphasize macro-level analysis and overlook how common prosperity policies affect different income groups and economic sectors within the region.

1.3. Research gap

Although existing research highlights the macro-level objectives of the common prosperity initiative, there is a lack of micro-level investigation into how specific income groups are affected differently.

Furthermore, few studies explore the long-term fiscal sustainability of common prosperity policies, especially considering the increasing financial burden on local governments amid economic

slowdown and declining real estate revenues. Specifically, the fiscal trade-offs between redistribution (e.g., social spending) and growth-oriented investments (e.g., infrastructure) remain understudied, particularly in the context of local debt exceeding 75% of GDP in some YRD cities.

Additionally, the gap between policy design and practical implementation has not been fully addressed. Issues such as administrative inefficiency, regional disparities in governance capacity, and lack of localized adjustment mechanisms deserve further analysis.

1.4. Research framework

To fill the identified research gaps, this paper focuses on the implementation of common prosperity policies in the Yangtze River Delta as a representative regional case.

The structure of the paper is as follows: Section 2 presents the policy background and describes the current status of implementation across the region; Section 3 provides a comprehensive analysis of both the positive impacts and the major challenges that have emerged during implementation; Section 4 proposes targeted suggestions for improving policy effectiveness and sustainability; Section 5 concludes with a summary of key findings, research significance, and future research directions.

2. Case description

2.1. Policy framework: regional strategies for common prosperity

The Yangtze River Delta region has implemented a series of policies to promote common prosperity, focusing on income equity, industrial transformation, and public service improvement.

In response to the national strategic initiative on common prosperity, the Yangtze River Delta (YRD) has been established as a demonstration and pioneer region, taking the lead in exploring localized policy paths for achieving coordinated regional development and income redistribution.

These policies operate at three levels: (1) inter-provincial coordination mechanisms led by the central government, (2) provincial-level pilot programs, and (3) municipal implementation plans tailored to local conditions. Since 2021, Shanghai, Zhejiang, Jiangsu, and Anhui have issued policies focusing on industrial transformation, public services, urban-rural integration, and fiscal transfers.

Zhejiang Province was designated as the pilot province for constructing the demonstration zone of common prosperity. It led to the implementation of income distribution reforms with an emphasis on “expanding the middle and reducing the low.” Meanwhile, Shanghai has prioritized improving equality in basic public services, promoting the accessibility of quality education and healthcare.

Jiangsu has accelerated the transformation and upgrading of its manufacturing sector, encouraging high-value-added industries to increase employment opportunities for low-income groups.

As a relatively underdeveloped province, Anhui has received more fiscal transfers and preferential policies to address its shortcomings in infrastructure and social security. This regional experimentation reflects the evolving understanding of common prosperity as both an economic and social reform goal. These differentiated approaches align with the evolving theoretical conceptualization of common prosperity. As Wang and Zhang emphasize in *The Connotation, Ideological Origin and Logical Premise of Common Prosperity*, common prosperity is “not merely a developmental objective, but a comprehensive reform involving participation and benefit-sharing across all strata of society” [3].

This perspective underscores why pilot regions like the YRD must integrate redistributive mechanisms with broader institutional innovation to achieve equitable and sustainable growth.

2.2. Implementation outcomes: progress and persistent disparities

Building on the policy framework established since 2021, the Yangtze River Delta region has made significant progress in several areas. The income level of residents has steadily increased, infrastructure in urban and rural areas has improved, and the industrial structure of some less developed cities has gradually been optimized. Furthermore, the coverage of basic public services such as education and healthcare has expanded, enhancing overall living standards across the region.

However, significant internal disparities persist. Core cities like Shanghai, Hangzhou, and Nanjing continue to lead in high-quality development, whereas many prefecture-level cities—especially those in central and western Anhui—face challenges such as weak industrial attractiveness and the outflow of high-quality resources. Additionally, as local governments are the primary implementers of these policies, some areas suffer from insufficient capacity in resource allocation, fiscal coordination, and policy execution, resulting in uneven implementation outcomes.

Overall, while the policy has achieved notable progress, regional imbalances and implementation challenges remain significant. It is crucial to further improve both the efficiency and equity of policy implementation through systematic analysis and strategic policy refinement.

3. Analysis on the problem

3.1. Positive impact of common prosperity policy

3.1.1. Promote regional economic transformation and upgrading

The common prosperity policy has driven industrial upgrading in the Yangtze River Delta, shifting from traditional manufacturing to high-value-added and high-tech industries.

Shanghai continues to develop strategic emerging sectors such as artificial intelligence and biomedicine, which stimulate growth across related supply chains. According to Weng, Song, and Sheng, patent output has a strong long-term effect on regional economic growth, demonstrating the importance of scientific and technological innovation as a driver of economic transformation [4]. Jiangsu and Zhejiang, leveraging their strong private economies, have accelerated the construction of digital and green manufacturing systems. For instance, according to a recent study, Shanghai has continued to develop strategic emerging industries such as artificial intelligence and biomedicine, while Jiangsu and Zhejiang have built digital and green manufacturing ecosystems based on private-sector strengths, thereby significantly expanding job opportunities for disadvantaged groups and revitalizing regional industrial structures [5].

These reforms have enhanced regional economic vitality and created new employment opportunities for low- and middle-income groups.

3.1.2. Raise the income level of low-income groups

Through targeted income redistribution policies, the common prosperity initiative has effectively raised the income levels of low-income groups.

Local governments have implemented measures such as increasing the minimum wage, expanding employment subsidies, and improving the social security system to boost the disposable income of disadvantaged groups. For instance, Zhejiang piloted a program aimed at “expanding the middle and improving the low,” supporting entrepreneurship and providing vocational training to strengthen the self-sufficiency of low-income individuals. Anhui has used fiscal transfers and poverty alleviation funds to foster small-scale industrial clusters in rural areas, thereby revitalizing local economies.

3.1.3. Significant improvement in the quality of public services

The common prosperity policy has also led to substantial improvements in public service provision across the region.

In education, Shanghai and Jiangsu have organized collaborative teaching teams to support underperforming schools, raising overall educational quality. In healthcare, the cross-provincial medical insurance settlement system has been expanded, allowing residents to access medical services more conveniently. In housing, several cities have launched affordable rental housing programs to support young people and new residents. These improvements in public services have significantly enhanced social equity and residents' quality of life.

3.2. Challenges in policy implementation

3.2.1. Persistent wealth inequality: a fundamental challenge

Despite policy efforts, income inequality remains a persistent challenge in the Yangtze River Delta region. While low-income groups have seen income growth, the wealth accumulation of high-income groups through capital markets, real estate, and technology investments has widened the income gap.

In some highly developed cities, access to resources remains concentrated among well-educated and highly skilled individuals, creating hidden barriers in education, healthcare, and other essential services. The fairness and inclusivity of public service systems still require significant improvement.

3.2.2. Industrial restructuring and its impact on structural unemployment

The transition from traditional manufacturing to high-tech and capital-intensive sectors has significantly reshaped regional labor demands, often leaving low-skilled workers vulnerable to displacement.

As low-value-added industries exit the market, many experienced, but less-educated workers struggle to meet the skill requirements of emerging industries, resulting in persistent structural unemployment. This phenomenon has been particularly evident in regions like Jiangsu and Zhejiang, where the transformation of sectors such as textiles, light manufacturing, and hardware has led to widespread layoffs or wage stagnation among the traditional labor force. Left unaddressed, such labor market imbalances may exacerbate income inequality and erode grassroots social stability.

Against this backdrop, Zhang et al. highlight the importance of integrating industrial transformation with targeted talent cultivation. Drawing from Zhejiang's rural revitalization efforts, they argue that initiatives such as the "Ten Million Farmers Quality Improvement Project" and the integration of agricultural universities, cooperatives, and enterprises can effectively upskill rural workers. These efforts not only help displaced labor re-enter the workforce but also foster a class of high-quality, locally rooted entrepreneurial farmers who contribute to sustainable economic development [6].

3.2.3. Escalating financial pressure on local governments

Many common prosperity initiatives rely heavily on substantial financial investment from local governments, including fiscal transfers, public service expansion, and industrial subsidies, and there is often a lot of financial allocation that is unreasonable and wasteful.

As Li and Hu noted in their article, the R&D efficiency of Shanghai's high-tech industries remains suboptimal, with significant resource redundancies and underutilization, especially in personnel input [7]. Economically underdeveloped cities often lack the fiscal capacity to sustain such high levels of expenditure. The impacts of the COVID-19 pandemic and a prolonged real estate downturn have

further eroded local revenues, increasing debt risks and limiting the ability to fund essential welfare programs.

In some cases, policy measures have been scaled back or delayed, resulting in “discounted implementation” and undermining public confidence in the policy’s long-term effectiveness.

Overall, the growing financial burden has emerged as a critical bottleneck to the sustainable advancement of the common prosperity agenda.

3.2.4. Regional disparities and their impact on policy implementation

Significant differences in economic foundations, administrative capacity, and governance models among cities in the Yangtze River Delta have led to uneven implementation of the common prosperity policy. Cities like Shanghai and Hangzhou, with abundant resources and institutional flexibility, have demonstrated notable policy success. In contrast, areas such as northern Jiangsu and northern Anhui face challenges related to talent shortages, budget constraints, and limited administrative capacity. These obstacles slow policy rollout and weaken the capacity to replicate success models across regions. These regional disparities hinder the overall effectiveness of the common prosperity policy and exacerbate development imbalances.

As Wang and Wang revealed in *A Research on the Relationship between FDI and Jiangsu’s Regional Economy Disparity*, South Jiangsu could convert each unit of FDI into approximately twice as much GDP growth as North Jiangsu due to its stronger human capital and absorption capacity [8]. This imbalance leads to a self-reinforcing cycle: regions with better economic foundations attract more investment and generate higher returns, while less developed areas fall further behind despite receiving similar inputs. Such structural gaps must be taken into account when designing redistributive or development-focused policies, ensuring that fiscal and industrial tools are aligned with local capacities.

4. Policy recommendations for sustainable common prosperity

4.1. Progressive redistribution: bridging income gaps

To address persistent wealth inequality, a more refined and progressive income redistribution system should be established.

Local governments can expand direct transfer programs for low-income households, such as targeted subsidies and tax deductions, while simultaneously implementing progressive taxation to enhance the contribution of high-income groups to public welfare. Moreover, integrating digital platforms into social assistance systems can improve the efficiency of fund allocation and reduce leakage.

In addition, employment-oriented redistribution policies should be prioritized. Encouraging enterprises to establish inclusive hiring mechanisms and offering wage subsidies to employers hiring from vulnerable groups can help increase the participation of low-income individuals in the labor market. Vocational education programs should also be tailored to emerging industry needs, enabling disadvantaged groups to acquire skills that correspond to future employment opportunities.

Place-based industrial strategies can complement traditional redistribution tools. A vivid example lies in the popular industrial cluster in North Jiangsu, where the development of wood processing areas not only provided abundant local employment opportunities but also effectively absorbed surplus rural labor. As Yan pointed out, the spatial and structural features of industrial clusters—such as their rootedness in rural areas and labor-intensive enterprise composition—can support inclusive growth by facilitating in-situ urbanization and stabilizing rural incomes [9].

These dynamics illustrate that employment-based redistribution is not limited to fiscal tools but can also be realized through industrial development strategies that anchor economic opportunities locally.

Moreover, as Wang and Wang demonstrated in *A Research on the Relationship between FDI and Jiangsu's Regional Economy Disparity*, unequal industrial development and foreign direct investment (FDI) absorption capacities across regions can further widen income gaps. Their study showed that South Jiangsu, due to stronger human capital and innovation capacity, converted each unit of FDI into significantly higher GDP growth compared to North Jiangsu [8]. This evidence underscores the necessity of coupling redistribution with industrial upgrading in lagging regions. This reinforces the need to tailor redistribution strategies to regional industrial capacities and prioritize equal access to quality employment opportunities.

4.2. Future-ready workforce: inclusive skills development

To mitigate structural unemployment resulting from industrial transformation, a region-wide workforce reskilling initiative should be launched, led by provincial human resources departments in partnership with industry associations and vocational education groups.

Governments can collaborate with vocational institutions and private enterprises to establish sector-specific training programs, particularly in areas like digital technology, smart manufacturing, and green economy sectors. These programs should be accessible to displaced workers and financially supported through public subsidies or corporate contributions.

At the same time, establishing a dynamic labor market information system will help match supply and demand more effectively. A real-time platform that aggregates regional job data can provide accurate employment forecasts and guide training institutions in curriculum development.

Furthermore, encouraging lifelong learning and certifying informal skills through standardized assessments can help workers transition more flexibly between sectors.

Recent empirical research supports the importance of improving regional environments for talent cultivation. As Ma and He emphasizes in their article “Study on Influencing Factors and Mechanism of Scientific and Technological Innovation Talents Gathering in Zhejiang Province”, factors such as infrastructure, education level, and public service accessibility not only directly attract innovative labor but also indirectly foster talent agglomeration through economic growth [10]. This implies training programs must integrate spatial planning considerations.

These findings suggest that inclusive skills training must be embedded within a broader ecosystem of human capital development, where education, industry, and regional policy are jointly aligned.

4.3. Fiscal innovation: sustainable local governance

To alleviate the escalating financial pressure on local governments, a multi-pronged fiscal strategy is necessary.

First, central and provincial governments should increase fiscal transfers to economically weaker cities while adopting performance-based evaluation frameworks to ensure that funds are used efficiently. This requires stricter auditing mechanisms and transparent budget disclosures to build public trust.

Second, local governments should diversify their revenue sources. Beyond traditional land finance, they can explore new areas such as urban service fees, environmental taxes, and public-private partnerships (PPPs) for infrastructure and welfare services. Fiscal sustainability also depends on rationalizing expenditure structures and prioritizing projects that offer long-term social and economic returns.

Finally, expanding local governments' capacity for debt management and financial planning will be critical. Training programs and digital budgeting tools can help improve fiscal resilience, especially in regions most affected by revenue downturns.

4.4. Regional synergy: coordinated development frameworks

To overcome uneven policy implementation across the Yangtze River Delta, a coordinated governance framework should be strengthened.

Establishing inter-provincial working groups with rotating leadership and binding targets for cross-border projects, can enhance the alignment of policy objectives and facilitate the sharing of best practices. Richer cities like Shanghai and Hangzhou can offer technical assistance or partner with underdeveloped regions to jointly develop pilot programs in public service delivery and industrial upgrading.

At the same time, adopting differentiated policy designs based on local conditions is essential. Rather than a one-size-fits-all model, policy toolkits should be tailored to each city's economic structure, governance capacity, and social demographics. For example, while highly industrialized cities may focus on digital innovation, rural areas might benefit more from infrastructure development and small enterprise incubation.

Additionally, promoting labor and capital mobility within the region can help balance development.

Reducing administrative barriers for inter-city employment and investment, as well as building cross-regional infrastructure networks, will strengthen the overall integration of the Yangtze River Delta and enhance the spillover benefits of common prosperity policies.

5. Conclusion

5.1. Key findings: policy impacts and persistent challenges

This study explored the implementation of common prosperity policies in the Yangtze River Delta (YRD) and assessed their impacts, challenges, and potential for sustainable regional development. The analysis reveals several key findings. Three major achievements emerge: First, the policy has positively driven regional economic upgrading, especially through high-tech and green industries in developed areas such as Shanghai, Jiangsu, and Zhejiang. These industrial transformations have created employment opportunities for low- and middle-income groups, contributing to more inclusive growth. Second, the policy has raised income levels among disadvantaged populations through targeted fiscal transfers, wage subsidies, and rural revitalization initiatives. Additionally, the overall quality of public services—especially in education, healthcare, and housing—has significantly improved, enhancing living standards and equity. However, the analysis also identifies persistent challenges.

Four systemic challenges persist: These include structural wealth inequality, the risk of structural unemployment from industrial shifts, growing fiscal pressure on local governments, and disparities in regional governance capacity, all of which hinder consistent policy implementation across the region.

5.2. Theoretical and practical contributions

This study advances the theoretical discourse on equitable development by demonstrating how regional innovation systems can be aligned with redistributive mechanisms. This study advances the theoretical discourse on equitable development by demonstrating how regional innovation systems can be aligned with redistributive mechanisms under rapid industrialization. As China advances toward balanced regional development, the YRD serves as a valuable pilot zone. This paper provides

insights into how targeted redistributive mechanisms, inclusive employment policies, and regional collaboration can be integrated to support common prosperity. It offers concrete policy strategies for government actors (particularly fiscal and development planning agencies) and economic planners (particularly municipal development reform commissions and provincial finance bureaus) seeking to reduce inequalities and promote sustainable growth in other regions. Furthermore, the findings may guide businesses (especially supply chain-dependent manufacturers) and social organizations in aligning with inclusive development goals, particularly by investing in human capital, innovation, and socially responsible practices.

5.3. Research limitations and future directions

Despite these contributions, the research has certain limitations. The study relies primarily on secondary data sources, such as policy documents, academic literature, and case studies, and lacks panel data tracking household income mobility across prefecture-level cities. This may limit the granularity of findings, particularly with regard to individual or community-level policy impacts. Future studies could build upon this work by incorporating surveys, interviews, with standardized sampling across urban/rural divides and industry sectors, or fieldwork to collect firsthand data from stakeholders, including residents, local officials, and business owners. This would enable a deeper understanding of how common prosperity policies affect various income groups and could offer more nuanced insights for tailored policy refinement particularly examining the trade-offs between growth-oriented and redistributive policies.

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