

The Impact of Expanding the Middle-Income Group on the Transformation of Industrial Structure

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Abstract. Industrial restructuring is a trending topic in current research. To propel the high-level improvement of the economy and achieve common prosperity, building a modern industrial network is an effective measure. Upgrading the internal structure of the industry can transform the mode of economic improvement, adapt to the new economic situation, and meet the needs of the times. Some researchers have discovered that expanding intermediate level people has a fatal impact on industrial structure, but there are still research gaps in the underlying mechanisms and impact issues. Therefore, this article explores the relationship between enlarging the intermediate level people of income. In addition, industrial structural transformation by reviewing relevant literature and collecting data. Research has found that enlarging the intermediate level people of income are able to provide talent support though the optimizing industrial distribution types in production; Further stimulating production vitality through consumption; Creating a favorable market environment in the social-economic aspect is conducive to promoting industrial structural transformation and achieving effective upgrading of industries.

Keywords: Expand the middle-income group, industrial structure transformation, common prosperity, high-quality development.

1. Introduction

In light of the evolving global landscape and the emerging characteristics of major developing countries, a new wave of industrial transformation is currently underway. ‘The Guiding Catalogue for Industrial Structure Adjustment (2024 Edition)’ points out that industry is the key to economic development, the foundation of a country's establishment, and an important measure to promote industrial structure adjustment, build a modern industrial system, enhance industrial core competitiveness, and promote industries to move towards a higher level of global value system [1]. It is crucial to firmly grasp the intermediate level people of income to promote the transformation of industrial structure. In the face of industry investment and development in various fields of the market, the willingness and ability of the intermediate level people of income are more representative. The intermediate level people of income have relatively stable employment and a relatively comfortable life (the 14th Five Year Plan) [2]. The report points out that our goal is to achieve prosperity in the lives of all people in China, enlarging the intermediate level people of income, and raise the level of residents with lower sources of wealth (Report of the 16th National Congress, 2002) [3]. The report for the first time highlights the important task of enlarging the intermediate level people of income. which has internal vitality in all aspects of the domestic market. Nowadays, the intermediate level people of income in China exceeds four hundred million, about 30% of the total number of people This group can not only drive consumption but also activate market input factors and promote the transformation of the structural hierarchy and types of industries Currently, relevant scholars' research on industrial structure transformation focuses on the macro-level connections between policies, markets, and financial economics, while research on middle-income groups mostly focuses on the connections between consumption, common prosperity, and high-quality development. There is still a lack of detailed research on the connection between expansion and changes in the structural hierarchy and types of industries. Bring forth new ideas in the regard in this article lies in combining the two, by reading relevant theories to deeply explore the comprehensive penetration effect of enlarging the intermediate level people of income on the transformation about industrial structure,

opening up new research fields, and also having important practical significance for promoting high-quality economic improvement for all residents of the country.

2. The Connotation of the Evolution of Internal Industrial Makeup in the Era

The transformation of industrial makeup includes the improvement of internal organizational structure within the industry and the reasonable arrangement of internal organizational structure within the industry. The improvement of internal organizational structure show the transformation of labor-intensive industries into stock and technique-based industries. the reasonable arrangement of internal organizational structure within the industry refers to the effective allocation of production material under existing resource and technological conditions [4]. The most important aspects of the transformation of internal industrial makeup are innovation factors or rational allocation. These two types of industrial structure transformation have significant contemporary significance for improving the country's technological innovation level and promoting high-quality economic growth. Since the reform and open to the outside world, from the perspective of the international labor vertical model system, China has been at a disadvantage. If a new industrial structure can be transformed and upgraded, it is also an effective measure to change the current industrial situation in China [5].

2.1. Factors Affecting the Evolution of Internal Industrial Makeup

The main factors for the transformation and upgrading of internal industrial makeup could be separated into two categories. The first factor mainly includes three levels. The larger relative income effect refers to the influence of consumers' consumption habits and the consumption level of people around them on their consumption behavior. According to the increase in per capital level but different preferences for demand elasticity of different enterprises, the growth of product demand varies. The relative price change effect refers to the changes in consumer demand caused by the price changes of different goods in the economic market. Through the upgradation of the endowment of technology required in production factors of enterprises, the input-output ratio refers to the ratio between project income and investment, which is influenced by the rise and changes of the tertiary industry in the post-industrial era [6]. The second international factor is that international trade highlights a country's comparative advantage, while sectors without competitive advantages gradually fall behind the pace of the times and shrink [6]. But behind these factors lies the need to truly adapt to the tide of the times or stay ahead of the times. For this type of characteristic, the influence of the intermediate level people of income cannot be ignored. The stability and innovation ability of this group have potential advantages, which is a new direction for studying the impact on industrial structural transformation.

2.2. Innovative Pathways for Industrial Organization Transformation

The upgrading and change of industrial makeup require collaborative efforts through multiple channels. As a socialist transitional economy, China needs to innovate and increase the construction of a comprehensive infrastructure system. At present, new infrastructure mainly focuses on new industries such as 5G base stations and digital technology, stimulating a new resource technology revolution [7]. The new infrastructure provides an effective approach for the transformation of industrial structures. Yan Cheng analyzed the impact of tourism consumption policies on regional industrial structure transformation through spatial econometric models, indicating that tourism consumption utilization correlation and driving effects effectively promote regional industrial structure transformation [8]. The talent policy emphasizes the accumulation and innovation of supply-oriented talent capital [4]. These innovative approaches provide scientific research ideas and theoretical basis for the impact of middle-income groups on the upgrading and change of industrial makeup and offer new thinking directions for effective industrial structure upgrading.

3. Research and Analysis on Different Levels of Middle-income Groups

Currently, academia and society are paying increasing attention to research on middle-income groups. Including optimizing the consumption structure hierarchy of consumers, promoting industrial upgrading, and driving enterprise structural transformation [9]. These theoretical analyses at different levels have also added many new research directions and contents with economic progress.

3.1. Notion of the Intermediate Level People of Revenue

The meaning of middle-income groups varies at distinct administrative levels of mend. The definition of a middle-income group has gone through two stages. It could be roughly separated into the term "intermediate level people of income" used before 2010 and the term "middle-income group" used in 2020, which is regarded as a social group with distinct characteristics. At the same time, the use of prefix words has shifted from "expanded" to "significantly expanded" [10]. Practice has shown that most developing countries are stuck in a bottleneck period for a long time in the middle-income stage, which leads to a concentration on changes in development factors, problems, and goals [11]. Studying intermediate level people of income is also a practical requirement for middle-income countries to improve their economy.

There are generally four measurement criteria for measuring the range of intermediate level people of income: annual household revenue, purchasing power parity, median income range, and estimation of individual net assets. The ratio of the medium-income population in developed countries is generally above 50% [12]. The concept of "medium" also has a dual meaning in terms of quantity and quality [13]. Scholars Li, Jinchang, Ren Zhiyuan and Chen Yizhi measured the range of the intermediate level people of revenue by fitting the allocation situation of residents' income [9]. It could be discovered that the intermediate level people of revenue show a trend of inheritance and innovation in overall characteristics.

3.2. The Path and Effect of Enlarging the Intermediate Level People of Revenue

At present, there are different research focuses on ways to enlarging the intermediate level people of revenue. In terms of policy design, emphasis is placed on problem-oriented and targeted solutions. Standards are not absolute and are relatively variable at different levels. At the same time, the overall goal cannot be vague, and achieving common prosperity has always been China's goal. Expanding the middle-income group requires comprehensive penetration, such as emphasizing the connection between the economy and industries, and improving the institutional framework to achieve fair income distribution in society [12]. But from a quantitative perspective, there are two ways to expand: adjusting the stock and expanding the increment [9].

4. Path 4.analysis of Industrial Structure Transformation - Based on the Perspective of Expanding the Intermediate Level People of Revenue

Through the above analysis of the transformation of industrial structure and the intermediate level people of revenue from multiple perspectives, it can be seen that to transform and upgrade the current internal industrial makeup, it is momentous to comprehensively consider the aspects of capital, human resources, technological progress, and market demand, which are closely related to the middle-income group.

4.1. Optimize Industrial Distribution Types and Innovate Vitality

Expanding the middle-income group provides innovative impetus for the internal human resource level and technological progress of the industrial structure. Relying solely on the primitive accumulation of capital and demand to promote industrial structural transformation is far from enough. The progress and development of industries require the synergistic effect of internal and external forces, among which internal force refers to the innovative vitality inherent in the industrial structure,

which requires the industry to continuously improve its ability level, including technological innovation, management innovation, and market innovation, to stimulate the intrinsic growth momentum of the industry. Only through the interaction of internal and external forces can effectively promote the upgrading and change of industrial makeup, and reach continuity and sound progression of the industry. The way to implement the new national science and technology system policy is through the contribution of human resources. There is an imbalance between industrial human resources and human resources, and it is necessary to match the degree of resource investment in policies through asset solutions [14]. The industry should focus on mining high-quality talents. The education level of the middle-income group is more clearly defined compared to the past, with a noticeable increase in the proportion of this group in the service industry. In these four years from 1978 to 2020, the scale of personnel engaged in the third industry in the industrial structure grow from 12.2% to 47.7% [12]. At the same time, the importance of education was emphasized in the expansion policy, which stand for the development of the abilities of the intermediate level people of revenue and attempts to explore new employment opportunities. The adjustment of industrial production sectors in developed economies can better improve economic efficiency by changing the development structure to reflect innovation and reduce resource inputs and industrial emissions [15]. The development of the economy requires attention to efficiency and environmental protection. Faced with this characteristic, middle-income groups will invest more attention in industries with better development prospects, which guides the internal structural transformation of industries. The introduction of talents drives industrial innovation and technology, and the intermediate level people of revenue plays a bridging play the part of persona in the proceeding.

4.2. Leveraging the Opposing Force of Consumption on Production to Accumulate Wealth

Expanding the middle-income group provides financial support for the renewing and change of industrial makeup, and provides a material foundation for industrial renewing and change. The renewing and change of industrial makeup are a comprehensive process that requires both the accumulation of capital and wealth as the foundation, as well as the driving force of the market. The desire for consumption of the intermediate level people of revenue beyond the level of moderate prosperity shows uniqueness and higher-level demand performance [12]. At present, in most countries, household income, consumption, and asset index show a positive correlation trend, and the measurement of their correlation also shows roughly the same changes [16]. The intermediate level people of revenue is at the average level of a country's per capital income in terms of income, and the consumption concept is also in a reasonable range, which is the indicator that could push the consistent with the principle of industrial structure and promote industrial exaltation sustainably and stably. An important development direction for the current industrial structure transformation is to lead towards specialization and high-end and to use industrial integration to enhance market size [6]. As a representative of the overall expenditure level of society, the intermediate level people of revenue's upgrading of consumption level have also driven the development and transformation of industries. The growth of the number of service industries is one of the manifestations of industrial transformation, providing production power for the budding and renewal of small-scale and middling corps and the sustainable development of large enterprises. The new intermediate level people of revenue are chiefly made up of the emerging white-collar class [12]. The implementation of these expansion policies has brought consumption orientation to the advance of market factories, and the consumption of intermediate level people of revenue is guiding the transformation of industrial structure.

4.3. Stabilize the Market Environment and Achieve High-quality Development

The augment of the intermediate level people of revenue acts a major hand in rising the market environment and encouraging sustainable preferment. The old industrial areas have a special lag in long-term Removal of industrialization and long-term restructuring, and how to adopt the correct policies to face this feature is a major challenge [17]. The market environment in which an industry

operates has a significant impact on whether it can smoothly enter a new stage. The 18th National Congress emphasized that China has entered a period of strategic adjustment, and the development of the six major service industries has been comprehensively improved. The financial industry has been included in the physical sector of the service industry and deeply integrated with the first and the second factories [6]. The adjustment of industrial policies act on a energetic hand in settling the industrial market environment. After World War II, which was a energetic correlation between the growth of middle-income groups and the tertiary industry, namely the service sector [12]. In response to this influencing factor, the production and sales of closely related industries are aimed at a wide range of consumer groups. If consumer entities can maintain a good level of quality and comply with market rules, the process from production to consumption of products can be relatively smooth. According to the perspective of the added value of domestic production factors, the economic cycle can be divided into two parts: the "production link" and the "consumption link". The production link is the conversion of production factors into final products, while the consumption link is the flow of final products from producers to consumers [6]. Consumers' preferences and purchases of products are also the ultimate link in the product. A stable market environment is not only related to policies but producers and consumers in the market are also important forces for the smooth operation of the entire market. The intermediate level people of revenue are not just a single consumer notion, it can be the executor in promoting industrial restructuring. The size of China's new the order with moderate wealth assets occuppies of 30% of the gross middle class, with 33.2 million middle-class households nationwide. The intermediate level people of revenue have both the ability and willingness to expenditure [12]. It can be seen that a good market environment is quite important.

5. Conclusion

Through research, this article found that expanding the intermediate level people of revenue plays an important role in promoting industrial structural transformation. Enlarging the intermediate level people of revenue can guide demand at the expenditure level, help rationalize industrial structure, drive production with demand, and provide the material basis for further upgrading of industries. In terms of production, owing to the further improvement of the structural standards of the intermediate level people of revenue, the current emphasis on education among the intermediate level people of revenue has been expanded, promoting the improvement of their cultural level and providing talent support and innovation momentum for industrial structural transformation. In terms of socioeconomic development, enlarging the intermediate level people of revenue could also optimize the market environment and have a positive impact on the smooth progress of production and consumption processes. Therefore, it is recommended to augment the beneficial influence of the intermediate level people of revenue and better promote industrial structural transformation when considering the path of industrial structural transformation. This study further deepens the understanding of the direct connection between the two, which is conducive to clarifying the deep-seated impact effects between the two and providing rational analysis suggestions, providing new feasible paths for the variation and development of industrial structure. Finally, this study do not fully explore measures to expand the intermediate level people of revenue in support of internal industrial makeup, and there is insufficient data to establish the connection between the two. In the future, further research and refinement can be conducted on data collection and feasibility measures to facilitate in-depth research on the topic.

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