

# The Function Mechanism and Realization Path of Corporate Social Responsibility Driving Common Prosperity

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## Abstract

**Under the socialist system with Chinese characteristics, corporate social responsibility runs through the whole process of three distributions and is an important path to achieve common prosperity. Based on the perspective of three distributions, this paper expounds the principles that enterprises need to follow to fulfill social responsibility to drive common prosperity, analyzes the mechanism of corporate social responsibility to drive common prosperity, and then points out the path of corporate social responsibility to promote common prosperity.**

## Keywords

**Common Prosperity; Corporate Social Responsibility; Cubic Distribution.**

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## 1. Introduction

The Fifth Plenary Session of the 19th CPC Central Committee clearly puts forward the important strategic deployment of comprehensively promoting common prosperity for the first time, and listed "more substantive progress for the common prosperity of all people" as the long-term goal of 2035. Common prosperity, as an inherent and necessary requirement in the new journey of China's modernization, has gradually moved away from us. How to realize the common prosperity of all people has also become the central issue in the new era and new stage. The essence of realizing common prosperity is a long-term and arduous process. Its purpose is that under the socialist system with Chinese characteristics, all staff work together to create an increasingly advanced level of productivity and share an increasingly beautiful tomorrow fairly [1]. Common prosperity emphasizes "a better life" and higher quality "quality of life", in order to finally realize the "common" prosperity of all people [2]. China's development at this stage determines that we can't take a radical way to promote common prosperity. We should start with three distributions, carry out deep-seated reform on the one hand, and speed up development on the other hand [3]. Through the implementation of the three distributions, how to expand the "cake", divide the "cake" and share the "cake" is an urgent problem to be studied.

As an important bearer of social responsibility, enterprises have always played an important role in increasing income, expanding the "cake" and sharing the "cake" with public welfare charities, and actively participating in the distribution system [4]. While creating economic profits, enterprises are required to pay attention to the commitment of social responsibility, abandon the profit-only theory, and pay more attention to the contribution to the social people, so that promoting the realization of common prosperity has become an important embodiment of corporate social responsibility. Therefore, enterprises' active performance of social responsibility will help promote common prosperity. So, what principles should corporate social responsibility abide by in the process of realizing common prosperity? What is the mechanism of corporate social responsibility promoting common prosperity? How to optimize the path of corporate social responsibility driving common

prosperity? These problems are progressive at all levels, which is a major issue that we must consider to achieve common prosperity at this stage. Only by clarifying the mechanism of corporate social responsibility to promote common prosperity from the ideological logic, can we further take effective measures to urge enterprises to fulfill their social responsibilities and make greater contributions to the realization of common prosperity.

## **2. Basic Principles of Corporate Social Responsibility Driving Common Prosperity**

### **2.1 The Principle of Unity of Efficiency and Fairness**

In the process of promoting common prosperity, enterprises can neither simply pursue efficiency and ignore development fairness, nor blindly pursue fairness and hinder economic development. The principle of the unity of efficiency and fairness is the basic principle that enterprises should adhere to when participating in common prosperity.

Enterprises should follow the principle of "bigger cost" in the initial development of enterprises. As the main body of market independent economy, enterprises follow the principle of general market free competition, optimize the allocation of resources and maximize efficiency, so as to promote the rapid development of the market economy and provide a solid material foundation for common prosperity. Fairness is the basic principle to ensure the high efficiency of enterprises and better serve the common prosperity. Chinese enterprises grow up under the basic economic system of socialism with Chinese characteristics. Their economic development achievements must meet the development requirements of common prosperity and follow the principle of fairness. The efficiency that does not follow the principle of fairness is the efficiency that lacks sustainability, not the real efficiency [5]. The 10th meeting of the central financial and Economic Commission proposed to "promote common prosperity in high-quality development", which revealed that enterprises should follow the basic requirements of the unity of efficiency and fairness. While undertaking economic responsibilities, enterprises should properly handle the exploitation of labor by capital in accordance with the basic development requirements of common prosperity, gradually realize social equity on the basis of ensuring efficiency and constantly promote common prosperity.

### **2.2 The Principle of Unity of Autonomy and Compulsory**

Under the socialist market system, there are some contradictions between the goal of maximizing profits for enterprises and the vision of common prosperity for the country. Therefore, emphasizing the organic unity of autonomy and compulsion is another basic principle that enterprises must follow.

Autonomy is not only an important embodiment of corporate social responsibility, but also a basic principle for enterprises to actively bear tax responsibility, promote redistribution and achieve common prosperity. With the large economic volume and strong tax contributions, enterprises are an important social force to support the government to give full play to tax and transfer payment tools. Only when enterprises pay taxes independently and bear the responsibility of transfer payments such as social security can they truly ensure the role of the government in the second distribution. Compulsion is to escort the process of common prosperity through laws and regulations, and it is also a prerequisite for enterprises to bear corporate responsibility independently. Marx believed that "the Communist society just emerged from the capitalist society still carries the traces of the old society from which it was born in terms of economy, morality and spirit" [6]. It is also the unshirkable responsibility of enterprises to forcibly guide enterprises to serve the whole cause of common prosperity through legal provisions. In the process of undertaking social responsibility and promoting common prosperity, enterprises should flexibly deal with the relationship between autonomy and compulsion. We should neither emphasize compulsion at the expense of enterprise economic growth nor deceive the government and evade taxes on the pretext of conscious participation. We should insist that autonomy is based on compulsion. Only by recognizing the coordination and unity of the two can we not hinder the development process of redistribution, but also contribute to the social responsibility of enterprises and promote common prosperity.

### 2.3 The Principle of the Unity of Profitability and Public Welfare

As an important stakeholder of market mechanism, the fundamental purpose of enterprise development is still profit [5], which is also the material basis for enterprises to promote common prosperity. However, the third distribution also determines that while promoting economic growth, enterprises should still adhere to the principle of public welfare, establish the development concept of the unity of profitability and public welfare, undertake social responsibility and promote common prosperity.

Profitability is the proper meaning of enterprise development. Enterprises maximize profits through the rational allocation of resources, expand the "cake" and provide development power for the income distribution system. At the same time, profitability also requires enterprises to pay attention not only to quantity but also to quality in the process of development and growth. The two-way rush of "quality" and "quantity" is the material basis for expanding the "cake". Public welfare is the basic principle for enterprises to participate in the income distribution system and share the development achievements among the whole people. At present, China's distribution system is divided into three levels. The first distribution is dominated by the market, and enterprises promote residents' income through economic development. The second distribution is led by the government, and enterprises mainly provide material guarantees for them through tax and transfer payments. With the development of the economy, the third distribution has gradually become the top priority in the distribution system. Enterprises participate in the third distribution by caring for public welfare and making charitable donations. Therefore, adhering to the principle of public welfare has become an important basic principle for enterprises to participate in the third distribution. Enterprises need to seek a balance between profitability and public welfare in their development. With strong profitability, they can support enterprises to undertake more social responsibilities, invest in the field of people's livelihood and participate in public welfare undertakings. Public welfare can reverse the profit-only development concept of enterprises and make enterprises become firm supporters on the road to common prosperity.

### 3. The Mechanism of Corporate Social Responsibility Driving Common Prosperity

Common prosperity is the prosperity of all the people. On August 17, 2021, the meeting of the central finance and Economic Commission pointed out that the realization path of common prosperity is to bring wealth after getting rich first and help people after getting rich, so as to seek happiness for all people. As an important social subject to achieve high-quality development, enterprises, on the one hand, actively participate in the initial distribution by stimulating the economy, and expand the "cake" to help common prosperity. Secondly, by promoting and improving the redistribution regulation system, we can divide the "cake" by driving the rich first and then the rich. Thirdly, the "cake" will be shared by the whole people through the third distribution. The specific logical framework is shown in Figure 1.

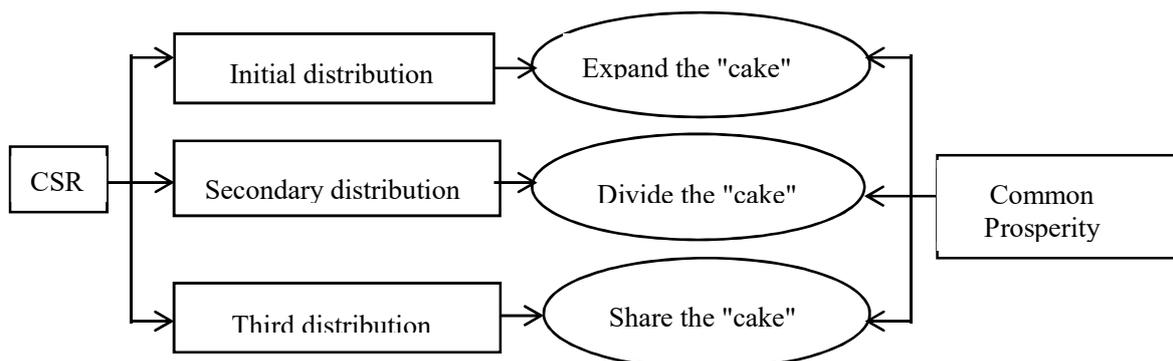


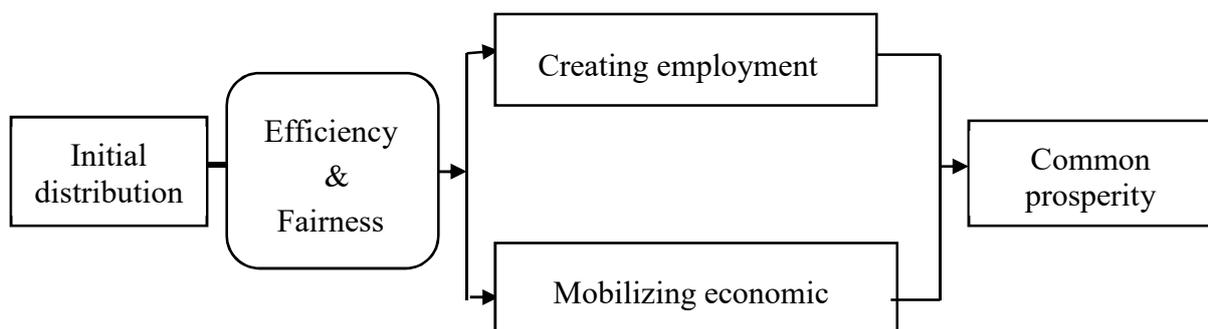
Figure 1. Diagram of the analytical framework of CSR-driven Common prosperity

### 3.1 Initial Distribution, Expand the "Cake"

In the initial distribution, enterprises directly distribute the production factors according to the basic principle of "efficiency first", so as to realize the high-quality development of the internal and external economy. Mapped to corporate social responsibility, its main mechanism is through two paths: creating employment and mobilizing economic vitality.

The basic economic system with "public economy as the main body" determines that state-owned enterprises, as an important part of the public economy, have a special mission in undertaking social responsibility and creating jobs. With large capital and strong anti-risk ability, state-owned enterprises have played an important role in investing in various public infrastructure projects with high risks and long return periods, providing more choices and strong material support for the realization of common prosperity. At the same time, as state-owned capital, state-owned enterprises can better implement national macro-control, and the enterprise economy can tilt to underdeveloped areas to promote the growth of residents' income in underdeveloped areas. By developing the economy, we can create a large number of jobs, increase the income of farmers, shorten the income gap between urban and rural areas, greatly improve the construction of rural urbanization and promote the economic development of rural areas.

"The coexistence of multiple ownership economies" makes it possible for the private economy to cooperate and expand the "cake". Since the reform and opening up, the poor exchange of funds, talents, technology and equipment has been an important reason for hindering the common development of urban and rural areas. As an important bridge connecting cities and rural areas, private enterprises ensure the exchange of production resources and technology between urban and rural areas. Talents can also flow freely and make full use of private enterprises as an intermediary channel. Various forms of cooperation between township enterprises and urban enterprises have also effectively promoted the optimal allocation of human resources. Although the COVID-19 has had a certain impact on China's economy in the past two years, the proportion of employment opportunities created by private enterprises is still increasing. In 2019, the number of urban private enterprises accounted for 19% of the national employment, an increase of 3 percentage points over 2015, reaching 33.87 million person times. By creating jobs and absorbing labor, private enterprises enable the whole people to participate in the construction process of common prosperity, create a good social atmosphere of "everyone's participation", create more wealth and provide a strong driving force for the realization of common prosperity.



**Figure 2.** The logic of achieving common prosperity under the initial distribution

On the one hand, the iterative renewal of enterprise technology creates social wealth, but also stimulates regional economic vitality by virtue of its innovation, which has an important impact on the rational distribution of social wealth. It is an important engine to promote the realization of common prosperity. Chinese enterprises are now in a new era led by digital technology. The integration of digital technology and traditional industries has effectively promoted rural revitalization and poverty alleviation. In 2020, digital technology enabled the sales of traditional agricultural products, bringing the total number of online merchants in national poor counties to

3065000, creating total retail sales of 40.66 billion yuan [7], which significantly improved the quality of economic development in rural poor areas. At the same time, the spatial spillover effect of digital technology also drives the development of surrounding areas, showing an increasing trend of marginal effect. For example, the development level of enterprise digital economy in the Pearl River Delta, Yangtze River Delta and other economic belts has always been in the forefront of the country. Driven by these advanced industrial clusters, the enterprise digital economy in other regions has gradually embarked on the fast lane, and the demonstration radiation effect is increasing day by day. The enterprises in the surrounding fourth and fifth-tier cities can also enjoy the dividends of scientific and Technological Development and progress, which has stimulated the economic competition vitality of the whole region and formed the mutual promotion a new development pattern of common progress.

### 3.2 Secondary Distribution, Divide the "Cake"

The initial distribution is the foundation, which lays the material foundation for realizing common prosperity. Redistribution is the distribution adjustment mechanism. It is a process of continuous reform and optimization of the distribution system on the basis of the initial distribution. It is the key work in the current distribution system to divide the "cake" of wealth. From the perspective of corporate social responsibility, enterprises should actively fulfill their tax obligations, undertake social security responsibilities, give full play to the market function and help the secondary distribution. In the initial distribution, "affluence" is the keyword, and "common" is the keyword in the redistribution. It emphasizes promoting the fairness and justice of the distribution results, and mainly relies on tax, transfer payment and other tools to realize the perfect adjustment of the initial distribution results.

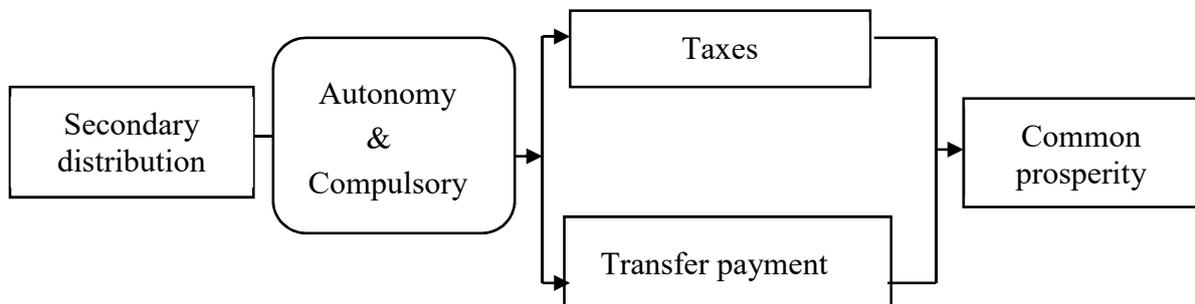


Figure 3. The logic of achieving common prosperity under the secondary distribution

In redistribution, the government is the main body, and tax is the institutional tool for the government to adjust the initial distribution and form the income wealth gap. By formulating various preferential tax policies, the government tilts the social resources of enterprises to underdeveloped areas and promotes coordinated development between urban and rural areas and regions. Therefore, it is required that taxes should be effectively adjusted in redistribution. Enterprises, as an important part of society, narrow the gap between the rich and the poor and promote common prosperity by supporting the government to increase the use of tax regulation. According to the tax report, in the total tax revenue in 2020, state-owned holding enterprises contributed 24.3%, foreign-related enterprises 16%, private enterprises 17.6% and private enterprises 59.7%. It has provided substantial national public financial support for eradicating absolute poverty and achieving common prosperity, and also laid a material foundation for the country to implement the second distribution and improve the public systems such as social security, taxation and transfer payment. Enterprises also have the ability to expand the scale of production organizations because tax relief reduces operating costs, so as to improve their governance ability and become an indispensable subject to promote the early realization of common prosperity.

If taxation is "robbing the rich" to some extent, then transfer payment is "helping the poor". Government transfer payment refers to the free social security service provided by public finance to lower-level residents. It is an important model for the government to regulate the secondary distribution in a non-market way. China's first white paper on social security points out that we should, according to China's national conditions of social development, put people first and pay attention to the improvement and establishment of China's social security system [8]. It also clearly emphasizes that social insurance, as the core of China's public security, is an important and urgent content for enterprises to actively fulfill their social insurance responsibilities. By actively participating in social insurance work, enterprises protect the legitimate insurance rights and interests of employees, so as to effectively improve the income treatment of employees, expand the scale of middle-income groups, encourage more wealth and resources to flow into the third distribution, maintain social equity and promote common prosperity.

### 3.3 Third Distribution, Share the "Cake"

The 14th five-year plan of the CPC Central Committee and the long-term goal of 2035 put forward "giving play to the role of the third distribution, developing philanthropy and improving the pattern of income distribution", so as to "solidly promote common prosperity". Realizing common prosperity is the essential requirement of socialism, and the third distribution is an important path to achieve common prosperity. Compared with the initial distribution and redistribution, the third distribution follows the principle of need, emphasizes the rational allocation of resources by social mechanisms, and allows more people to share the fruits of economic development, that is, to better share the "cake". As an important social subject, enterprises participate in the third distribution process through voluntary participation in charitable donations and voluntary services, so as to give full play to the rational redistribution of resources by the market. According to the data of the China Charity Donation report, enterprises are the main source of donations in China. The total amount of donations in 2019 is 150.944 billion yuan, of which enterprise donations account for 61.71%, reaching 93.147 billion yuan. Especially in the donation of COVID-19, the role of enterprises is more obvious. 112 enterprises have donated more than 10million yuan, accounting for more than 12.5% of the total social donation. They have become the backbone to play the role of the third distribution and improve the pattern of wealth and income.

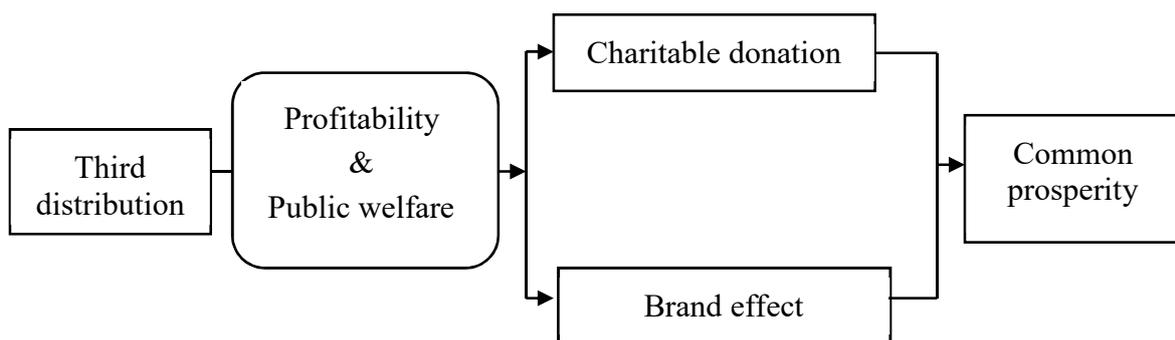


Figure 4. The logic of achieving common prosperity under the third distribution

On the one hand, charitable donation gives play to material strength by raising social funds, but more importantly, it gives play to the function of spiritual value. Through charitable donations, enterprises build a love donation platform for people, carry forward the spirit of responsibility and contribution, make up for the limitations of the market economy, and become an important means to achieve social moral civilization and common prosperity. At the same time, it has also played an effective leading role in other social and economic entities, formed a social atmosphere in which citizens participate together, and promoted the coordinated and stable development among regions. Enterprises participating in charitable donations have also won more social respect, formed a good brand effect,

and driven more enterprises and individuals to contribute to the society. Promoting the dissemination of the concept of socialist core values has an important impact on the construction of spiritual civilization for common prosperity.

#### **4. The Path for Enterprises to Fulfill Their Social Responsibilities and Promote Common Prosperity**

The proposal of the 14th five-year plan points out that to solidly promote common prosperity, we should improve the wage growth system, increase the proportion of middle-income people, and form an olive-shaped social structure. Give full play to the role of the redistribution mechanism, emphasize the adjustment strength and implementation accuracy of the government in taxation and transfer payment, improve the implementation of the third distribution, and encourage the development of philanthropy, which provides a path guide for enterprises to actively undertake social responsibility, practice the reform of the national distribution system, and promote common prosperity.

##### **4.1 Initial Distribution - Raise Wages and Mobilize Production Enthusiasm**

China's 14th five-year plan and the long-term goal for 2035 put forward that accelerating the reform of the income distribution system is an inevitable requirement for substantive progress in promoting common prosperity. In China's current income distribution system, labor remuneration still occupies a dominant position, especially for low-income groups, labor remuneration is their main economic source. Increasing the proportion of labor remuneration in the initial distribution, especially the labor remuneration of low-income groups, is of great significance to improve people's lives, improve the initial distribution and promote common prosperity.

Improving the remuneration of workers is an overall and systematic project, which requires the coordinated operation of the government, enterprises and workers. However, compared with the weak power of workers and the indirect effect of government policies, enterprises are the driving force and direct responsible person to improve the remuneration of residents, and bear important responsibilities for people's livelihood [9]. Enterprises should improve the income growth mechanism, improve the wages and remuneration of employees, especially front-line workers, and increase the proportion of labor remuneration in the initial distribution, so that more workers can share the fruits of enterprise development. Increasing the proportion of workers' remuneration means that the profits of enterprises will be reduced under the current conditions. Therefore, enterprises are required to constantly improve the income distribution systems such as innovation incentives and human capital, mobilize the production enthusiasm of talents, increase the income of workers while increasing the income and efficiency of enterprises, promote the realization of fairness and justice in the initial distribution, and then lay the foundation for income equity in the whole common prosperity.

##### **4.2 Secondary Distribution - Actively Pay Taxes and Provide Market Support**

Compared with the initial distribution, redistribution is the optimization and adjustment of the initial distribution results led by the government. The government mainly regulates the income gap formed by the initial distribution through taxation, which makes the distribution mechanism layout more fair and reasonable. Tax regulation plays an important role in the redistribution mechanism. Under China's current economic system, taxation is not only an important source of national fiscal revenue, but also an important means for the state to regulate the flow of economic resources and give full play to government functions. Tax is related to all aspects of people's social life. The government can also have an impact on enterprises and other market subjects through a series of tax policies such as tax preference, so as to realize the readjustment of economic resources, and then derive the resource regulation and income distribution function of tax in promoting common prosperity.

As an important part of China's social economy, enterprises pay more attention to efficiency by developing economy and improving workers' remuneration in the initial distribution. In the secondary distribution, enterprises should actively perform the legal responsibilities and obligations entrusted by the state and fulfill their duties to promote the fairness of secondary distribution through taxation.

By following the principle of honesty and trustworthiness, consciously paying taxes and improving the enterprise tax disclosure system, we can create a good industry environment for the implementation of the national preferential tax policies. Provide strong market support for the national secondary distribution, promote the continuous optimization and improvement of China's tax system, guide more social resources into the third distribution, and promote the stable and healthy development of the third distribution.

### **4.3 Third Distribution - Voluntary Contribution and Devotion to Charity**

As a local concept with Chinese characteristics, the third distribution is a more fundamental and lasting way of resource distribution dominated by social mechanism according to the principle of need, compared with the first distribution and redistribution. The limitations of the market itself determine that it is difficult to effectively solve the urban-rural gap and income gap in the initial distribution. The ability of the government to shorten the income gap through the redistribution mechanism is also limited after all [9], and the third distribution has gradually become the focus of the current distribution system. The tax law of China has provided a more and more important basis for enterprises to participate in the social welfare system and improve the quality of life of the people. Encouraging enterprises and other social mechanisms to consciously transfer wealth to low-income groups and participate in the third distribution is a long-term and stable way.

The third distribution is the "last mile" of implementing the distribution policy. The economic volume of enterprises determines that they should bear more important social responsibilities than social individuals and organizations. Enterprises should reasonably combine profitability with the public welfare, provide more public welfare posts, actively play a leading and exemplary role in the process of common prosperity, and adhere to the important concept of "getting rich first and driving getting rich later", so as to make up for the deficiency of the government in adjusting the income gap to a certain extent. While giving consideration to efficiency and fairness, we should implement the principle of voluntary contribution, uphold the socialist core values of "justice and benefit", actively participate in charity and public welfare undertakings, realize the "walking on two legs" of the government and society, and jointly provide the impetus for the realization of common prosperity.

## **5. Conclusion**

As an important subject of the market, the enterprise's social responsibility is an inevitable "product" provided for the society when the economy develops to a certain historical stage. It is the closest resource allocation activity to human society. Its role and form run through the three distributions and is a dynamic and gradual long-term process. In the initial distribution, enterprises adhere to the principle of the unity of efficiency and fairness, fully stimulate the economic vitality of market subjects, create huge material wealth for the society, and promote social reform and the improvement of people's living standards by creating employment; In redistribution, we should adhere to the principle of the unity of autonomy and compulsion, actively pay taxes, provide market support for national macro-control, protect the legitimate insurance rights and interests of employees, and help the government divide the "cake"; In the third distribution, driven by institutional culture and moral forces, enterprises find a balance between profitability and public welfare, actively participate in philanthropy, promote the long-term prosperity and stability of the social community, and work together to achieve the goal of common prosperity.

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