

Sage Doctrine, Social Capital, and Labor-Management Relations in 21st Century of Taiwan

Joseph S. Lee, National Central University, Taiwan, jslee@mgt.ncu.edu.tw

I. Introduction

With a 40 years short period, from 1949 to 1989, Taiwan was able to transform from a poor and backward economy with an average per capita income of less than US\$50 to a high income and newly-industrialized economy. During this period, there was a long lasting period of full employment and workers were able to shift rapidly from low-paying jobs to high paying jobs and thus the distribution of the economy was improved greatly, contrast to the experience of other developing countries where their income distribution usually worsens at their initial stage of development (Kuznet 1988). Taiwan's outstanding economic performance during this period prompted the World Bank and other international organizations to label it as "Taiwan miracle," and encouraged other developing countries to learn from Taiwan's experience (Lee, Kao 1990).

The main factors contributing to Taiwan's miracle in spite of resources poor, lack of capital and advanced technology, were the export-led oriented development policy, the promotion of labor-intensive industries, flexible labor market and the harmonious labor-management relations (Fields 2007; Lee 2007). Harmonious and stable labor-management relations facilitated the inflow of large amount of direct foreign investment (DFI) and therefore brought

in the needed capital and the appropriate advanced technologies to Taiwan and also generated a large number of employment opportunities. In the following sections we introduce the concept of social capital, a popular concept in social science, and then use this concept to explain the causes of harmonic labor-management relations in Taiwan, we then integrate Mencius "Sage" theory into this social capital theory and explore the possible future of Taiwan's labor-management relations.

II. The development of labor-management relations in Taiwan

The development of Taiwan's labor-management relations can be divided into three periods.

1. **Paternalistic labor-management relations, 1950-1986** (a period of Passive Labor Legislation and free Labor Market Operation): Citizen in Taiwan has long been exposed to Confucianism and the Confucian doctrine of the "five human relationships," namely the ruler and subject, father and son, elder brother and younger brother, husband and wife, friend and friend. According to this doctrine ruler, father and older brother, and husband are superiors and the other parties which means the later must give the former their utmost respect and obedience. In return the superiors have the responsibility to take good care of their subordinates. Hence it was very natural for a company owner to see himself as the head of the corporation and treats his employees as family members. Different owners may have different opinion about their duty and obligation to the rights and welfares of their employees, in general they felt some degree of

obligation in taking care of their employees. On the other hand, since employees regarded the company owner as the head of the household, they felt duty-bound to obey their owners' instructions and work assignments and worked diligently at their jobs. This kind of labor-management relationship was very well suited to the authoritarian political atmosphere of the time. Labor and management got along harmoniously, and even when employees felt dissatisfied, they did not protest against their employers directly. Instead, when an employer treated his employees poorly and did not fulfill his duties as head of the household (大家長), employees might resort to mass resignation and move to another company. Because the vast majority of companies in Taiwan were small and medium sized businesses, transportation was quite well-developed, and the labor market was near full-employment situation, and thus it was very easy for employees to resign en masse and find a different job somewhere else, especially there was a labor shortage during the 1970s. Threatening mass resignation was thus a rather effective means of applying pressure to one's employer and forcing him to fulfill his duties as head of the household. During the period from 1950 to 1986, before the enactment of the Fair Labor Standards Act, the government had a hands-off policy toward the labor market because at that time most labor laws on the book were enacted in the 1930s when the nationalist government was in mainland China. These laws and regulations were strongly influenced by socialist principles by scholars who educated in France during that period and

unfit for Taiwan's capitalism and market economy. In short, in the absence of strong labor unions and labor regulations, the labor market was able to operate freely, which facilitated high rate of economic growth and led to rapid increase of employment opportunities and rising salaries. Under this condition, any employees who were dissatisfied with their work environment were appeased by their rapid rising pay and, consequently, had little interest in labor unions designed to check and oppose management. Most workers concentrated their effort in working hard and thus making more money, and labor-management relations naturally stayed fairly harmonious (see Fig. 1).

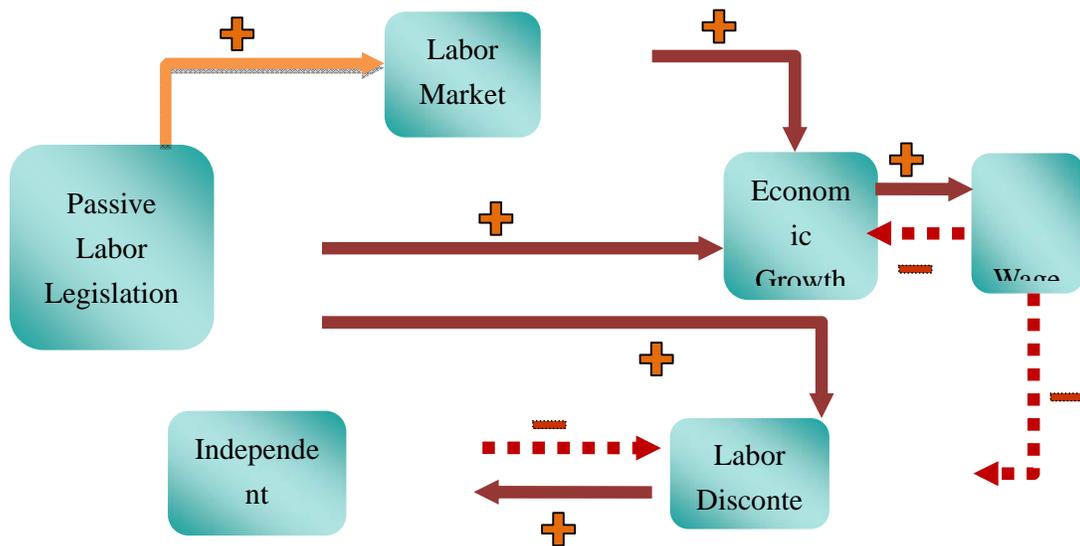


Fig. 1 Passive Labor Legislation and Free Labor Market Operation Policy

2. The active labor legislation period: 1987-2000.

Nevertheless, when the economy has reached a certain level, wages stop rising as rapidly as in the past. In fact, after a person's income reaches a certain level, according to Maslow's theory, wage is no longer his most important concern; instead, his interest begins to switch to non-monetary compensation such as work safety and participation in decision-making processes. When employers fail to meet employees' needs, employees start to organize and to join labor unions and use collective bargaining as a means to curb the employer's power. Thus between 1988 and 1989 there were large number of strikes in Taiwan. To deal of this labor unrest the ruling party then adopted a more active policy toward labor-management relations by enacting more labor laws, and the most comprehensive important one is the 1984 Fair Labor Standards Law (FLSL). In 1987 the government also established a special agency, the Council of Labor Affairs, in enforcing this FLSL and in resolving labor-management disputes. Later on other laws have also been enacted in safeguarding and promoting employees' rights and benefits (sees Fig. 2). The highly regulated labor market hindered the effective functioning of the labor market and the rate of economic growth as well as wage increases.

3. The move towards flexibility period: 2000 to 2010.

Recognizing this problem the government then tried to deregulate the labor market and make it more flexible. The government also started to introduce social welfare programs such as the retirement program, and

unemployment compensation programs to improve the economic security of the workforce. It was the government's hope that by following Denmark and Sweden model where the labor market can be highly flexible and yet at the same time some social safety net is provided for the underprivileged groups and to ease the adverse impact of economic fluctuations and changes in social structure. The government also updated the Trade Union Act, Labor Disputes Act, and Collective Agreement Act in 2011 in an effort to boost labor unions' influence so that employees' voice can be heard. However, employees and citizens in general have not responded enthusiastically towards these new laws. At one time the government tried to promote tripartite as a means of enhancing employees' participation in and influence over labor policy, this has not led to further developments. As a result, labor-management relations remain adrift, without any clear direction. In the following sections we explore the possibility the future of Taiwan's labor management relations by utilizing the social capital theory and the sage doctrine of the five relationships under the Confucianism.

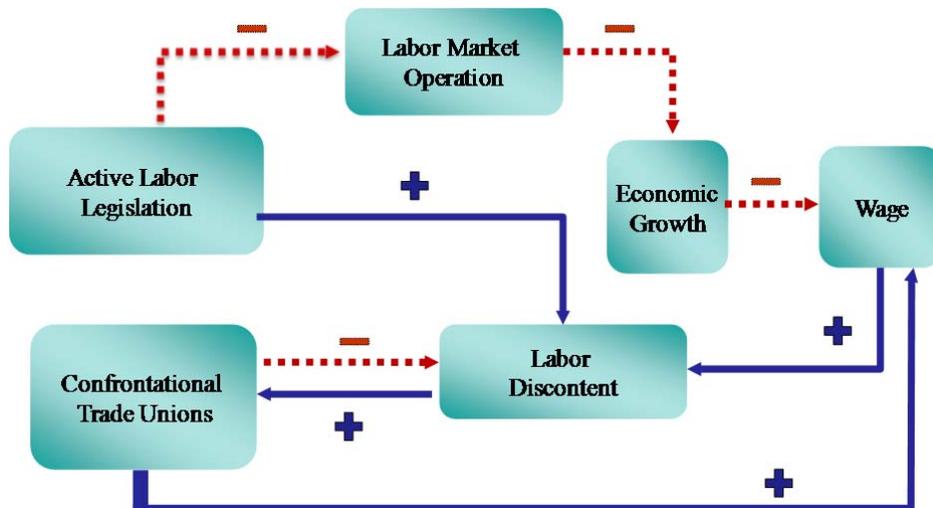


Fig.2 Active Labor Legislation and Passive Labor Market Operation

III. What is social capital?

The concept of social capital has been widely applied by social scientists as a viable tool in analyzing economic, social, political, and educational policies over the last two decades (Putnam 2001; Lin 2002; Halpern 2004; Joneo 2011). What is social capital? Like physical capital and human capital, social capital can increase individual productivity, social status, and human well being . It can do the same thing for a community and for the entire country. Social capital is defined as networks among individuals and groups, but the network must be able to increase the individual's or group's income and social status (Halpern 2005; Lin 2010). As Lin points out since the concept is related to capital it must be able to bring financial return to the individual who participate in these networks. However scholars in difference fields, such as anthropology, sociology, economics, and political science, define the term

social capital somewhat differently (see OECD 2001 P.40). In economics, economists usually define social capital as individuals' interaction with other members of society while seeking maximal individual utility and the performance of various types of group activities in order to increase income and social status (Glaeser 2001; Lau 2011). For example, people like to join Rotary Club and other services clubs where members deliberately admit members from different occupations so that their members can gain knowledge and skills from members in other fields. Members also help each other in providing advises or assistance to other members when they encounter some problems, they also raise funds to provide scholarships for members' children. Computer and cell phone users have informal networks which permit them to post queries on the Internet when they encounter problems involving computers, computer software, or cell phones, while other network users who are familiar with this problem can provide assistance on line. In other words social capital is formal and informal networks or organizations; but in order to benefit from these networks individuals must actively participate in these organizations and members must have a high degree of mutual trust and cooperation sprit among individual members. Coleman (1988) has a good example of how does this social capital works in the New York diamond wholesale market: the diamond merchants participating in this market by passing packets of diamonds to fellow diamond merchants to look at, it is in this way that everyone knows who has what kind of diamonds and assesses what each diamond is worth. As a result, when customers ask about a certain type of diamond, the merchants can steer them toward colleagues who have this type of diamond. They also protect themselves or

the entire diamond industry from engaging in price competition. The network is able to function well mainly because of the mutual trust among diamond merchants. No one tries to steal any diamond from another's pouch; doing so would destroy mutual trust and cause the network to collapse. Another good example is the Taiwan businessmen in mainland China, when one Taiwanese firm receives an order of, say 50,000 computers, all he needs to do is to inform other firms in the network the number of products and the delivery date, the various component manufacturers will automatically manufacture 50,000 sets of components and deliver them on time. This sort of informal networking gives Taiwanese firms tremendous flexibility in production and thus a comparative advantage that other foreign firms won't be able to enjoy.

Social capital is important for an entire country as well. According to Nobel prize-winning economist Arrow (1972), mutual trust between individuals, social consensus and trust in institutions are at the center of economic and social activities and are key elements of economic development. Knack & Keefer (1997) and Hjerrpe (1998) discovered a positive correlation between the degree of citizen's mutual trust and the level of economic development. Guiso (2000) found from research on the Italian economy that mutual trust encourages people to save, take risks, and invest. For instance, since there is a high degree of mutual trust in northern Italy, people there carries little cash, use credit cards more frequently, and invest more in stocks. Putnam (1999) further points out that because of the high degree of mutual trust in northern Italy, its economy is better developed, government functions better, and the society is more democratic in the south. Other scholars have similarly found

that there is a very close correlation between one's social capital and success with finding work. For instance, in their research on the labor markets of several European countries, Barbieri, Russell, and Paugam (1999) found that when labor markets are open and highly flexible, job-seekers with greater social capital can find work more effectively and are more likely to find higher-paying jobs. According to Shimada, the reason the Japanese auto industry was able to outperform the American auto industry in the 1980s was because Japanese auto workers have a high degree of mutual trust and, consequently, were very willing to teach other employees and share their personal experience. In contrast, American employees and their employers had little mutual trust and mostly looked out solely for their own interests, which led to the decline of the US auto industry (Omori 2001). Putnam (2000) compares the business models of Boston's technological district along Route 128 to California's Silicon Valley because Silicon Valley firms generously supported research at nearby universities and local firms maintained high levels of formal and informal mutual support and cooperation. Silicon Valley was able to become a leading global center of technological development, while the high-tech firms along Route 128 failed to achieve such lofty success.

The foregoing analysis shows us that social capital can help individuals, companies, groups, regions, and even countries to raise their productivity and competitiveness, and thereby boost their economic growth rate and social status. Mutual trust, mutual assistance, reciprocity, and consensus are the key elements of social capital—social capital cannot function when any one of these is absent. Furthermore, according to its functions social capital can be

classified as either bonding social capital or bridging social capital. The former is a close and inward-looking form of social capital; members of this type of network are usually highly homogeneous and exclusive. For example, Chinatowns found in all of the major cities of the world have many kinds of mutual help organizations, but only ethnic Chinese are allowed to join and participate in their activities. The latter form of social capital consists of outward-looking organizations whose members lack the close relationship of the former type of organization; these organizations reach outside groups and seek different types of members. As an example, Rotary clubs deliberately look for members in different occupations in order to achieve greater diversity (Putnam 2000).

IV. Social capital and labor-management relations

Since John Dunlop (1958) established his industrial relations system, some scholars have tried to revise and to improve his system, (Kochan 1980), but so far no one has successfully replaced this model. According to Dunlop an industrial relations system has three actors: the employer, employees and their representatives, i.e., labor unions, and government. These three actors, in a sense, are all social capital organizations; each one has many formal and informal networks in strengthening their operations. In the following, we explain how employers and unions enhance their bargaining power and influence by raising their social capital.

A. Employers and social capital

Because they are formed by an individual, a family, or partners or

shareholders, companies are inherently social capital organizations. A company cannot function on its own and must have employees. Because of this, a company owner must hire several hundreds or thousands, or even tens of thousands employees, they must formulate a set of operating rules, along with the company's mission and vision, to ensure that the employees know what to do on any particular day. This approach saves large amounts of transaction costs. An employer can rely on the company's mission, vision, and policy to establish a bonding social capital network with employees. Most companies in traditional Chinese societies are family enterprises, and most of their employees are family members or relatives, people from the same place, classmates, or neighbors. Because they share these kinds of relationships, they can establish extremely tight-knit bonding social capital. Within the company, the owner is like the head of the household and is responsible for looking after the welfare of their employees. The employees also regard the employer as the head of the household and are responsible for obeying his commands and loyally fulfilling their duties. In an economic downturn, this type of company will only layoff employees as a last alternative. Typically, everyone will take a pay cut, or even go without pay, as they pull together to outlast the difficult period. When economic conditions are good, the employer will give bonuses to employees. While the bonus amount may be somewhat influenced by the employee's work performance, the bonus is usually determined by the intimacy of the relationship between employee and employer. This type of closed social capital and business approach severely restricts the expansion of Chinese companies, and therefore most of them are small and medium sized businesses, especially in an era of globalization and deregulation, if a

company is unable to establish networks with people outside its own community, it cannot obtain raw materials, semi finished-products, funds, or technology. Today companies must rely on supply chains, financial institutions, consulting firms, and customer relations networks to boost their social capital and to raise their competitiveness. Tzeng Jui-ling (2004) points out in her research that because traditional Chinese enterprises are closed organizations and tend not to do business with people outside of the Chinese community, they are unable to grow into large multinational corporations. However, in recent years, some Chinese companies have learned how to use various channels to establish networks with customers, suppliers, and technology-providing consulting firms, boosting their social capital. For example, the Taiwanese firms in Silicon Valley have learned how to create bridging-social-capital networks in conjunction with foreign and ethnic Chinese engineers. These companies often use American personnel with Caucasian heritage in "front desk" positions, such as a general manager in charge of marketing and other positions in direct contact with customers, where they can help establish relationships with customers. In contrast, ethnic Chinese personnel and employees sent from Taiwan are usually assigned "back desk" positions, such as production engineers, designers, and R&D personnel. While doctors of traditional Chinese medicine once typically operated their own pharmacies, today's physicians and many practitioners of traditional Chinese medicine no longer own their pharmacies. However, pharmacies usually try to keep close relationships with physicians, so that the physicians will recommend the pharmacies' brands of medicines. This type of relations eases the physicians' burden. Because the pharmacies usually organize or provide

financial support medical conferences and medical R&D work or assist patients to apply for health insurance, these activities improve physicians' medical knowledge and skills while boosting patients' knowledge of various medications. According to Chen Hao-wen (2011), supermarkets in Taiwan employ financial bond networks to establish relationships with customers and enhance customer loyalty. In addition, airlines and other transportation companies often use mileage and credit cards to give customers rebates based on the amount of their purchases or their air mileage, which create customers loyalty for these companies.

With regard to labor-management relations, because most companies in Taiwan were small in size during the period from 1950 to 1970 and employers typically hired family members, relatives, classmates, and neighbors, it was very easy to establish closed bonding social capital. Employers were responsible for looking after their employees, and employees were responsible for working loyally and obeying their employer because employers and employees were members of the same networks. Harmonious labor-management relations consequently prevailed during this period. Nevertheless, after Taiwan became industrialized, companies expanded in size and needed to hire several hundred, several thousand, or even tens of thousands of employees, most of whom were strangers to the employer. This brought about a shift from the intimate relationships between employer and employee that prevailed in the past to distant relationships involving linkage social capital. As a result, large modern companies provide only the lowest standard of care dictated by law or market forces.

B. Labor unions and social capital

In the wake of industrialization, when an employer hires hundreds or thousands of employees, in the absence of the bonding social capital networks that once existed, employees will begin to establish their own networks offering mutual support and care serving and bargain collectively for counterbalance the employer's power. These networks eventually became labor unions. Various kinds of industrial and occupational labor unions formed from employees with the same goals and characteristics that can protect the employees' rights and interests through collective bargaining and signing collective agreements with employers. Labor unions can also establish networks with government organizations, other unions, and civil organizations in order to receive assistance, increase their social capital, and enhance their strength in negotiations with employers. This check and balance type of labor-management relations worked well in the years immediately before and after World War II, and labor unions reached the pinnacle of their influence.

Nevertheless, in the wake of globalization and deregulation during the 1980s, companies began relying on international division of labor; they subcontract or engage in offshore production with workers in developing countries where labor is much cheaper. These companies use fast and inexpensive transportation to ship their products to consumer markets for local assembly and sales. When companies employ international production networks to boost their social capital, local unions unable to go overseas and form their international unions, since workers in different countries have different interests. Because of this streamlined process, union membership

has been dropping gradually worldwide. For instance, Union density in the US has declined from 33% in the 1950s to only 8% of all workers in the private sector in 2010.

In today's knowledge-based economy, source of competitiveness is no longer from mass production and cost reduction or from lower prices. Instead they are from employees' creativities and innovation. For instance, because cell phone and computer technology is constantly progressing, consumers do not care much about the prices of cell phones and computers rather they care about the functionality and speed of cell phones and computers. Under these circumstances, companies need innovative and knowledgeable workers who are able to resolve various problems. In contrast, most manufacturing that requires a lot of repetitive, highly structured work has moved to China, India, and Southeast Asia.

The interpersonal networks needed by knowledge workers are composed of heterogeneous personnel, rather than homogeneous workers, and these networks enable knowledge workers to acquire many types of information and technology from different sources. Knowledge workers require a working environment characterized by teamwork and collaboration, and they work in teams usually comprised of individuals specializing in different areas and technologies. Moreover, the organizations of these teams at such companies usually re-group after a project has been completed. Because unions cannot provide these capabilities, labor unions have little room to function in knowledge intensive high-tech and service industries.

Thus these labor unions are in a state of steady decline around the world,

who can take its place as a representative for employees in looking out for their interests? The International Labour Organization (ILO) and northern European countries such as Denmark, Belgium, and the Netherlands have proposed and tried the concept of social dialog, or "tripartite," which involves civic organizations, unions, government, and employer associations to get together and discuss work issues and other social issues. According to the ILO's definition, social dialog refers to a three-way dialogue involving labor, management, and government, and may also refer to a two-party dialogue between labor and management. The main goal of social dialog is to promote various forms of negotiation and information sharing concerning each party's economic and social interests. Actually, since there is no set format for social dialog, the concept and forms of social dialog vary between different countries and areas. The real goal of social dialog is to enhance the effectiveness of the interpersonal networks of employees and labor unions; it is concerned about the problems of the employees as a whole, and not the problems of employees in an individual firm. However, to see social dialog function well, it requires members' active participation, commitment, mutual trust, and mutual assistance, therefore social dialog works well in Denmark, Belgium and the Netherlands because their citizens have a high degree of trust in government and institutions. In contrast, in Taiwan and some other countries social dialog or tripartite has made little headway because people the trust in the government is low. For example in 2004 the government in Taiwan did promote a social dialog mechanism and held roundtable social dialog conferences at various levels on a trial basis in 2006. Subsequently, during Ma Ying-Jeou's presidency, the government similarly promoted the "Social Dialogue

Mechanism Implementation Program, 2009-2012 (CEPD, 2009), but none of these initiatives have been effective, mainly because the low level of trust in unions and the government and lack of interest in public affairs among citizens in Taiwan. An ingrained attitude of everyone “minding their own business” has hampered the realization of tripartite in Taiwan. The ILO held the April 2009 Tripartite Caribbean Conference in Jamaica in order to encourage governments to use tripartite methods to ease high unemployment rates in the wake of the global recession, but this also proved ineffective due to the lack of mutual trust between countries.

By the end of the 20th century, many companies had realized that human resources are their most important capital and, consequently, began to strongly promote Human Resource management in an effort to incorporate their employees directly among their management networks causing them to contribute to the company's social capital. However, HR management approach has the disadvantage of excessively emphasizing management aspects and the effective utilization of manpower, while neglecting human aspects. Employees are not objects, employee issues should not be considered solely from the perspective of effective utilization and minimization of costs. For instance, the practice of labor dispatching—an offshoot of the HR management concept—has been criticized as offering no job security and making employees second-class citizens.

The 2008 global financial tsunami severely affected the lives of countless number of people around the world, and this crisis ultimately derived from a lack of ethical values among financial industry CEOs. After receiving vast

amounts of compensation, these CEOs utilized unscrupulous methods in an attempt to earn high profits for their companies and thereby justify their extravagant compensation packages. Certain American scholars have recently promoted a "health management" theory to call to the attention of management proper behavior. According to these scholars' arguments, health consists of the four elements of physical, mental, spiritual, and ethical well-being. Using this reasoning, a manager who lacks physical well-being will have no motivation; a manager who lacks mental health will not be able to accept differing views, will have no vision, and will only seek revenge, factionalism, and cronyism; a manager who lacks spiritual health addresses problems in a superficial manner, is not straightforward, and seeks only to avoid outright illegalities; and a manager who lacks ethical health habitually seeks shortcuts and uses unscrupulous means to achieve his goals. In order to maintain personal health, a manager must lead a purposeful life, establish high-quality relationships with others, and respond to things in a positive manner.

The so-called purposeful life refers to having clear goals, staying aligned with one's values, and leading an inspired, productive life. The so-called high-quality relationships with others refer to maintaining interdependence with colleagues, having good control of one's emotions, demonstrating composure and maturity, and communicating well. The so-called responding to things in a positive manner means that a manager should have a sense of humor, self-discipline, the ability to adapt to different environments, self-confidence, and optimism. A healthy upper manager must have the following

characteristics: honesty, influence, courage, and decisiveness.

A healthy manager can bring about a healthy organization. A so-called healthy organization possesses goals, maintains high-quality relationships with its employees, other companies, the community, and customers, and responds to things in a positive manner. A so-called organization with goals refers to having clear corporate mission and objectives, the ability to repay society, sincerity, an emphasis on quality, strongly-held principles, growth opportunities, and appropriate compensation for the company's and employees' achievements. The so-called maintaining high-quality relationships with its employees, other companies, the community means that the organization is honest, open, fair, trustworthy, encouraging, and accepting of a range of opinions among employees; the organization's goal is collective achievement, and not individual achievement, and the organization is very willing to help others develop. Responding to things in a positive manner means that a company emphasizes balance between different areas and provides employees with growth opportunities. A so-called positive working environment refers to a workplace that emphasizes employee safety and seeks to minimize the chance of industrial disasters or occupational accidents.

In summary, today's global market and knowledge economy can help companies establish various kinds of multinational and global networks that can greatly enhance the companies' social capital, social status, and negotiating power. In contrast, because labor unions are unable to follow their employers to extend their networks overseas, their social capital is limited, hence their membership is declining, and their influence is waning.

Management scholars consequently advocate HR management as an alternative to unions. According to these arguments, employers should actively incorporate employees in to their networks and treat employees well in order to establish cooperative relationships based on mutual trust and mutual benefit. This will not only increase the company's social capital, but also increase employees' social capital, thus creates a win-win situation. However, it can be difficult to make employers appreciate the benefit of this approach. Most employers treat the management of their workers as a factor of production, and not as human. In addition, some CEOs receiving colossal pay packages seek to use unscrupulous or immoral methods to ensure that their companies earn big profits and thereby justify their own compensation to shareholders. Furthermore, companies that can accept the "health management" theory proposed by scholars of management are few indeed. As a result, labor-management relations in many countries have reached a crossroads in the early 21st century. No one is certain how to proceed from here.

V. The Sage Doctrine, social capital, and the future of labor-management relations in Taiwan

Social capital is an important tool for boosting the social status and influence of an individual or group. In the past, companies and labor unions both relied on their interpersonal networks to enhance their negotiating ability and influence and protect their interests. However, in the wake of globalization, company owners can extend their interpersonal networks and social capital to every corner of the world via the international division of labor, while unions are

unable to do the same due to the differences in law, political institutions, and stage of economic development. Due to this disparate situation, the influence of labor unions is in decline around the world, and Taiwan is no exception. Although the government revised the three major labor relations laws in Taiwan but there is no sign of revival of trade union activities in Taiwan. The question is

If we look back on China's five thousand years of history, the concept of Confucius "Kingly way" may provide some insights into labor-management relations. Because the kingly way tells people how to properly handle the five kinds of human relationships, namely between sovereign and subjects, father and sons, husband and wife, among brothers, and among friends, it also shows people how to establish networks beginning with their own households and extended outward to employers and friends. The kingly way can thus be seen as a blueprint for enhancing interpersonal networks, accumulating social capital, and boosting one's social status and influence.

Within the kingly way, the relationships between sovereign and subject and between father and son can be applied to the relationship between employer and manager and employee in labor-management relations and implies that the relationship between labor and management should not be seen as involving two different entities, where each seeks for its own social capital and strives to boost its ability to resist its opponent. In contrast, the kingly way suggests that both manager and employee are members of the same group and should interact in a certain way. Each member of the group should establish an interpersonal network outside the group, boosting the

group's social capital, social status, and influence. A company owner should incorporate employees within his group and network, and rely on a relationship of mutual trust, mutual benefit, and mutual assistance to ensure that the company and its employees enjoy mutual growth, profit, and enhanced social status.

The shortcoming of the sage doctrine when applied to labor-management relations is the fact that, while the interpersonal networks it defines extend no further than friends, in this age of globalization and urbanization, we are in frequent contact with complete strangers in the workplace. If our social networks were limited to closed, bonding social capital, not only would companies be unable to develop, an effective democratic government of the community and nation could not be established. In light of these circumstances, Presidential Advisor Li Kuo-ting advocated the establishment of a sixth cardinal relationship—the relationship between group and individual. Li pointed out that, in a modern industrialized society, the scope of an individual's activities is much greater than in traditional society, and individuals' activities consequently exert a far greater influence on society than in the past. Although Chinese has long been a civilized race, emphasizing ceremony and family ethics, it has never prescribed a code of ethics for relationships with strangers. Because of this, Li's propose that the Chinese people establish a relationship between group and individual and create an ethical code for the individual and society as a group. Li also recommends that the sixth cardinal relationship encompass the following five aspects: (1) thrift and scrupulousness toward public property, so as to eliminate waste and corruption; (2) maintenance of

the public environment, so as to eliminate pollution; (3) support for public order, so as to eliminate dirt and disorder; (4) respect and protection for the rights and interests of unspecified third parties; and (5) provision of fair opportunities to and no discrimination against strangers. The fifth aspect has the greatest relevance to labor-management relations. If we regard a company as a "unit," its relationship with society as a whole is a larger version of the relationship between the individual and the group. In modern industrial society, the behavior of companies has a great influence on society. If companies can realize an "ethics of the individual toward the group" taking the form of sincerity, respect, and concern in their business philosophies, do not seek efficiency through unethical means, and do not harm the rights of others in their search for profits, they will inevitably exert a positive influence on society. Internally, a company consists of numerous smaller groups; if the relationship between the individual and his or her small group is kept on a solid foundation, then labor-management relations will naturally remain in a state of harmony.

Li Kuo-ting's addition of the sixth cardinal relationship to the five human relationships in the kingly way can correct scholars current emphasis on "financial returns" in theories of social capital. For instance, Lin Nan et al. (2004) emphasize the concept of capital, and express that investment must have financial returns, since capital cannot be capital unless it can be recovered and expanded. However, in the kingly way, the five human relationships and Li Kuo-ting's sixth cardinal relationship all place equal emphasis on "righteousness" and "benefit," and imply that the goal of "benefiting self" will also be achieved when people emphasize "altruism." In

particular, in today's knowledge economy in which much work is performed by teams, individuals who think only of themselves and are unwilling to share, will prevent team spirit from emerging. The biological theories of "survival of the fittest" and "natural selection" are not entirely correct; the ability of rodents to propagate rapidly is connected with their altruistic characteristics. Experiments have shown that when a rat is confined in a cage, other rats will bring food and toss it in the cage. Strong African tribes defeated the weaker tribes, and the genes of the victors were passed down, while the genes of the losers were eliminated. Essentially, the victorious tribes contained many people who were willing to sacrifice themselves for the group, and it was the community's courageousness and cooperation that allowed them to defeat their enemies. As a consequence, in the modern era, the concept of altruism is a necessary part of success. This is how the kingly way and the sixth cardinal relationship suggest a new direction for the development of labor-management relations in the 21st century.

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