

Reinventing the Power Community: Welfare Reform in the Cyber Economy

Based upon research reported in a new text of welfare reform, a proposal for welfare reform based upon personal choice and an economic contract is presented. At the essence of the strategy is the socialization of work and its impact upon families who seek an identity within a rapidly changing economy where low-skill jobs are more difficult to find. The welfare reform proposed builds upon the importance of home ownership, parental involvement, and capitalism.

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Beaking the Cycle of Despair

While welfare support systems have been generally designed to assist families in financial need for short periods of time, they have turned out to be permanent in many instances for an increasing number of households over the past decades (Kaus, 1992). Within a 'cyber economy' reflecting a 'fast-pace' ever changing marketplace where computers play a significant role in planning, organizing and implementing business practices to get the best results, the difficulties associated with finding suitable employment [beyond that of a minimum wage] for those presently receiving financial assistance remain. As technology enables the substitution of people with machines, competition for good paying jobs becomes more intense. In view of the intensity of the global marketplace and international pressures to reduce employment costs in order to compete, many welfare recipients do not have the insight, know-how, or training to contend, thus becoming caught in a vicious web of unemployment, poverty, and hopelessness.

The cycle of despair continues in that the children of parents on welfare are left with few opportunities to *break away* from the disappointments of the past. When one generation is 'struck by poverty,' generations to follow are likely to face a similar battle. According Diane Crispell (1994) in *American Demographics*, children in poverty have a high probability of repeating a similar lifestyle to that of their parents. Generating home environments where structure and discipline are not experienced by or expected of children, where the absence of a father or mother in the household is a likely occurrence, and where role models depicting entrepreneurship, steady employment, and career advancement are rare, the consequences to society are crime-ridden urban neighborhoods, community decay, and isolation (Murray, 1984). However, it is argued here that a current priority to initiate *workfare* for those who are unable to find full-time employment in the private sector may be misguided and do more harm than good for households presently part of a safety net in industrialized countries.

Welfare Reform Has A Misguided Direction

The general direction of welfare reform worldwide appears to be quite clear. With European countries in need of increasing worker productivity and economic growth rates, there is an exigency to reduce unemployment and inflation which has a tendency to be a drag on economic expansion. In this regard, consolidating the public safety net is now paramount. In particular, Germany, France, Spain, Italy, and England, among many other, are all considering new policies on welfare management (Finley, 1996). As other emerging countries enter the industrialized marketplace, they too will no doubt have to reconsider welfare policies in their countries. While our focus here is upon the American economy, the parameters of welfare reform included in the model proposed are applicable to other economies. What is required is an innovative viewpoint, an adoption of a new kind of capitalism, and a commitment to the principles of personal choice and freedom.

At the core of most proposals has been an importance attached to getting individuals employed so they can *fend for themselves* and not have to rely upon permanent public financial assistance (Bane & Ellwood, 1995). The issue continues to be how to introduce an element of self-reliance into the welfare reform equation. A related issue has been how to eliminate discriminatory practices currently in place against job seekers coming from neighborhoods where severe poverty exists. As Julius Wilson (1996) of Harvard University recently noted in his book, When Work Disappears: The World of the New Urban Poor, many companies admit that they hesitate to hire heads of households from communities where significant poverty exists because the applicants generally cannot

speaking fluent English, do not have knowledge of appropriate business etiquette, and are generally considered unreliable.

There remains considerable concern today that setting too high expectations and unrealistic *benchmarks* against which to judge the effectiveness of welfare reform proposals will do more harm than good (Hoffman, 1996). In this regard, the welfare reform law passed just one year ago in the USA is admittedly experimental, but the law appears to be biased against two-parent families. For example, current federal law targets two-parent families assuming it will be easier to get mothers and/or fathers back to work because one adult can care for any children (Wilson, 1997). Therefore, states are expected to have 75 percent of two-parent welfare families working 35 hours a week, with the deadline for such achievement October 1, 1997. On the other hand, states need to enroll only 25 percent of the single-parent families in a 20-hour a week work programs. This law is perhaps misguided in that two-parent families may be on welfare because they are more needy and helpless, not less so. In view of the complexities associated with parents raising children, it appears premature to determine that two adults together ought to necessarily be among the first to fend for themselves. It is argued here that welfare reform would be more workable if two-parent and single-parent families were treated the same.

If two-parent families are unable to find employment after receiving welfare benefits for two years, then states must enroll them in *workfare*, a program that requires welfare recipients to work for non-profit groups. After two years of participating in workfare, these families are targeted to lose all welfare benefits. According to Governor Carper (1997) of the State of Delaware, if welfare reform is going to succeed, more help must be provided *by the private labor market*. According to Carper, it is important for government to work with businesses to make sure they receive qualified applicants. Correspondingly, there must be available daily support services to ensure applicants have day-care, medical care, and job training. This is the basis of the welfare reform model proposed.

Reinventing the Power Community

One of the demands upon countries around the world is to assure their citizens a smooth transition from a military dominated marketplace to one based upon a *peace time* economy where goods and services are produced to build communities rather than to destroy them. As the world goes through this important transformation, new opportunities arise. The downsizing of the military complex in the United States provides one of those timely opportunities for solving one of America's most pressing problems; that being, getting residents off public welfare programs and into the workplace. In this regard, establishing communities in which families can bond through home ownership is critical to the success of any plan to reform welfare. What is proposed here is converting military bases scheduled for closure into self-contained *power communities* where family stability, occupational training, and employment are readily attainable by all residents. A *power community* is a neighborhood where residents agree to take on a personal responsibility (stipulated in a written economic contract) to not only attend job training sessions but also to volunteer for public service (such as day care assistant, a teaching aid, meals on wheels, etc.). The economic contract signed by residents translates into an interdependent community whereby a civic responsibility is elevated in importance. The term *power* infers control over one's destiny, an outcome that relies upon parental involvement in all aspects of a community. Gaining independence from government rules and regulations is significant as residents attempt to determine their own future rather than one directed by others distant from their surroundings.

There is considerable evidence that the downsizing of the military in the United States is inevitable (Morrison, 1997). In this regard, a series of recommendations from the Commission on Base Realignment and Closure (BRAC) suggest that many of the current 500 military bases be closed or downsized. Many of these military communities have established institutions such as schools, libraries, health care clinics, places of worship, and public safety. These facilities are located near urban centers where there are currently *pockets of poverty*. These military bases can be described as *diamonds in the rough*. They can be converted into new self-contained communities, if there is a commitment to do so.

For example, three bases have been identified in *The Healing of America* (1997) for great potential for creating a pilot power community. *Alameda Naval Air Station* in California is typical of many other military bases. It covers 2,842 acres and has housing, a retail store, a barber shop, a dry cleaner, a food shop, a florist, a bank, a service station, a bakery, a convenience store, auto shop, child care facilities, an elementary school, library, a medical clinic and a dental clinic. It also has a bowling alley, a movie theater, a pool, a gym, a recreation center, tennis courts, racquetball courts, a fitness club, a baseball diamond, a football field, and even a golf course. Such a base has all the makings of a power community. Similarly, there is *Plattsburgh Air Force Base* in New York. It houses around 11,000 people and consists of about 1,600 acres. The services that the Plattsburgh base offers a

potential community are many. They include a commissary, a retail store, a home day care program, a kindergarten, a preschool, an elementary school, a library, a hospital, a medical clinic, a bowling alley, a recreation center, a skating rink and fitness center among other amenities. A third example of a power community ready to happen is the *Glenview Naval Air Station* in Illinois. It consists of over 1,200 acres and can house 3,800 people. The services available at Glenview are ample housing, a youth center, a medical clinic, veterinary services, a fitness center--and even skeet shooting among others. The list goes on and on.

In these instances, since the land is now owned by the Federal government and is public land, the opportunity is available to reallocate these existing resources for a social purpose—that being, giving many families a second opportunity at the American dream. Placing the proper incentives in place for business executives, government officials, and those presently on welfare, true welfare reform may be at hand. The three incentives suggested as part of an innovative model for welfare reform are the inclusion of an economic contract, home ownership, and the redirecting of priorities of capitalism.

The Economic Contract.

A *power community* is based upon commitments that would result from contractual agreements among the participants. In this regard, residents *on a voluntary basis* must initially be accepted through a interview process with members of committees made up of neighborhood residents and business and government officials. Rights and responsibilities would be carefully delineated up front so all parties can perceive the rewards of active participation. The economic compact is with the community and not with one particular company. Residents, retailers, and other commercial entities also must agreed to follow the acceptable practices according to the economic contract. Penalties for non-compliance would be put into place by the local town committees initially, and then by state and federal agencies if necessary.

Items to be included in the contract are educational and training responsibilities, voluntary commitments, worker responsibilities, and default procedures. The important aspect here is to create a diverse community consisting of two-parent families, single-parent families, singles, consumers from varying socio-economic strata, and those from varying cultures. Similarly, a diverse commercial sector can be carefully 'crafted' by community leaders in order to provide alternatives for long-term employment. The essence of the model proposed is to establish a planned community where commitment to the social ideals is on a voluntary basis, where personal choice and freedom is preserved, and where an economic contract sets the standards of practice.

To give stability to families where instability has traditionally been the norm rather than the exception, companies that commit to the ideals of the 'power community' will be requested by means of the economic contract to plan with residents for providing steady employment that is career-oriented rather than through part-time alliances. Therefore, businesses are not only committed to the economic aspects typically found in employment contracts (e.g., wages, fringe benefits, etc.) but also to the economic well-being of the community in which they function. Social responsibility entails a commitment from both the resident and the business executive. The rewards for both are steady employment, lower costs to providing community services, and a reliable workforce. Such economic contracts are required to give structure and discipline to families who in the past have had neither. With such structure built around work, families can organize themselves into functioning units that enable personal choice to become a reality.

The economic contract places commitment as the initial expectation. For those who abide by community expectations, they will reap the rewards which includes home ownership at the conclusion of a specific time period. Uninhibited laissez-faire is not the answer. In a free enterprise system where short term profits rule decision-making, a proposal that does not promise a quick return on investment does not receive much attention. Reclaiming the marketplace and workplace is what this proposal is all about, and those who are interested in taking this country to the next level must accept the realization that new relationships between business and communities may be required if trust and integrity are to re-enter the equation of economic justice.

Home Ownership

To assure that families do not lose interest as the aura of the new community wears off, a strong social bonding becomes the driving force for generating a feeling of security. Ownership of affordable housing is an integral part of creating this social bonding, according to Charles Brittingham (1997), president of the Delaware Chapter of NAACP. Therefore, in this new kind of community, different kinds of housing for residents can become part of the power neighborhood. As is the case in England and Australia, a supply of low-cost housing can be erected without the need of a large public bureaucracy or public funding (Aspen Institute, 1997). To make housing 'slum proof,' an important aspect of the economic contract signed by landowners would be the requirement that all housing in the neighborhood must be owner-occupied, meaning that landlords must reside in the same dwelling as

those tenants from whom they receive rent or mortgage payments. This substitutes the landlord for community police in terms of ensuring that community residences, while they are being rented, remain in good repair. With the homeowner having to be present, there is an automatic built-in quality control factors which preserves both the health and environment of a community.

The incentive for the landlord to participate in this aspect of community development is the expected outcome that property owned will be consistently rented with an eventual probability of selling that dwelling at a reasonable profit. Therefore, there is a 'guaranteed source' of renters and purchasers of dwellings purchased for investment purposes by landlords. Also, accessory apartments could be accepted as a new form of housing for residents who will initially rent their dwellings. The income derived from rents helps owners pay off their own mortgages as well as make home living more affordable. At the same time, it provides for low-cost housing opportunities for those who have historically been prevented from owning their own homes.

In addition, living above stores, sharing parts of residences in the form of common areas, and cluster housing interspersed among small business retailers are all possible alternatives leading to ownership. Since there is a need for venture capitalists to create new forms of housing or convert existing housing units on military bases, financial incentives need to be put in place. In a power community, the expectation is that such investors will have guaranteed buyers after a selected period of time. To support this trend toward home ownership, low-interest mortgage money may be made available through similar strategies such as those developed by *community development corporations* in Chicago, Dallas, and Los Angeles (Aspen Institute, 1997). Reconfiguring a power neighborhood is based upon the principle that residents can create a closeness that fosters trust and understanding. Within this framework, residents will live, work, and play in close proximity to a residence. Using the existing pattern of many military bases, stores, housing, and recreational areas are all connected by sidewalks where access is available by those with or without automobiles. Therefore, most needs of residents may be fulfilled within walking distance of a residence. It is argued that households who have more invested in their neighborhoods are more likely to commit to its ideals.

Redirecting Priorities of Capitalism

The economic contract will also include a redirecting of business priorities, symbolizing a renewed commitment to the citizens of a *power community*. Traditionally, in the American capitalistic system, companies place investors first in meeting their priorities followed by serving their customers and finally accommodating the desires of their employees. The outcome of such priority setting has been an unstable working environment where downsizing, part-time work alliances, and career interruptions are part of work patterns (Branson, 1997). The disruptions to employment are contradictory to what is required in a power community. When profits decrease, investors generally sell their stocks in that company. Business executives then decide to cut costs. They have several options. They may discontinue the product line that is losing money; they may sell the product line to another company; or they may decide to lower the quality of the product to reduce production costs. In either event, very little consideration is given to customer loyalty. Finally, workers realize that they may be forced out of their jobs to cut labor costs. Therefore, the short-term decision making mentality in which investors come first followed by the concerns of customers and employees results in continual disruption to families.

What is argued here is the changing of business priorities to that of placing employees first, customers second, and investors third. This strategy is similar to the one adopted by Richard Branson (1997), CEO and president of the Virgin Group of Companies, in England. Over the past decade, he has built a billion-dollar empire consisting of business ventures into the airline industry, food and beverages, telecommunications, among many others. His management style suggests that employees must have "fun" at their work, and this comes about only when employees feel secure, enjoy what they are doing, and perceive management looking after their best interests. If employees have these strong 'fun-damentals,' then customers will also reap the benefits. He suggests that customers can sense if workers enjoy their work. This often results in better service to the customer, resulting in loyal customers. Loyal customers mean repeated purchases, resulting in higher profits. Higher profits attract investors, generating additional wealth.

Capitalism in a *power community* reflects the integration of a revised set of priorities. The essence of the revised set of priorities is a corresponding reliance upon establishing a small business atmosphere where worker identity is important. Therefore, since those in poverty need to develop pride and self-esteem, the size of businesses to enter the commercial sector of *the power community* must remain small, hiring perhaps no more than 200-500 employees. This is required because of the cyber economy where speed in the decision-making process and the pace of change among consumer attitudes demands businesspersons to adjust marketing strategies quickly to stay competitive. There may be exceptions to the small size in terms of medical facilities and educational institutions, but

the generally pattern of employment by the private sector will be small businesses. If larger corporations become part of the commercial mix, it is important that they are organized with a 'small group work mentality' where self-esteem and pride may evolve. This fits into the creation of the *small town environment* where socialization of work, community, and family creates the trust and integrity required to rebuild self-esteem and individual worth.

A Need for a Funding Triad

In order for such power neighborhoods to become a reality, a *funding triad* will be required. One source, of course, is public grants directly from **government**. However, instead of giving financial grants, this could be in the form of *giving land* for the purpose of attracting business to these power communities. However, more creative contractual agreements with business through a variety tax incentives and grants are also possible. There are many incentives for government to become part this triad. One incentive is that local, state, and federal governments will receive additional funds through income taxes when residents are working. The more individuals are working, the more money government receives. A second advantage is that a successful power community means lower costs for public agencies in terms of Medicaid, food stamps, AFDC, supplemental social security, unemployment compensation, and a myriad of other long-term associated welfare programs. Medicaid alone currently costs the Federal government somewhere between \$60 and \$90 billion, depending upon the determination of direct and indirect expenditures on behalf of those in poverty.

Therefore, the incentive for government is the ability to have people normally outside of the workforce now gainfully employed, resulting in the opportunity for widening the tax base of local communities. Therefore, government would be capable of redirecting money currently applied to Medicaid and other programs to new power neighborhoods, with an end in site as to their commitment. With the closing of large numbers of military bases, part of the \$300+ billion defense budget could be reallocated to initiate pilot power communities at several sites, three which have been identified earlier in this proposal.

The second segment to the triad is **business**. Companies can take charge of local schools, if so desired, by putting in place a more responsive educational system to the needs of both residents and employers. Secondly, these businesses will also, if properly selected, be assured a whole new breed of customers which means profits. Thirdly, with reduced operating costs and a steady source of employees, businesses can generate a strong public relations campaign of successfully being part of an experiment that resolve an antagonizing problem—welfare reform. Also, business would be relieved of past excessive burdens associated with federal regulations and new laws placing pressure on them to hire the 'presently' unemployable individuals from today's urban ghettos. Therefore, these indirect costs would be eliminated, allowing them to devote more time to research and development of new and better products to compete internationally. Another area of benefit to business will be reduced medical costs since the essence of these communities is upon physical fitness, health, and recreation.

The third part of the funding triad is the generation of new wealth by those being assisted off the public welfare. **Those who participate** will eventually pay a variety of taxes to support their local institutions, such as libraries, public parks, etc. Also, the maintenance costs of dwellings will be assumed by the families with the standards set by the neighborhood committees consisting of volunteers. Therefore, the costs to the public related to supporting a power community will gradually diminish. By creating a new stream of volunteers, public services will be re-generated at low cost which is an incentive for neighbors to reap the benefits of their own action. They will be able to perceive that participation has immediate rewards such as better educated children through better schools, more control over their own lives with minimal interference from impersonal government bureaucracies, and an opportunity to purchase their own homes. With families becoming the focal point of all local community policies, the participants will require less assistance and become more self-reliant.

Returning to the Traditions of Capitalism

The welfare reform model proposed focuses upon recreating a spirit of individualism, accomplishment, and productivity within a socialization process where the community has an important function. The healing process of individuals who have traditionally *either* questioned the true meaning of freedom in a democracy or the benefits derived from free enterprise system comes from within based upon active involvement. The healing process unites business, government, and families on welfare in a common effort. The goal is to embrace what is great about capitalism; that being, an economic and social bonding based upon work, home ownership and pride. The result is the balancing of the needs of individuals with those of society by creating an atmosphere of trust.

These power neighborhoods will not come about easily, The reallocation of public resources, a serious commitment on part of the business community to reform welfare, and a willingness to experiment with new kinds

of standards and expectations are all required. While initial funding for redesigning power neighborhoods from military bases will be initially substantial, the willingness to take a risk and strive for a totally new approach to society building may result in a new beginning for many families caught in a vicious cycle of unemployment and despair. However, taking risk is what capitalism is all about! Without boldness, would we have electricity, jet airliners, telephones, ATM machines or computers! While all these experiments resulted in real advancement in the standard of living of many citizens on the world, each inventor had his doubts. Now may be the time to being a new venture that no doubt will shock some but to others may provide a second opportunity to enhance their standard of living of those in need of a second chance.

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Endnote

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