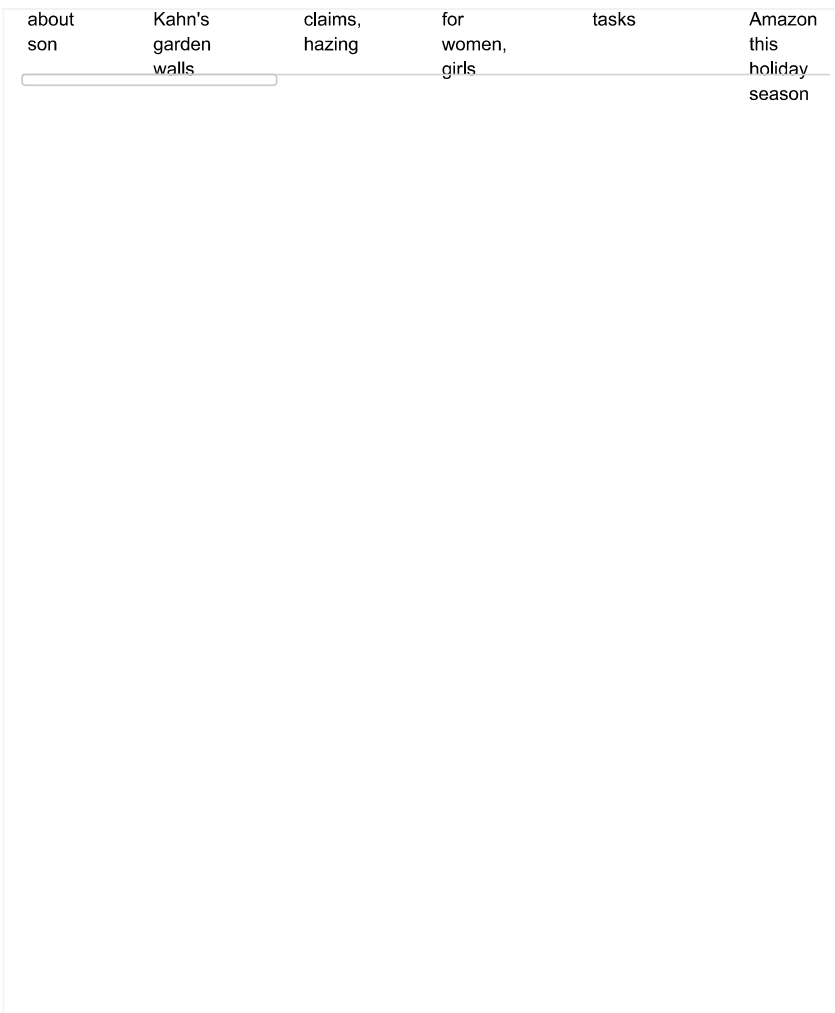


Silver Tsunami: Retirements put boomer-owned firms at risk but worker ownership can help

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We've known for a long time that baby boomers are hitting retirement age. Those retirements will drain from the workforce a vast amount of skills and experience.

But the loss to the workforce may go beyond the loss of the boomers themselves. Since a huge number of privately held companies are owned by people 55 to 65, the retirement of those owners poses an unsettling question: What happens to all their employees?

(Photo: Junfu Han, Detroit Free Press)

Worst-case scenario: Unless succession plans are put in place, some portion of those thousands of Michigan firms owned by boomers may close. New research on this so-called Silver Tsunami estimates that as many as 400,000 jobs in metro Detroit could be at risk from this phenomenon.

The estimate, released by the Center for Community-Based Enterprise and performed in partnership with Oakland, Calif.-based Project Equity, shows that nearly half of all privately held businesses in metro Detroit are owned by boomers who may retire in the next 10 years. Billions of dollars in sales and payroll could be at risk.

More: [See what's in Detroit Future City's strategic plan \(/story/money/business/john-gallagher/2017/11/09/detroit-future-city-plan/848131001/\)](#)

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And by some estimates, as many as 80% of boomer business owners lack succession plans.

"We know that there is a lack of succession planning among manufacturing business owners in Michigan generally," said Mike Coast, president and CEO of the Michigan Manufacturing Technology Center in Plymouth. "We should all be very concerned."

One potential solution is employee ownership, in which aging owners transfer control of their companies to a firm's workers through stock ownership. It's a solution that's better known in Europe than in the U.S., but it's growing here. The National Center for Employee Ownership estimates that there are 6,795 employee stock ownership plan companies in the U.S., employing more than 13 million workers.

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Russ Hart, 67, co-owner of Arbor Assays, in his office in Ann Arbor on Thursday, November 9, 2017. (Photo: Junfu Han, Detroit Free Press)

Business owner Russ Hart recently joined the ranks. A British-born entrepreneur, Hart co-founded Arbor Assays, a life-sciences firm in Ann Arbor that manufactures testing kits for bio-medical research. In mid-2016, Hart was nearing the age when he needed to make some decisions about his firm.

"I am 67, pushing 68," he told me last week. "And about a year ago I was sitting with my wife in a bar in Boston drinking Harpoon Ale and looked at the label and it said an 'employee-owned' brewery. "

Taking that as a hint, Hart found his way to the Center for Community-Based Enterprise (C2BE), a Detroit-based nonprofit that offers guidance to firms exploring employee ownership. With help from C2BE staffers, Hart set up a new entity for 14 of his workers to take ownership of Arbor Assays as of Jan. 1 of this year.

"My son is a pilot, my daughter is an attorney, and neither one of them wanted to take over this business," Hart said. "The other typical option for a company like this is to sell it. And in almost all of the sales of companies like that, we've seen the employees tend to get laid off and the whole atmosphere of the company changes dramatically.

“We didn’t want to see that happen. So the idea of employee ownership seemed like a leap forward.”

Bobbi O’Hara, a staffer and employee representative for her fellow new owners, said she and her co-workers were thrilled.

“We’ve seen what happens to other small companies that when they get sold, they get gobbled up, dismantled, and who knows where those employees go?” she said. “And so on top of the trepidation was also the excitement. We would have the opportunity to hang on to this company that some of us probably love far too much.”

[Baby boomers can help plug the talent gap. AARP Michigan says](http://www.freep.com/story/money/2017/07/02/baby-boomers-aarp-michigan-retirement/443916001/)
(<http://www.freep.com/story/money/2017/07/02/baby-boomers-aarp-michigan-retirement/443916001/>)

[Susan Tompor: Does a fatter 401\(k\) make a baby boomer ready to retire?](http://www.freep.com/story/money/personal-finance/susan-tompor/2017/05/25/retirement-boomers-stock-market-rally/325382001/)
(<http://www.freep.com/story/money/personal-finance/susan-tompor/2017/05/25/retirement-boomers-stock-market-rally/325382001/>)

The problem of succession that Hart faced is all too common, Coast said.

“Who are you going to pass the business on to?” Coast said. “You’re either going to sell the business or you’re going to pass along to somebody who doesn’t want it. It’s an issue.”

Deborah Groban Olson is executive director of the Center for Community-Based Enterprise where Hart sought advice. “Employee ownership is one of the best ways to keep thriving businesses locally rooted into the next generation,” she said.

The owners like Hart can reap some tax advantages, and there’s also the satisfaction of seeing their creation continue and thrive. And workers in employee-owned firms often find new motivation once they become owners.

“Selling your business to your employees can address large-scale job retention and community-wide wealth creation,” Olson said.

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Jack Gross, manufacture assistant, sets up containers to fill up a product at the Arbor Assays office in Ann Arbor, Thursday, November 9, 2017. (Photo: Junfu Han, Detroit Free Press)

Sen. Gary Peters, D-Mich., recently co-sponsored a bill to promote more employee ownership. The bill would task the SCORE Association, a network of business owners supported by the U.S. Small Business Administration, to provide information and technical assistance to help firms transition into employee ownership.

“Employee ownership has been a proven success for businesses of all types, from manufacturing to agriculture,” Peters said. “Research indicates that employee-owned businesses are more productive, grow faster and have less employee turnover.”

So employee ownership looks like one solution to the problem of the Silver Tsunami, the coming retirement of millions of baby boomers. There may be others. I hope we explore them all.

Otherwise, an owner's retirement may look less like a reason to celebrate and more a step to fear.

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