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Impending Silver Tsunami a threat to job security

By Deborah Groban Olson and [Other Voices](#)



As highlighted by the excellent article "Robots" in the Aug. 28 issue of Crain's Detroit Business, automation is indeed ending whole categories of jobs at a much faster rate than ever. But there's an additional, largely ignored threat to job security nationwide: 2.34 million private businesses in the U.S. are owned by baby boomers, most of whom will retire in the next 10 to 20 years.

Together these baby-boomer-owned businesses employ 24.7 million workers, and 70 to 80 percent of these business owners have no succession plan.

Recent research by our organization quantifies for the first time the threat that this looming Silver Tsunami poses for the seven counties of Southeast Michigan: an astounding 400,000 jobs are at risk.

Many times, the children of retiring business owners aren't interested in taking over the family business, forcing the owner to choose between liquidating the business assets or selling it to a competitor — a competitor that may only be interested in obtaining the business'

customer list or consolidating operations out of state. In both cases, local jobs are lost.

Across the U.S., cities and economic planners are taking renewed interest in a third way forward: employee ownership. New York, Cleveland, Minneapolis, Madison and Austin have each recently adopted policies supportive of employee-owned businesses, steps that can facilitate the sale of a business by its owner to its employees.

While an employee stock ownership plan (ESOP) is perhaps the best-known form of worker ownership, ESOPs can be complex to set up and expensive to manage — a fact that unfortunately dissuades many retiring business owners from pursuing worker ownership in any of its forms.

Here in Michigan, two companies have recently adopted simpler, innovative forms of worker ownership, providing models for other retiring business owners.

Dr. Russell Hart, founder and managing partner of Arbor Assays, an Ann Arbor based biotech firm with 12 employees, chose to sell the business to his workers using an innovative "perpetual trust" model. On succession planning, Hart said, "The normal process is for the business to be handed on to children or to be

sold to somebody else. For me this wasn't attractive. We wanted Arbor Assays to remain an independent and successful business."

Similarly, the baby boomer founders of Zingerman's Community of Businesses in Ann Arbor, with \$63 million in sales and 750 employees, recently implemented a program that allows every employee to own a share of the organization's intellectual property company. These shares provide employees a dividend based on the profits of the entire group of 10 businesses and representation on the governing Partners Group.

This action was based on the founders' and partners' desire to ensure the continuance of broad-based employee benefits that will survive any individual. "This is the first step in moving toward full employee participation and engagement in the organization," said co-founder Paul Saginaw.

Employee-owned companies face the same profit pressures as all businesses. But for employee-owned businesses, the quality and longevity of employment is also a primary objective. This highly personal impetus inspires workers and prompts innovation. For example, EBO Group, a 100 percent worker-owned company in Akron, Ohio, diversified, through participatory employee ownership, from mining equipment to recycling equipment and medical devices and tripled business in five years from 2003 to 2008, the end of which was the Great Recession.

Employee ownership is not the only solution to anchoring jobs locally. But, the fact that employee-owned companies are four times less likely to lay off employees during a recession, are 25 percent more likely to stay in business over a 10-year period, and have 25 percent higher job growth than comparable non-employee-owned companies should prompt all of us working in economic development to consider ways employee ownership can address both the threat of extreme automation and the coming Silver Tsunami.

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