

State of the SME Sector Annual Report 2022

Entrepreneurship in the in-between

Towards a roadmap for the SME sector

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The cover shows René van Geer and Marianne van Sasse van Ysselt, the owners of family business Secrid. This company makes wallets and/or card holders. Design and production takes place entirely in the Netherlands. More than 100 people work at Secrid. For production, the company works together with four sheltered workshops. The Dutch Entrepreneurship Committee has published this Annual Report on the State of SMEs 2022 presented at this company, the day before the Day of the Entrepreneur.



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Towards a roadmap for the SME sector

In this annual report of the State of the SME Sector, we call for a roadmap for SMEs. We note that businesses are living an *in-between*; an unstable period of transition. Crises and transitions call for investments, but to be able to invest you need a clear perspective: where are we going and how will we get there? A roadmap helps to determine the direction: towards a green SME sector, with high rates of productivity growth, powered by digitalisation and with access to talent and financing.

The Committee calls upon both government and trade and industry to push forward together. It will be entrepreneurs who make the transitions happen and who come up with solutions. It is the task of government to provide a healthy and stable business climate, specifically in the face of the huge uncertainties confronting smaller entrepreneurs. Together, they can build on the foundations already in place in the current digitalisation and climate policy, but also the *Strategic agenda for the business climate in the Netherlands* and the underlying principles for expanding the labour market infrastructure.¹

Trends

This annual report for 2022 provides an insight into the trends within the Dutch SME sector. Past annual reports have shown that before the COVID-19 crisis,

the SME sector was performing well, but even then there were structural challenges; investments and productivity growth were stagnating, and opportunities for growth were restricted by a lack of suitable personnel. As the COVID-19 crisis has slowly ebbed, developments have become even more tempestuous.

The State of the SME Sector reveals that almost half of SME entrepreneurs are above all concerned about the price increases in materials, energy and services. 87 percent can pass on those costs, but only 3 percent can do so to their full extent. They perceive staff shortages as a great obstacle for their activities. One third of all SME businesses view their own business operations as sustainable, but the extent to which measures are being taken to achieve further sustainability remains unclear. There are possibilities for further digitalisation, but smaller businesses appear to be struggling more with that concept than their larger counterparts.

Structure, cohesion and cooperation

According to the Committee, the need to bolster the foundations of the business climate is becoming increasingly urgent. The Committee has called for attention for three key elements essential to achieving a successful and decisive approach: Structure, Coherence and Cooperation.

- 1. Structure: measures focused on bolstering the foundation, and structural strengthening of productivity and earning capacity.** To be able to increase productivity, entrepreneurs need a clear perspective and the accompanying investment opportunities. One example is good access to financing. Investing in innovation also requires innovation in the way investments are made. Rapid upscaling of futureproof initiatives must be possible.
- 2. Coherence: there is a clear need for an agenda that combines the various policy ambitions of government.** From the perspective of the entrepreneur, all the transitions and their preconditions are intertwined. There can be no sustainability without financing nor without personnel or digitalisation. Entrepreneurs must have a clear understanding of what is needed: when should they take steps to improve sustainability, what standards must they satisfy and how can they translate the (national) climate goals into

¹ Parliamentary Papers II 2022/23 33566, No. 108.



specific targets for their business? That requires a customised approach. The SME sector in the Netherlands is enormously diverse and each individual sector and size category requires its own clear answers.

3. Cooperation: direction and coherence call for the combining of policy and operational capacity, between government and the social partners.

There is a need for better harmonisation and cooperation between national, regional and local governments, but also between private and public parties (such as the Chamber of Commerce (KvK) and the Netherlands Enterprise Agency (RVO)). Better use could also be made of the networks between entrepreneurs: SME businesses are both willing and able to learn a great deal from each other; a perfect opportunity for the sector organisations and business associations.

This annual report contains a further elaboration of a number of recommendations for the four transition topics (sustainability, digitalisation, the labour market and financing).

Document structure

Part 1 describes the trends, challenges and opportunities for the SME sector in 2022. The key developments are reproduced in a *dashboard*. Particular attention is paid to the transitions in sustainability, digitalisation, the labour market and financing. On each of these topics, the Committee has formulated a series of recommendations. In *Part 2: Facts and figures about*



The Dutch Committee for Entrepreneurship consists of (from left to right) Kemal Tas, Barbara Baarsma, Jacques van den Broek (chair), Her Majesty Queen Máxima, Meiny Prins and Diederik Laman Trip.

the state of the SME sector, Statistics Netherlands (CBS) uses a selection of data to reflect the developments Dutch trade and industry has undergone over the past few years, and its current state.

Acknowledgment

On behalf of the Committee, I would like to express my gratitude to all those who have contributed to this Annual Report. Various experts have shared their knowledge in interviews, along with the participants at the expert meetings. We would also like to extend

our gratitude to CBS for providing the data and writing part 2 of this Annual Report, and TechLeap.NL for data about the start-ups and scale-ups in the Netherlands. Finally, we would like to express our gratitude to the staff of the Ministry of Economic Affairs and Climate Policy for their efforts in the production of this Annual Report.

Jacques van den Broek, chair





Part 1:

Challenges and opportunities for the SME sector in 2022



Chapter 1

Trends

Once again in 2022, the SME sector faces a series of new challenges. According to the Netherlands Bureau for Economic Policy Analysis (CPB), the war in Ukraine combined with the disruptions caused by the COVID-19 crisis have resulted in a high rate of inflation. The tension on the labour market has continued to rise. And the new Cabinet, installed at the start of 2022, has set its sights, among others, on the further sustainability and digitalisation of trade and industry. How should the SME sector respond? And what trends are we seeing? In the form of a *dashboard* with key figures for the period 2019-2021, this chapter offers a short consideration and interpretation of the figures concerning the state of the SME sector, which are reproduced in greater detail in part 2 Facts and figures.

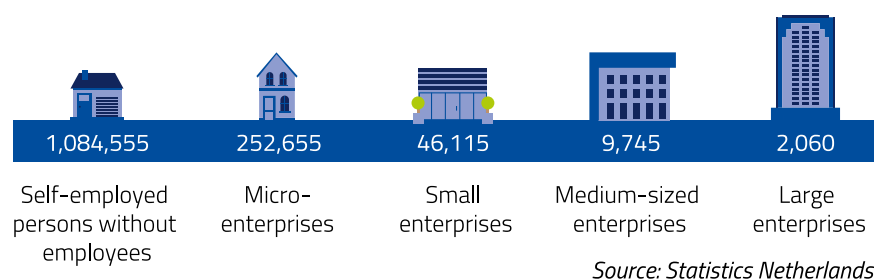


1.1 Dashboard 2022

The SME sector in a nutshell in 2022

In the fourth quarter of 2022, there were almost 1.1 million self-employed persons without employees, 250 microenterprises, 46 thousand small enterprises and almost 10 thousand medium-sized enterprises within the business economy (see figure 1.1). Together they made up the SME sector. In all size categories, the number of companies rose, as compared with the previous year. For its part, the large enterprise sector consisted of 2 thousand companies. There too the number of companies rose. In 2021, the SME sector was responsible for almost three quarters of all employment, and more than 60 percent of turnover and added value.

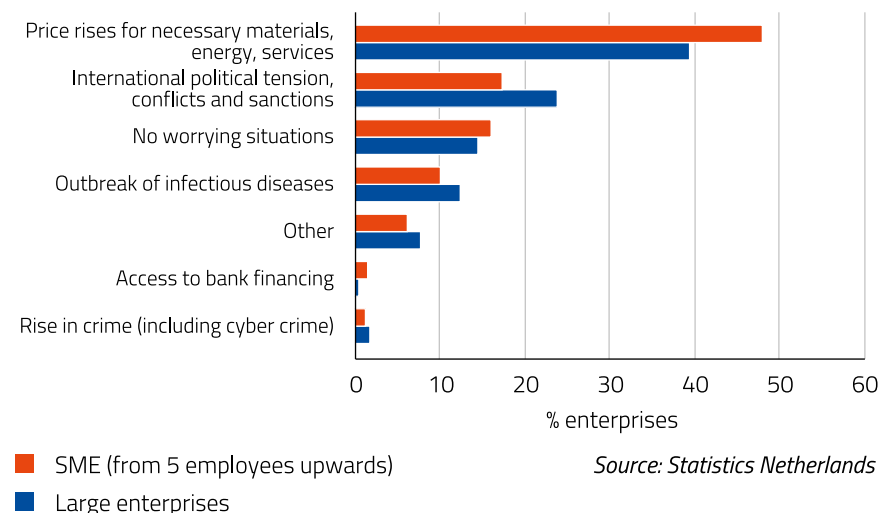
Figure 1.1: Number of enterprises. Period: 4th quarter 2022.



Concerns about cost rises

At the start of April 2022, almost half of all SME entrepreneurs expressed commercial concerns about the price increases in the materials, energy and services they require (see figure 1.2). Many entrepreneurs are only able to pass on those cost increases to a limited extent. At the start of the third quarter of 2022, it became clear that 87 percent of SME entrepreneurs could pass on these costs, but only 3 percent of them to the full extent.²

Figure 1.2: Most worrying situation for enterprise over the next 12 months. Period: April 2022.



² Statistics Netherlands (CBS), Dutch Chamber of Commerce (KVK), Economic Institute for the Construction Industry (EIB), Dutch Federation of Small and Medium-Sized Businesses (MKB-NL), Confederation of Netherlands Industry and Employers (VNO-NCW), *COEN Business Survey Netherlands - answers to additional questions* (3rd quarter 2022).

Commercial activities hindered by staff shortages

In connection with the increased tension on the labour market, an ever growing number of entrepreneurs are seeing their commercial activities restricted by staff shortages. In addition to increased work pressure, entrepreneurs are seeing a gradual rise in labour costs as the primary consequence of these staff shortages.

Figure 1.3: Staff shortages as primary obstacle to commercial activities.
Period: 1st quarter 2015 – 3rd quarter 2022.

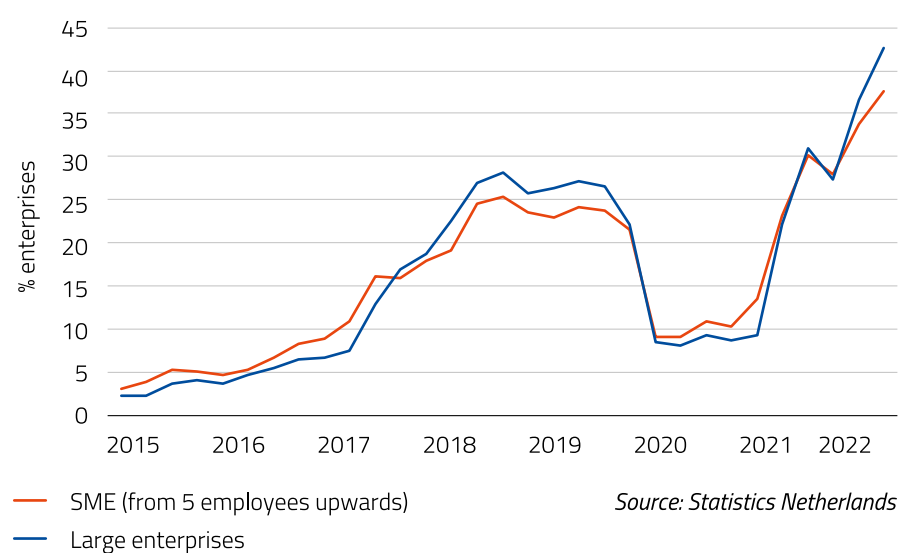
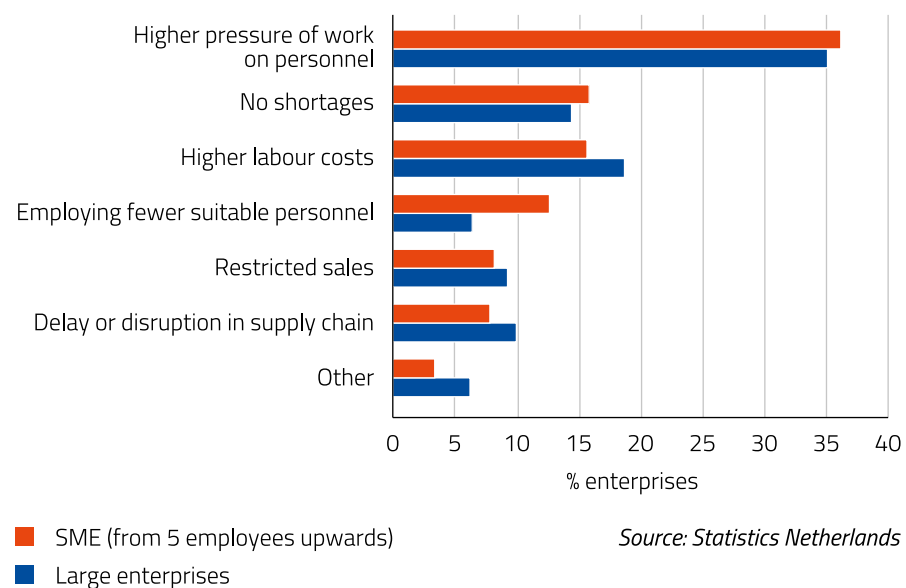


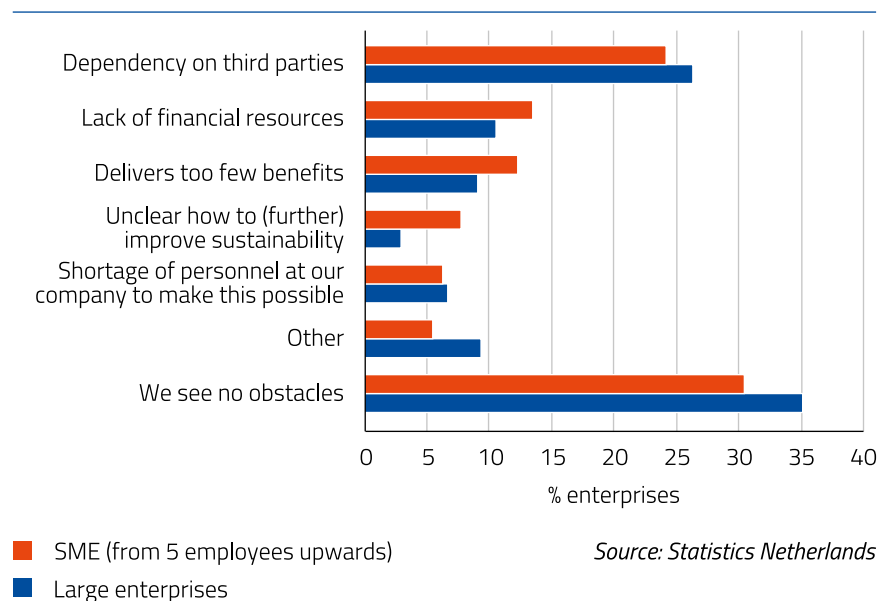
Figure 1.4: Consequences of staff shortages according to entrepreneurs.
Period: 3rd quarter 2022.



Obstacles are preventing the SME sector from achieving sufficient sustainability

Almost one third of companies consider their business operations to be mostly or entirely sustainable.³ The majority of entrepreneurs reported obstacles in achieving improved sustainability; SMEs more often than large enterprises.⁴ At the start of September 2022, almost 70 percent of SME entrepreneurs reported these difficulties. Both SMEs and large enterprises are above all hindered by their dependence on third parties, and a lack of financial resources.

Figure 1.5: Most important obstacle to improving sustainability of the enterprise. Period: September 2022.

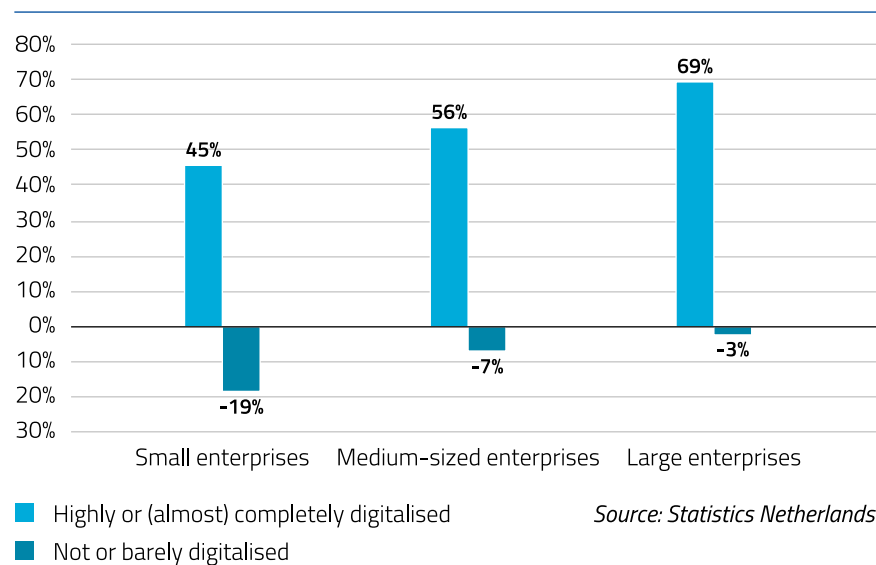


- 3 This is in their own judgement, and does not mean that all economic activities are equally sustainable. It is also unclear to what extent measures are being taken to achieve further sustainability.
- 4 Total trade and industry from 5 employees upwards (excluding agriculture, mining, construction and wholesale, financial institutions and utility companies).

Possibilities for further digitalisation in the SME sector

The extent to which businesses have, in their own words, digitalised their information and data with a view to optimising their (internal) business operations was higher in 2021 in large enterprises than in the SME sector. In respect of other subjects too, such as the scale of teleworking, access to and use of the Internet and measures for IT security, larger businesses report they make more use of these measures than their smaller counterparts.

Figure 1.6: Enterprises according to degree of digitalisation. Period: 2021.



1.2 Key figures 2019-2021

Over the past two years, the measures for managing the COVID-19 virus have had serious consequences for the Dutch economy. Following the huge downturn in economic growth during the first half of 2020, by mid-2021, the economy had returned to pre-COVID-19 levels, and was showing further growth. What, then, is the current state of the SME sector, in the light of these developments?

Turnover above the pre-COVID-19 level; added value and productivity lagging behind

The SME sector generated more **turnover** in 2021 than in 2020. This rise in turnover outweighed the downturn in turnover between 2019 and 2020, in all SME size categories. As a consequence, turnover ended above the pre-COVID-19 level. The same applied to turnover per FTE.

Added value also rose as compared with the previous year, but here the increase did not outweigh the downturn in the period 2019 to 2020, and as a consequence is lagging behind. Microenterprises, where added value has fallen for two years in a row, were the exception.

Productivity, measured as added value per FTE, rose in 2021 in both the SME sector and in large enterprises. This applied to almost all sectors, and was due to the fact that added value rose more sharply than employment (FTE). In all size categories, productivity in 2021 was below the 2019 level. In 2021, productivity was higher among large enterprises than in the SME sector, and this discrepancy increased further as compared with the previous year. This was the consequence of the faster rate of growth in added value among large enterprises than in the SME sector.

Employment has continued to grow since the start of the COVID-19 pandemic. The growth in 2021 was achieved in microenterprises (including self-employed persons without employees) and large enterprises; within small and medium-sized businesses, employment shrank for the second consecutive year. The number of persons in employment rose, and for the SME sector as a whole, more people were employed than in 2019. This was above all a result of the growth in the number of self-employed persons without employees.

SME solvency rose in the first COVID-19 year; liquidity was slightly more positive in microenterprises

During the COVID-19 crisis, businesses were able to call upon COVID-19 support measures. The aim of these measures was to retain employment, to bridge poor liquidity positions and to safeguard business continuity. In 2020, the liquidity of the SME sector remained almost unchanged from the situation pre-COVID-19. Within microenterprises (excluding self-employed people without employees), liquidity increased slightly, and was highest within the SME sector. For the entire SME sector, solvency rose between 2019 and 2020.

Fewer bankruptcies during the COVID-19 years than before

During the COVID-19 support period, the bankruptcy rate declined, and in the first half of 2022, it remained at a lower level than before COVID-19. At the same time, more businesses ceased operations in the first COVID-19 year than in 2019. Only a small proportion of business closures are bankruptcies; of course, companies may also cease operations for other reasons. For example, to avoid bankruptcy. In the period July 2020 to July 2021, the need for external financing among SME enterprises was lower than pre-COVID-19. This can partly be explained by the preference among businesses to rely on their own assets for funding, and is partly due to the lack of growth or prospects of growth.

1.3 Interpretation

Crisis on top of crisis

At the start of 2022, the Netherlands was struggling with the aftermath of the COVID-19 crisis when the outbreak of war in Ukraine in February marked the start of yet another crisis.

Many businesses survived the pandemic relatively unscathed, in part thanks to the extensive packages of support from government. Around half, however, had experienced negative (financial) consequences; serious debts were built up by businesses in various sectors.⁵ At the same time, businesses in some sectors performed exceptionally well, such as the food sector and supermarkets. Differences are also significant at the individual company level; highly digitalised companies, for example, generally experienced little negative impact.⁶

The conflict in Ukraine has also had major consequences for the Dutch economy and therefore for Dutch trade and industry. There were already bottlenecks in the supply of raw materials and on the labour market. Because the Netherlands, as a trading country, is closely intertwined with other countries, the economy is relatively susceptible to developments in world trade, and disruptions in the production chains. On top of that, the war in Ukraine has been a catalyst for the energy crisis, leading to sky-high gas and electricity prices, affecting the whole of society.⁷

According to an analysis by De Nederlandsche Bank, at macro level, the rising energy prices will probably only have a limited impact on the profitability of trade and industry in the Netherlands.⁸ However, a number of sectors have been hit hard. Quite logically, these are above all the energy-intensive industrial sectors, such as the chemical industry, the base metal industry and the paper industry.

Bakers and the food industry are also suffering, as is the hospitality trade. Rising prices are affecting overnight accommodation providers and restaurants, cafes and bars (see the block on energy prices at the end of this section). In addition to companies within the *business economy*, entrepreneurs in glasshouse horticulture are experiencing serious consequences.⁹

The combination of material shortages and high energy prices has led to high inflation. Based on the Netherlands Bureau for Economic Policy Analysis (CPB) baseline projections, inflation for the whole of 2022 was set to amount to 9.9 percent.¹⁰ In September 2022, however inflation had risen to 17.1 percent.¹¹ As well as having to deal with rising material and energy costs, entrepreneurs were also faced with rises in other cost areas such as staff wages and rent. Not all businesses in the SME sector are able to fully charge on these costs to their customers and end users, and as a consequence, the investment capacity of entrepreneurs is shrinking rapidly.¹² In a slowing down economy, where consumer spending is falling due to economic uncertainty and the rising costs of basic life necessities, the current conditions represent a perfect storm, set to test entrepreneurs to their limits.

Developments and challenges

Entrepreneurs find themselves in a continuum of complex developments and social challenges, all of which directly influence their everyday business operations. Characteristic for this phase is that we know what no longer works (well), while at the

5 As revealed in a Chamber of Commerce survey (September-October 2021).

6 See Part 2: Facts and figures about the state of the SME sector and <https://www.bedrijvenbeleid.nl/corona-en-bedrijvenbeleid>.

7 Statistics Netherlands, *Aardgas en elektriciteit* (August 2022).

8 DNB, *Hoe raken de gestegen energiekosten het Nederlandse bedrijfsleven?* (1 July 2022)

9 The term business economy is used internationally to designate the SME sector. The business economy does not include the government sector. Also excluded from the business economy are the agricultural sector, financial services, education, healthcare, culture, sport and recreation, interests and hobby associations and other personal services.

10 CPB, *Projections Macro Economic Outlook 2023 (MEV)* (20 September 2022).

11 Statistics Netherlands (CBS), *HICP 17.1 percent higher in September* (cbs.nl).

12 Statistics Netherlands (CBS), Dutch Chamber of Commerce (KVK), Economic Institute for the Construction Industry (EIB), Dutch Federation of Small and Medium-Sized Businesses (MKB-NL), Confederation of Netherlands Industry and Employers (VNO-NCW): *COEN Business Survey Netherlands - answers to additional questions* (3rd quarter 2022).



same time recognising that no clear alternatives or solutions have yet fully emerged. This combination places constant demands on creative and innovative capacity and on the boldness and willingness to experiment, and to follow new paths.

The major transitions facing our society have been brought together in a number of different opinions and definitions.¹³ MVO Nederland uses seven topics as the basis for its description of what is needed if we are to reach the tipping point to broad prosperity, by 2025.¹⁴ Every year, the Rabobank publishes the *Nieuwe Economie Index voor Transitie van het bedrijfsleven (NEx-T) (New Economy Index for Transition in Business (NEx-T))*, a yardstick for the degree of sustainability and inclusivity within the economy, at that moment.¹⁵ In addition, the Social Economic Council (SER) distinguishes a large number of developments or transitions that will affect the Netherlands over the coming years: globalisation, digitalisation, sustainability, ageing population and urbanisation, and finally flexibilisation.¹⁶ Despite the diversity of definitions, their common aim is to interpret the movements towards a more sustainable economy that is climate neutral, circular and inclusive.

This annual report focuses special attention on four topics important for entrepreneurs in these times of transition:

- Sustainability
- Digitalisation
- Labour market and human capital
- Financing¹⁷

13 For example: Dutch Research Institute For Transitions (DRIFT), [Research, Consultancy & Education for Transition - DRIFT \(eur.nl\)](#).

14 MVO, [Nieuwe Businessagenda - NBA2020](#) (2020).

15 The seven dimensions of the NEx-T are: new wealth, real prices, inclusive business practice, transparent chains, renewable energy, biodiversity and the circular economy. From: RaboResearch, [De transitie naar een duurzame en inclusieve economie stagneert](#).

16 SER, [Five transitions](#).

17 To rapidly and successfully realise the climate and circular transition, the financial system will require a thorough redesign. See: Rotterdam School of Management, [Finance in transition: principles for a positive finance future](#) (2020) for a description of what this financial transition looks like.

Entrepreneurs all have a personal and meaningful role to play in the transitions and all must deal with these topics, to a greater or lesser extent. Take for example the local baker who replaces his gas-fired oven for a more sustainable variant, the transport company that invests in electric trucks, the creative entrepreneur who works with a team of freelance professionals according to flexible contracts, and the digital workshop where entrepreneurs, students and lecturers come together. There are also innumerable examples of often innovative businesses that are facing multiple transitions. Take for example businesses working with shared electric scooters, and smart farm businesses that use location-specific data to ensure that individual crops receive precisely the volume of water they require, thereby saving a great deal of water.

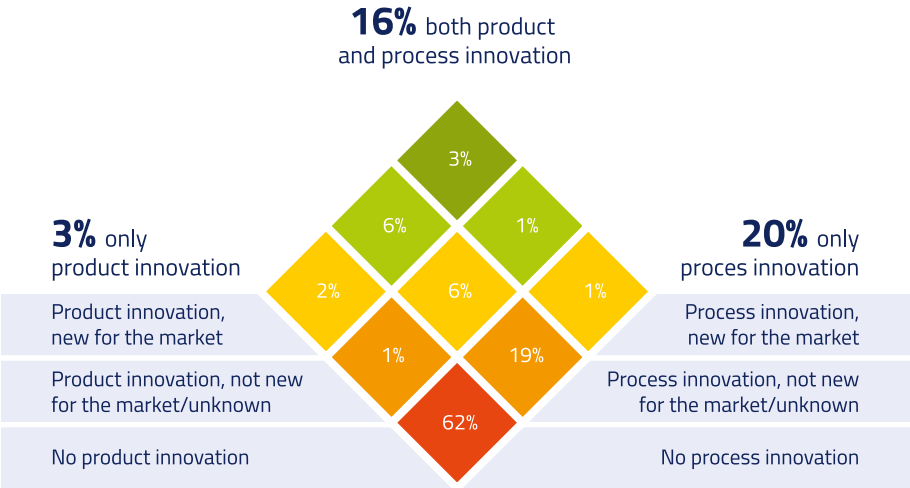
Innovation: leading group and peloton

The transitions - and more specifically the climate and energy transition and the digital transition - call upon entrepreneurs to constantly keep innovating and changing. With their innovations, entrepreneurs can shape the transitions. At the same time, entrepreneurs are called upon to respond adequately to new market conditions, and adapt to new legislation and regulations. In other words, the innovative capacity of the SME sector is under considerable pressure. Within this process, there is an important role for the innovative *leading group* in the SME sector. Once underway, the movement can be accelerated by the *peloton*. They too play an important role, for example as end users (customers) of sustainable and digital innovations, but also by reducing CO₂ emissions and raw material consumption or by accelerating changes in the chain. More support and activation are needed to encourage this group of entrepreneurs.

Innovation is not just a question of new products (product innovation) but often also a new approach to work (process innovation), whereby the benefits not only end up with the company that innovates, but also with companies that pick the fruits of the innovative applications. Innovation has for example enabled data-driven work processes that have in turn improved customer service, and made the relationships with suppliers more flexible.

Just 16 percent of all companies (with 10 to 250 employees) are involved in both product and process innovation, compared with 62 percent who are not (see figure 1.7). By comparison, investments in pure innovation are low. As a rule, large companies are more involved in innovation than small(er) companies. See also part 2 Facts and figures about the state of the SME sector; digitalisation and innovations within the SME sector.

Figure 1.7: Innovation diamond



Source: Statistics Netherlands

Because innovation is an important *driver* for productivity growth, it is important to also encourage innovation among businesses already focused on the issue, including start-ups and scale-ups (see the number of start-ups and scale-ups in 2022, in table 1). Precisely those businesses are capable of converting knowledge and research into valuable products and services, which can then be scaled up.

Table 1: Number of start-ups and scale-ups active in industry such as energy/climate, healthcare and food production in the Netherlands in 2022.

Industry	Number of active enterprises
Energy/climate	760
Health and welfare	1,000
Agriculture and food	279

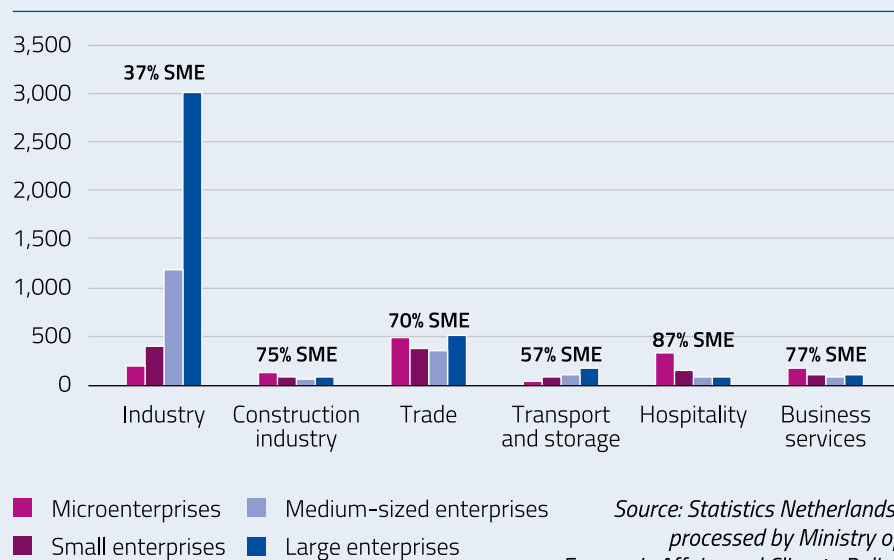
Source: Techleap

To ensure that start-ups and scale-ups are able to make a greater contribution to the transitions, and to assist the broader SME sector in its efforts to increase sustainability and to digitalise, it is essential that those start-ups and scale-ups be placed in a better position to grow. The consequence of a lack of investment in these businesses during the initial risky years is that relatively few companies are able to achieve real success and further growth. Start-ups and scale-ups in the Netherlands will benefit from an improvement in the cooperation between start-ups, scale-ups, the broader SME sector, large enterprises, knowledge institutions and government. (See also part 2 Facts and figures about the state of the SME sector; digitalisation and innovations within the SME sector).

Energy prices

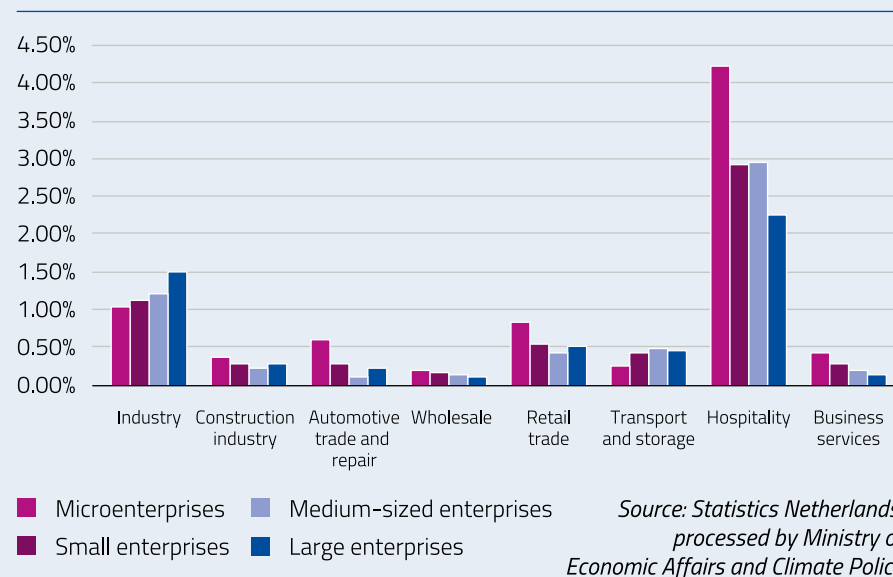
Energy prices, both for gas and electricity, are rising. In August 2022, domestic sales prices for energy were a staggering 245 percent higher than in August 2021. Almost all sectors have suffered a financial blow as a result of the rising energy prices, although the effect varies widely from sector to sector, depending on the energy intensity of their production process. In absolute terms, energy costs are far and away highest in industry (including oil, chemicals, rubber, plastic products and the paper industry). The proportion of SME businesses in this sector is lowest (see figure 1.8). If energy costs are compared with turnover it becomes clear that spending

Figure 1.8: Energy costs in 2020 x million euros, according to size category. Period: 2020.



on energy consumption is highest within the hospitality sector (see figure 1.9). It is also noticeable that energy costs represent a larger proportion of turnover in larger companies in the sectors industry and transport and storage. The situation is in fact precisely reversed in trade, hospitality and business services, where energy costs are relatively higher in smaller companies. Finally, the effect of rising prices also varies from company to company, also in part depending on the sustainability measures already taken (see also part 2 Facts and figures about the state of the SME sector; energy costs).

Figure 1.9: Costs of energy consumption in 2020 as % of turnover, according to size category. Period: 2020.



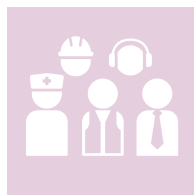
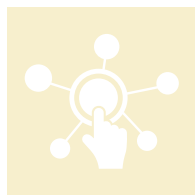


Chapter 2

Transition themes

This annual report focuses additional attention on four transition themes: sustainability, digitalisation, labour market and financing. Experts and entrepreneurs were sounded out on each theme, in preparing the analysis and recommendations. This is reflected in the interviews and minutes of expert meetings, with provocative quotes from the participants. For the sake of clarity: the comments made in the expert meetings and in the interviews are not by definition the opinions of the Committee.





2.1 Sustainability

The challenge

A huge sustainability transition is due to take place over the coming decade, in which the SME sector will be a crucial factor.¹⁸ The consequences of the new government standards for entrepreneurs are emerging in this Cabinet period, for example with the introduction of the zero emission zones in city centres and municipal plans for natural gas-free districts. One side of the coin is: in order to survive in the medium (to long) term, businesses must switch to processes and operational strategies that are sustainable. If the majority of businesses join in, this will have a massive impact on the ecological footprint of the Netherlands. The other side of the coin is: SME businesses can make a major contribution for example as originators, producers and drivers of ecological innovations. In both senses, they are crucial for sustainability.

The need for sustainability is becoming increasingly urgent. At metalevel: climate change as a consequence of human activity is undeniable. And at microlevel: rising energy prices, which although caused by a completely different development than climate change, are making it more and more necessary to increase sustainability.¹⁹ The high prices for fossil energy are creating an external motivation to deal more efficiently with energy. This is reflected in the downturn in gas consumption during the first six months of 2022.²⁰ It is however still too early to conclude that the rising

prices have caused SME companies to take action, and to structurally adjust their operations.

For the majority of smaller entrepreneurs, opting for sustainability has not been a driving force behind their business decisions (also not when it came to replacing or renewing production equipment).²¹ 32 percent of all SME entrepreneurs suggest they are largely or (almost) entirely sustainable, but there is also a relatively large group of enterprises where sustainability has stagnated.²² Due to uncertainties on the market, including rising inflation and the impact of the COVID-19 virus, companies have postponed their investments in sustainability.²³ The percentage of companies (including large enterprises) truly taking action has stagnated at around 60 percent. A study by RaboResearch reveals that the transition to a sustainable and inclusive economy is stagnating.²⁴ This study also shows that larger companies score better than smaller companies, for example in relation to renewable energy and biodiversity.

¹⁸ OECD, *No net zero without SMEs* (November 2021).

¹⁹ See also chapter 1, Block on energy prices.

²⁰ Statistics Netherlands (CBS), *Natural gas consumption 25 percent lower in first half of 2022* (August 2022).

²¹ Chamber of Commerce (KVK), *Levensgebeurtenis duurzaam ondernemen. Adviesrapport* (August 2020).

²² Statistics Netherlands (CBS), *COEN Business Survey Netherlands* (September 2022).

²³ ING (DVJ Insights), *Verduurzaming bedrijven* (March 2022); CPB, *Draft Macro Economic Outlook 2023 (MEV)* (19 August 2022).

²⁴ RaboResearch, *De transitie naar een duurzame en inclusieve economie stagneert* (January 2022).

Acceleration of the transition to sustainability

Entrepreneurs perceive barriers on the road to a green future (see also part 2 Facts and figures about the state of the SME sector; Entrepreneurs experience obstacles to achieving improved sustainability). A transition can for example start by measuring one's own footprint, and mapping out the steps that need to be taken. This knowledge is often lacking. Challenges and opportunities vary according to sector and size category. There is still too little clear information on these issues.²⁵

Entrepreneurs often seek knowledge from other entrepreneurs in their network. During the expert meeting, entrepreneurs revealed that support and advice from the government are not sought until the next stage. SMEs are often faced with fragmented government services in relation to sustainability. They are often unable to find the appropriate bodies that are able to give them advice on sustainability issues. A study by KplusV reveals that there is room for improvement in terms of the findability of advice, as well as referral to and cooperation between (central and local) government.²⁶ During the expert meeting, entrepreneurs reported that they were not necessarily looking for advice from a government body, but in fact benefit more from the knowledge and experience of green pioneers from their own sector.

Behavioural change is not merely a question of knowledge, but also ability. Entrepreneurs are faced with barriers in the field of technical possibilities, legislation and regulations, and access to financing and personnel. In certain parts of the country, for example, the electricity grid is already overloaded²⁷ and existing legislation and regulations can unintentionally be a hindrance to the transition. On top of these issues, many entrepreneurs lack the capital for sustainable investments. Finding the necessary financing can be a challenge given the long

payback time.²⁸ Furthermore, SMEs are not always attracted by subsidies, because they serve no clear purpose or because they feel they generate insufficient return.²⁹ Another factor is that entrepreneurs have little confidence in the fact that the existing system of subsidies will remain in place, while precisely that confidence is essential for long-term investments. Finally, for many entrepreneurs it is difficult to find the right employees to help them with their sustainability efforts.³⁰

The government must create a clear sustainability strategy, specifically for the SME sector. These are the words of Prof. Linda Steg (see the double interview in the Dutch version of the Annual Report): "Government has a pioneering role. It must demonstrate leadership and formulate a clear vision on the future. [...] That will make it easier for companies to decide whether or not to invest. And it would lower the threshold to the sustainability transition." Entrepreneurs spoken to by the Committee emphasise that it is above all important for the government to offer future prospects, and to guarantee continuity. It is essential that this vision offers clear, specific prospects for future action. In that process, the government has an advisory role, whereby cooperation between (central and local) government is essential. There must be permanent attention for the basic prerequisites, such as access to financing and personnel. The best opportunities lie in the network between SMEs (hubs) in which knowledge and skills can be exchanged. Prof. Derk Loorbach, in the above-mentioned dual interview, described cooperation and the exchange of knowledge between SMEs as 'essential' for the transition. Within a company, young professionals can act as transition levers; the new generation is often intrinsically motivated to achieve sustainability.

²⁵ OECD, *No net zero without SMEs* (November 2021).

²⁶ Plus, *Versterken van de dienstverlening aan het mkb* (December 2021). This study was conducted in preparation for the Committee's own recommendation *Dienstbare Dienstverlening*.

²⁷ CE Delft, *Het_net_slimmer_benut* (2022).

²⁸ See also section 2.4 Financing.

²⁹ D&B, *Micro-mkb'ers stimuleren om subsidies voor verduurzaming aan te vragen* (February 2022).

³⁰ See also section 2.3 Labour market.



Recommendations

Barriers	Potential solutions	Recommendations
<ol style="list-style-type: none">1 Lack of investment capacity2 Lack of technical personnel3 Lack of knowledge and understanding of the sustainability challenge (the company's ecological footprint)4 Shortcomings in technical resources, such as restrictions on the electricity grid5 Hindrances from legislation and regulations6 Limited capacity, knowledge and cooperation within government	<ol style="list-style-type: none">1 A clear government vision focused on the SME sector (with continuity and future prospects)2 Improved services; cooperation between (central and local) government, public and private parties3 Facilitating networks (hubs) of SMEs4 Targeted government subsidies and funds (geared more towards removing financial obstacles)5 Attention for and deployment of young professionals6 Facilitating space for experimentation (Scope in Rules)	<ol style="list-style-type: none">1 Make it clear what is expected of the SME sector in relation to sustainability. Businesses need a clear course from the government that offers investment guarantees for the long term and tackles the transitions, together.2 Strengthen the essential prerequisites for entrepreneurs to tackle sustainability (such as access to financing, technical personnel and knowledge).3 Reinforce services to SMEs, in line with the recommendation <i>Dienstbare Dienstverlening</i> (Service as a Service) from the Committee (2021), and encourage the exchange of experiences between entrepreneurs and the creation of networks.





2.2 Digitalisation

The challenge

The greatest potential for digitalisation and increasing productivity lies with small SMEs. Economy and society continue to digitalise, to an increasing degree. The Netherlands is very much a frontrunner. Digitalisation offers many opportunities for increasing labour productivity, but not all businesses are taking up those opportunities. The degree of digitalisation in 2021 was once again higher within large enterprises than SMEs, and specifically small businesses. There are also huge differences between sectors and segments of business. (See also part 2 Facts and figures about the state of the SME sector; digitalisation and innovations within the SME sector (figure 2.37).

Accelerating the digitalisation transition

At the request of the Committee, research firm Spark Optimus conducted an analysis of needs and barriers for SMEs with regard to digitalisation. The study suggests that SMEs can generate the greatest value from digitalisation by cashing in on three opportunities:

- Core processes: by mapping out these processes and wherever possible optimising them through (data-driven) use of (sector-specific) software modules and entering into collaborative ventures in the chain, to achieve the required scale.

- Support services (such as administration, HR): digitalisation/automation and/or outsourcing in order to spend as much time as possible on core processes.
- Customer relations: digitalise to better understand what customers want and use that understanding to further improve core processes in a data-driven manner.

For the majority of SMEs, the greatest benefit in both labour saving and growth lies in mapping out and optimising core processes. The larger the scale of the business, the greater the (relative) benefits from digitalising support services.

The study identifies common barriers experienced by SME entrepreneurs:

- Lack of network for strategic sparring and keeping up to date with trends;
- No strategic perspective due to operational focus;
- Lack of specific digital solutions for use in practice (and lack of skills for translating more abstract suggestions into practical solutions);
- Lack of clarity on return from digitalisation versus other productivity investments;
- No financial resources for purchase and implementation of costly digital solutions;
- Caution to digitalise, for example due to loss of human contact, cannibalisation of own business, loss of data to third parties;
- No skills in mapping out options and making choices;
- Lack of digital skills for independent development; estimating the value of and/or managing IT partners;
- No clear, quantifiable goals;
- Insufficient management attention for continuous further improvement and further upscaling in the business or the chain.

The study also investigated the (mis)match with the current offering, above all from (semi) government. Any effective offer should focus on the key failure points for SMEs, or where assistance is needed. A good offering is also cost-efficient, scalable and measurable in structure and is so specific that it is of practical value to entrepreneurs in their own context. The desired offering is easily findable, usable and understandable for entrepreneurs.

If the current offering from different providers in (semi)government is compared with the top-10 barriers, it emerges that focusing on scope rather than impact results in a broad but overlapping offering that is difficult to find, is not specific enough for entrepreneurs to develop a use case for their business, and provides little clarity about how effective the various programmes are. The organisation of the offering is often local and/or sector-specific and unscalable. There is also a lack of support for answering the 'what' question: what can the entrepreneur do in practice? There is (practically) no nationwide organised financial support for digitalisation; support is above all focused on purchasing technology, and less on advice for implementation and training for people. Finally, there is little attention for permanent training in digital skills for SMEs.

In response to the report from Spark Optimus, potential solutions were discussed at the expert meeting:

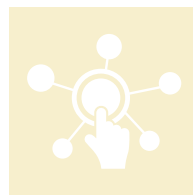
- 1. Platform**, to match supply & demand in a simple, intuitive manner, focused on the user, to improve access to the existing offering from (semi-)government & market parties for entrepreneurs, and to allow a comparison of the popularity of the various programmes, on the basis of user feedback.
- 2. A system of grants and subsidies** that goes beyond merely the purchase of technology, for example the purchase of knowledge and training for employees, to assist entrepreneurs in specifically overcoming the current bottlenecks and to remove bottlenecks in the financing climate.
- 3. Scalably organised personalised guidance** for entrepreneurs (by other, more experienced entrepreneurs) to help them formulate their own 'what' question.



Recommendations

Barriers	Potential solutions	Recommendations
<ol style="list-style-type: none">1 Restrictions in knowledge, skills, money and time to make advances in the field of digitalisation.2 The support on offer does not tie in with what is needed. Unscalable and not specific enough, and fragmented. Almost no nationally organised support for financing, but instead various different local and regional subsidies and schemes.	<ol style="list-style-type: none">1 Platform to match supply & demand in a simple, intuitive manner, focused on the user, to improve access to the existing offering from (semi-)government & market parties.2 A system of grants and subsidies that goes beyond merely the purchase of technology, for example the purchase of knowledge, training for employees.3 Scalably organised personalised guidance for entrepreneurs (by other, more experienced entrepreneurs).4 Initiatives such as Digital Workshops and My Digital Business should be continued and reinforced.5 Introduce more uniformity in the regional offering.	<ol style="list-style-type: none">1 In line with the recommendation <i>Dienstbare Dienstverlening</i> from the Committee (2021), ensure less fragmentation in the offering of government services in the field of digitalisation. Focus on continuing and reinforcing cooperation between the various parties, both at national and regional level.2 Examine the possibilities for combining demand for and provision of support (matching) via a platform, in a simple and intuitive manner, focused on the user and improving access to the existing offering from semi-government and market parties.





2.3 Labour market

The challenge

Human capital is the key to a new economy

The Netherlands features high on the international rankings for human capital: we occupy the sixth place on the Global Talent Competitiveness Index from INSEAD.³¹ At the same time, entrepreneurs in the Netherlands are struggling to attract and retain well-trained personnel. This is more difficult for small SMEs than for larger companies. It is essential that entrepreneurs invest in their workforce, to allow them to achieve permanent development. That is good for labour productivity and the competitiveness of the companies themselves, but also helps reduce the mismatch between the skills on demand and on offer. It is also more than necessary if we are to face up to the challenges confronting society. The availability of sufficient suitable human capital is a very important prerequisite for the success of the major social transitions. The labour market itself must also undergo a transition.

Accelerating the labour market transition

Shortages on the labour market are growing due to temporary and long-standing structural factors

At present, the Netherlands faces severe shortages on the labour market, and the tension is rising further: at 3.3 percent, unemployment reached its lowest level since 2003, while the number of unfilled vacancies in the SME sector reached a peak in the second quarter of 2022, with 216,000 vacancies, amounting to 143 unfilled job

vacancies per 100 unemployed. Second only to Belgium, the Netherlands has the highest percentage of unfilled job vacancies in Europe. The shortages were already rising sharply before the COVID-19 period, and the COVID-19 crisis then interrupted and subsequently accelerated the problem. A record percentage of 38 percent of all SME entrepreneurs report that their business operations are above all hindered by a shortage of staff (see also part 2 Facts and figures about the state of the SME sector).

Staff shortages are the consequence of a concurrence of structural factors, temporary factors and government policy:

- **Structural factors:** The ageing population (on average we are having fewer children and on average we are living longer) is resulting in a structural increase in labour shortages, as well as a growing demand for healthcare. Moreover, the proportion of part-time work in the Netherlands is relatively high.
- **Temporary factors** are the 'catch-up growth' and upturn since the COVID-19 lockdowns, limited labour mobility and bankruptcies as a result of COVID-19 support measures, the number of flexible employees in COVID-19 test and vaccination locations run by Municipal Health Services, an empty pool of new labour market entrants due to fewer industrial placements and a temporary downturn in migration as a consequence of COVID-19.
- **Government policy:** legislation and regulations can have a restrictive effect. For example, obligations upon employers can hamper them in taking on new personnel.

³¹ <https://byjusexamprep.com/current-affairs/global-talent-competitiveness-index-gtci>.

Shortage of technical and IT skills is hampering transitions

There is a mismatch between the skills companies need and the training and skills of working people. For years there has been a structural shortfall in technically trained people and IT specialists. The huge demand for technical skills and IT skills is reflected in the growing number of vacancies in engineering and IT. The fourth quarter of 2021 featured a record high, of more than 100,000 unfilled vacancies. The vacancy rate in engineering has more than doubled: whereas in 2011 there were around 20 vacancies of this kind for every 1000 jobs, in 2021, the number rose to 50 vacancies for every 1000 jobs. According to employers, these figures are in fact an underestimate of the actual demand for technically trained personnel. Moreover, no account has been taken of the total growth in the number of jobs in the IT sector, the energy transition and additional climate policy. Staff shortages are above all affecting operational positions at senior secondary vocational education level; one urgent problem is that the entry numbers into education and the exit number of certified school leavers have fallen over the past few years.³² In order to meet the climate challenge and to achieve the digital transition, it is essential that sufficient technical specialists and IT specialists are available. IT skills are also increasingly needed in jobs that have traditionally not been considered part of the IT sector; in reality, in practically every job. A shortage of those skills will slow down (sustainable) innovation and economic growth. Attention for IT skills is therefore called for in all study programmes, at all levels and in all subject areas.

Opportunities for the labour market

There is no quick fix for tackling all the challenges on the labour market. There are however possibilities for structural improvements. The announced expansion of the labour market infrastructure offers an opportunity for taking up these possibilities.³³

- **Social cooperation.** To tackle the shortages on the labour market, cooperation will be needed between employers, employees, education and government. In any such cooperation, as well as considering the perspective of working people and jobseekers, attention must also be paid to the point of view of employers.

- **Scaling up.** Successful initiatives on the labour market must be scalable. A mark on the horizon can set a course for the deployment of government instruments, which could be uniform in its structure, right across the country, while still offering space for (local) customised solutions.
- **Priority position for SMEs.** The wish was expressed during the expert meeting for the government to offer SMEs a priority position in recruiting and retaining human capital, by introducing more relaxed regulations.
- **Cooperation between entrepreneurs.** SME companies can benefit from entering into collaborative ventures aimed at training and employing groups of people, together. For example IT specialists that any individual company will struggle to attract; they could be set to work for several companies at a time. This approach has already been tried in Belgium and France. Regulations will have to be altered, to make this possible.
- **Untapped labour potential.** There are more than 1.2 million people outside the labour market in the Netherlands. There should be a stimulation programme to encourage this 'unknown' talent – for example the over 55s and residence permit holders – to find employment with SME companies.
- **A common skills language.** It would be useful if we all could employ a common skills language, in which employers can articulate their needs, in which people can clearly present their skills set, and at which educational institutions can aim their programmes. This will allow a better match on the basis of skills, rather than exclusively on certificates and specific work experience.
- **Labour-saving process innovation.** The introduction of labour-saving process innovations via automation and robotisation could somewhat compensate for the growing demand for labour as a result of the ageing population. Certainly in the longer term, the use of process innovation will demand ever more IT knowledge and skills on the part of the working population, as technology advances. The workforce will have to receive additional training in these skills.

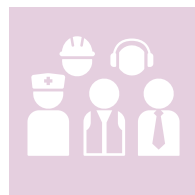
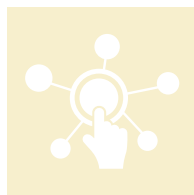
³² Highlights Monitor Techniekpact 2022 (2022).

³³ Parliamentary Papers II, 2022/23, 33566, No. 108.



Barriers	Potential solutions	Recommendations
<ol style="list-style-type: none">1 It is more difficult for SMEs to attract and retain personnel, than for large enterprises.2 There is an overall shortage of personnel, and specifically a shortage of technically trained specialists and IT expertise.3 There are large numbers of people excluded from the labour market, who could work (untapped labour potential).4 Structural measures may require changes to the law.	<ol style="list-style-type: none">1 Broad social cooperation with a management role for national government.2 Scaling up from a mark on the horizon, with a broad, uniform basic policy with local customised solutions.3 Priority position for the SME sector in attracting and retaining personnel.4 Establish a legal framework that allows SME companies to enter into collaborative ventures for employing, training and sharing personnel.5 Simplify the legal restrictions on untapped labour potential (the over 55s and holders of residence permits) to find employment with SME companies.6 A single common skills language.7 Labour-saving process innovation.8 Attention for digital skills.	<ol style="list-style-type: none">1 In renewing the labour market infrastructure, focus special attention on the cooperation between the various social parties and consider the perspective of both working people and job seekers and employers. In improving the provision of services to entrepreneurs, use the findings of the Dienstbare Dienstverlening report. There must be consideration for the differences between SMEs, and space for personal contact.2 Investigate the possibilities of giving a priority position to SMEs for attracting and retaining human capital in the current tight labour market, for example by easing restrictions. Legislation could for example be used to encourage SME companies to work together in employing and training people. Measures could also be introduced to encourage the so-called untapped labour potential finding employment within SMEs.3 Support new initiatives that help match supply and demand for human capital, including the match between education and the labour market. Ensure sufficient cohesion between the various initiatives, such as the Buitenboordmotor and O2LAB.





2.4 Financing

The challenge

To achieve the transitions investments are needed and that in turn requires good access to financing. During the COVID-19 crisis, many businesses urgently required immediate liquidity support (see also part 2 Facts and figures about the state of the SME sector; financial position of SMEs). Over the coming period, companies will need longer-term investment in transitions. The need to invest in sustainability has increased in 2022 as a result of the considerable uncertainty about energy costs and raw materials. Investments in digitalisation and human capital have also become increasingly important over the past few years, with a view to maintaining and increasing productivity. Access to external financing plays an important role, but there are bottlenecks, above all among micro and small enterprises, and businesses with more risky investments. Companies are not always able to find the ideal financial backer, while the costs of financing are higher.

Financing for accelerating transitions

Alternative financing is becoming increasingly important, above all for smaller SMEs. The financing market itself is also in transition. Traditionally, banks have fulfilled an important role as financiers for the SME sector, but the non-banking financing market has gradually become more important. In 2021, the total scale of newly issued alternative financing grew by 32 percent as compared with 2020, from €2.4 billion to €3.1 billion. The total scale of alternative financing grew in all categories of financing and the total number of companies that obtained funds via an alternative financier grew in 2021 by 10 percent. Traditionally, alternative financiers have above all operated in the market for smaller financing, but over

the past year the strongest growth was recorded in the segment €250k-1 million and > €1 million (see table 2).³⁴ Qredits issues loans of up to 250 thousand euros to (start-up) entrepreneurs with a good business plan that are not eligible for the regular financing offering. The largest growth – both as a percentage and in absolute terms – was in financing via crowdfunding (see table 3).³⁵ Banks remain the most important financiers for SMEs, also for amounts below €1 million, but the scale of lending in this category fell in 2021 by around 10 percent, as compared with 2020, from €9.5 to €8.6 billion. The vast majority of total bank lending to SMEs takes place in the segment above €1 million. The Financing Monitor 2021 shows that 55 percent of applications are to banks, 34 percent are non-banking applications and 11 percent are a combination of banking and non-banking providers.³⁶

Smaller SMEs have sought less external financing in 2021, as reflected in the Financing Monitor 2021. The requirement for external financing fell in all size categories of the SME sector. More companies have started to investigate the possibilities, but fewer companies actually applied for financing, in the end. This applies above all to micro and small enterprises. In addition, micro and small businesses that following an application were able to attract financing were less often successful than medium-sized and large enterprises. The general rule is the smaller the company, the less often it succeeds in attracting external financing.

³⁴ Stichting MKB Financiering, Onderzoek non-bancaire financiering (2021).

³⁵ Venture capital is not included in this overview.

³⁶ Statistics Netherlands (CBS), Finance Monitor 2021 (Financieringsmonitor 2021)

Table 2: Total number of issued non-bank loans 2020/2021.

Year	< € 50k	€ 50-250k	€ 250k-1 million	> € 1 million	Total
2020	28,757	8,637	1,111	285	38,505
2021	30,308	10,202	1,726	390	42,236
Growth	5%	18%	55%	37%	10%

Source: SMF

Further growth in scale of venture capital investments in 2021. The scale of venture capital investments rose in 2021, to an amount of €1.84 billion, as compared with €790 million in 2020. This was mainly due to a number of large deals in the later phase. Most remarkable is that the share of foreign venture capital investments rose sharply, above all in the start-up phase. Specifically in the start-up phase, there was less high growth. In 2021, the total rose slightly by €20 million to a total of €545 million.³⁷

It is important that sufficient access to financing remains available to innovative companies. Specifically innovative companies come up with innovative solutions that could help us further in the sustainability transition and digitalisation transition. Start-ups and scale-ups that offer innovative solutions to sustainability problems struggle to scale up, partly due to a lack of access to financing. This is because investments in companies of this kind often have a long lead time, with a relatively low return.³⁸ InvestNL and the Regional Development Companies and fund initiatives such as the Deep Tech Fund are parties and initiatives that are able to deliver the right boost to businesses with innovative ideas for digitalisation and sustainability. We must continue to monitor access to financing for businesses of this kind.

37 NVP marktonderzoek, Investeren.

38 DNB, De financiering van transitie: kansen grijpen voor groen herstel.

Table 3: Total amount of issued non-bank loans (x euro 1 million).

Type	2020	2021	Growth €	Share
Crowdfunding	277 €	621 €	124%	20%
Credit unions	19.9 €	6.3 €	-68%	0.02%
Direct Lending	208.8 €	246.4 €	18%	7.9%
SME Grant	23.4 €	24.3 €	4%	0.8%
Real estate financing	200.8 €	376.5 €	87%	12%
Lease	1,224 €	1,411 €	15%	45%
Factoring	426 €	448.6 €	5%	14.3%
Total	2.379,9 €	3.134 €	32%	100%

Source: SMF

The broad SME sector also needs sufficient access to external financing.

Businesses in the SME sector must be able to digitalise their operations, production and processes and make them more sustainable. Certainly, in respect of the sustainability transition, access to financing is a problem for the SME sector. In the EU, 27 percent of SMEs have identified a lack of financial resources as a limiting factor for sustainability.³⁹ After all, sustainability often goes hand in hand with relatively high investment amounts and long payback times.⁴⁰ To achieve the challenging targets of greenhouse gas emission reduction (see the Rutte IV Cabinet's Coalition Agreement), it is essential that SMEs also make a contribution. As well as requiring considerable and timely investments in the energy system, SME entrepreneurs must also make major investments in their real estate and company assets.

39 OECD, No net zero without smes.

40 Panteia, Evaluatie BMKB 2015 – 2020, page 80.



Recommendations

Barriers	Potential solutions	Recommendations
<ol style="list-style-type: none">1 Entrepreneurs experience barriers to access to financing. This applies in particular to smaller entrepreneurs. The growth in the number of non-banking financiers offers entrepreneurs more possibilities, but the alternatives are also less clear.2 There is still little specific financing available for SMEs for the major transition challenges.3 The number of parties able to offer risk-bearing financing for innovative, high-growth enterprises requiring large capital injections is limited within the EU.	<ol style="list-style-type: none">1 Access to financing for small businesses can be improved by further development, professionalisation and broadening of the financial offering. This will enable entrepreneurs to find suitable financing.2 Entrepreneurs must be able to find an appropriate financing solution. Sound information provision to entrepreneurs about the possibilities and referral could be useful.3 The financial sector could play a larger role in providing more financing for sustainability.4 The broadening of the offering from providers of risk-bearing capital. This could help high-growth businesses with large funding requirements to grow within the EU, while guaranteeing strategic autonomy.	<ol style="list-style-type: none">1 Ensure that, in line with the Dienstbare Dienstverlening advice, entrepreneurs are able to find the available financing options.2 Together with financiers and stakeholders, determine whether the financial offering is sufficient. Identify the obstacles and determine how they can be solved, specifically in relation to investments in transitions.





Chapter 3

Progress of Committee programme lines

The Dutch Committee for Entrepreneurship employs three programme lines in its work: access to financing, access to talent and strengthening entrepreneurship. This chapter provides an overview of the activities and (advice) products of the Committee over the past year. In carrying out its activities, the Committee has sought to cooperate with sector and business organisations, representatives of government and other parties, such as the Social and Economic Council (SER), NLgroeit, Stichting MKB-financiering and Qredits. In all these consultations, the topics dealt with in chapter 2 were often considered.



3.1 Access to financing

The aim of the Committee is to improve access to financing for the SME sector. Investments are crucial for sustainable growth, but the investment capacity of Dutch SMEs has been below par for years: time and again it has emerged that the bottlenecks are many-headed and obstinate (see chapter 2.4).

- **Fund for Strengthening equity capital (2022).** To improve the financial position of businesses and their access to capital, at the end of 2021 the Committee called for a new private fund that provides financing in the form of equity capital (quasi equity) for the broader SME sector.⁴¹ The Minister for Economic Affairs and Climate Policy is currently preparing a pilot programme and investigating the possibilities of market financing, as well as the relationship with the existing policy toolbox and the 'green' variant of the BMKB scheme still to be established.⁴² The fund will help meet the transition challenges by providing SME entrepreneurs with the capacity to invest in sustainability and digitalisation.
- **Discussions with stakeholders for highlighting financing problems.** The signals of current and acute financing problems were grounds for the Committee, in mid-2022, to enter into discussion with a number of key stakeholders.⁴³ The financial sector has access to an important key to helping companies through this difficult phase, and contributing to the challenges facing society. The Committee wants to stimulate discussions on these issues between entrepreneurs (organisations), banks and non-banking financiers and government bodies.

- **Dienstbare Dienstverlening (Service as a Service).** The Minister aims to make the financing market more transparent and ensure that entrepreneurs are not sent from pillar to post. She wants to facilitate and speed up the process according to which entrepreneurs come into contact with the right private or public financiers. Within that process, a one-door principle is being investigated, both as a digital (platform) and in physical form, for example for a good discussion. The Minister of Economic Affairs and Climate Policy has noticed that many of the questions from entrepreneurs cover a variety of topics, not only financing. In investigating the one-door principle, she has decided to include the recommendations in 'Dienstbare Dienstverlening' (June 2022), in which the Committee offers useful points for improving support to SMEs (see section 3.3 and the block Dienstbare Dienstverlening below).

⁴¹ This proposal is a consequence of the investment package for recovery and growth of the SME sector instituted by the Committee in 2020. Dutch Committee for Entrepreneurship, *Herstel- en groeiplan mkb* (2020), see: <https://www.staatvanhetmkb.nl/nieuws/persbericht-comite-presenteert-investeringspakket-voor-herstel-en-groei-mkb>.

⁴² SME financing: bottlenecks and actions, Parliamentary Paper 32637, no. 502 (July 2022).

⁴³ The Committee approached the president of De Nederlandsche Bank, the Dutch Banking Association, the Stichting MKB-financiering, MKB-Nederland, ONL for Entrepreneurs and the Ministers of Economic Affairs and Climate Policy and of Finance.





3.2 Access to talent

Entrepreneurs not only require talent, but also have a role to play in promoting talent, as employers. They can be of crucial importance for a more inclusive labour market.

- **Five focus points for success on the labour market.** Over the past few years, during its many working visits in the company of the chair of the Social and Economic Council (SER), the Committee has been examining possibilities for strengthening the infrastructure, while taking account of the interests of both employers and employees. The Committee has also spoken to the responsible government members at the Ministries of Social Affairs and Employment, Education, Culture and Science, and Economic Affairs and Climate Policy. Based on the outcomes of these working visits to the regions with the chair of the SER, the Committee formulated five focus points that are crucial for the success of an (innovative) infrastructure for the labour market in the SME sector:
 - An SME-minded infrastructure is needed to promote labour mobility;
 - The infrastructure must operate in different market conditions;
 - The SME sector needs support to help people develop;
 - Entrepreneurs must come into contact with all potential employees;
 - Strong service demands strong cooperation.
- **Attention for SMEs in expanding the labour market and Lifelong Development.** The Cabinet has developed a vision on expanding the labour market infrastructure and Lifelong Development.⁴⁴ The Committee continues to call for specific attention for SMEs: the infrastructure should not only be workable for employees, but also for employers. The umbrella term 'employers' covers a wide variety of forms of entrepreneurs and enterprises. In elaborating the infrastructure, use can be made of the recommendations in *Dienstbare Dienstverlening*.



The Members of the Committee Queen Máxima and Diederik Laman Trip took part in spring 2022 in two discussion sessions headed by the Alderman for Economy and Social Affairs of Breda, Boaz Adank. In the first session, the owner of By-Bar, an entrepreneur in the hospitality sector and the owner of a beauty centre talked about the consequences of the COVID-19 measures for their business.

⁴⁴ Parliamentary Papers II 2022/2023, 33 566, no. 108. Previously, on 15 July 2022, the Cabinet sent a letter about an attack plan for green and digital jobs (Parliamentary Papers II, 2021/2022, 29 544, no. 1120).

O2LAB

Since April 2021, on the initiative of the Dutch Committee for Entrepreneurship, the Netherlands Enterprise Agency (RVO) has been working on the O2LAB programme, commissioned by the Ministry of Economic Affairs and Climate Policy. The Committee is involved in the programme and the O2LAB hubs as an advisor and initiator and has an agenda-setting role.

Acquiring an entrepreneurial attitude is not only good for economic growth and innovation. Entrepreneurial people are also quicker to take command of their work and career, they recognise opportunities and grasp new ideas. They are capable of creating value for themselves and others.

The aim of the O2LAB programme is to promote and support entrepreneurship education and entrepreneurial development among entrepreneurs and in education, with a view to more firmly embedding the principles of entrepreneurship in education. O2LAB works alongside education, trade and industry to develop a dynamic agenda for overcoming obstacles to strengthen entrepreneurship, among others by encouraging knowledge sharing, focusing permanent attention on the importance of entrepreneurship in education, and by supporting knowledge institutions with advice and networks.

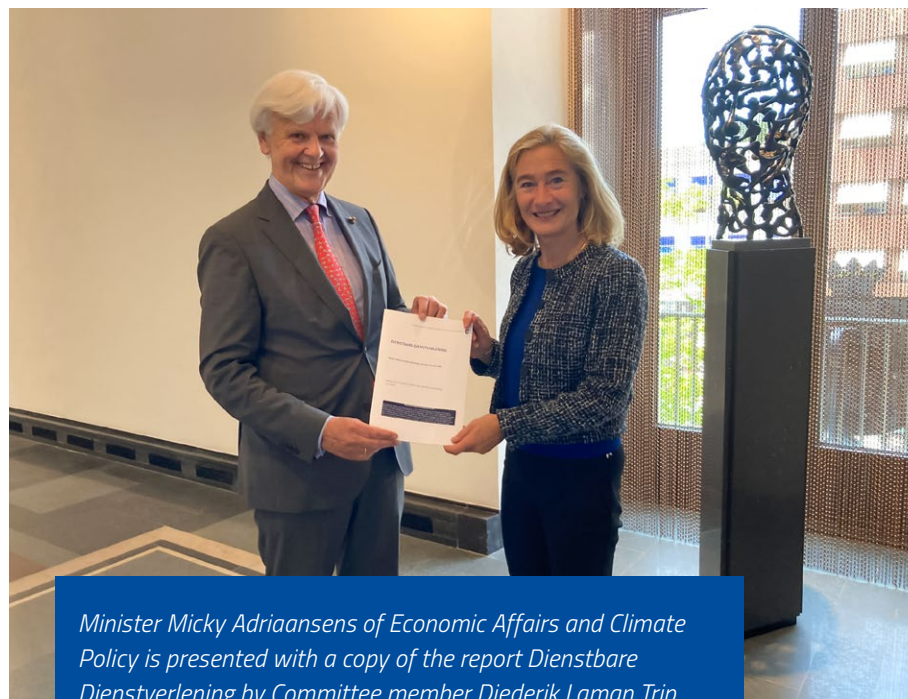
Last year, the O2LAB network was expanded from 3 to 7 hubs, distributed nationwide. In these O2LAB hubs, EZK/RVO, educational institutions, SME companies and other stakeholders such as municipalities and provinces work together to further develop entrepreneurial education and entrepreneurial ecosystems.

A learning community has also been established within three hubs, with the aim of linking education to the everyday practice of (regional) SMEs. Ten expert meetings were organised to share knowledge between senior secondary vocational education (mbo), higher professional education (hbo) and university education (wo). In the autumn of 2022, in collaboration with the Saxion University of Applied Sciences, the successful O2LAB Event 2022 was organised, attracting more than 150 participants from mbo, hbo, wo education and various entrepreneurs.



3.3 Strengthening entrepreneurship

The Committee strives to encourage entrepreneurship and an entrepreneurial spirit. That too requires a sound infrastructure. Various organisations are working to increase the growth capacity of Dutch entrepreneurs in the SME sector. NLgroeit, for example, offers a platform to entrepreneurs to brainstorm about issues concerning growth, and networking events are organised for entrepreneurs and coaches. In the course of the last year, the Committee focused much attention on reinforcing the services provided to SMEs (see also the box Dienstbare Dienstverlening), as well as on digitalisation and sustainability.



Minister Micky Adriaansens of Economic Affairs and Climate Policy is presented with a copy of the report Dienstbare Dienstverlening by Committee member Diederik Laman Trip. A coordinator will be appointed to put the report to work.

Dienstbare Dienstverlening

In June 2022, the Committee published a set of recommendations under the title *Dienstbare Dienstverlening* (Service as a Service). The Minister of Economic Affairs and Climate Policy then presented the recommendations to the House of Representatives. The Ministry expects to be sending a policy response to the House of Representatives in the spring of 2023, but work is already underway on the follow-up steps.⁴⁵

The Minister pointed out that the recommendations are not only relevant for service provision to SMEs in respect of the transition topics sustainability, digitalisation and labour market, but also in providing support in the field of financing and innovation.

The report contains recommendations for reinforcing the support provided to SMEs via information and advice. The Committee has noted that the landscape for private and public services has undergone fundamental change, over the past few years. Much is in good order within this – private and public, national, regional and local – system. Many entrepreneurs are able to find answers to their questions, but there is clearly room for improvement, as is reflected in the survey by the consultancy firm KplusV.⁴⁶

- **According to the Committee, public and semi-public services must be organised to better meet the needs of entrepreneurs.** More focus on (the various segments within) the ‘peloton’, more focus on the major transitions. Information must be made widely available, but more personalised advice is also needed in order to answer the questions of entrepreneurs and to provide them with support and motivation.

- **Development agenda for services.** In its report *Dienstbare Dienstverlening*, the Committee recommends the drawing up of a development agenda. There is a clear need for national outline agreements, which involves provinces, municipalities, sector organisations and other private parties. For the transition topics (digitalisation, sustainability and the labour market), a specific approach will have to be developed. To reinforce the system of services, the Committee further suggests that the quality of services should be systematically measured, from the point of view of its users. An ambition will also have to be formulated for gathering and sharing data.

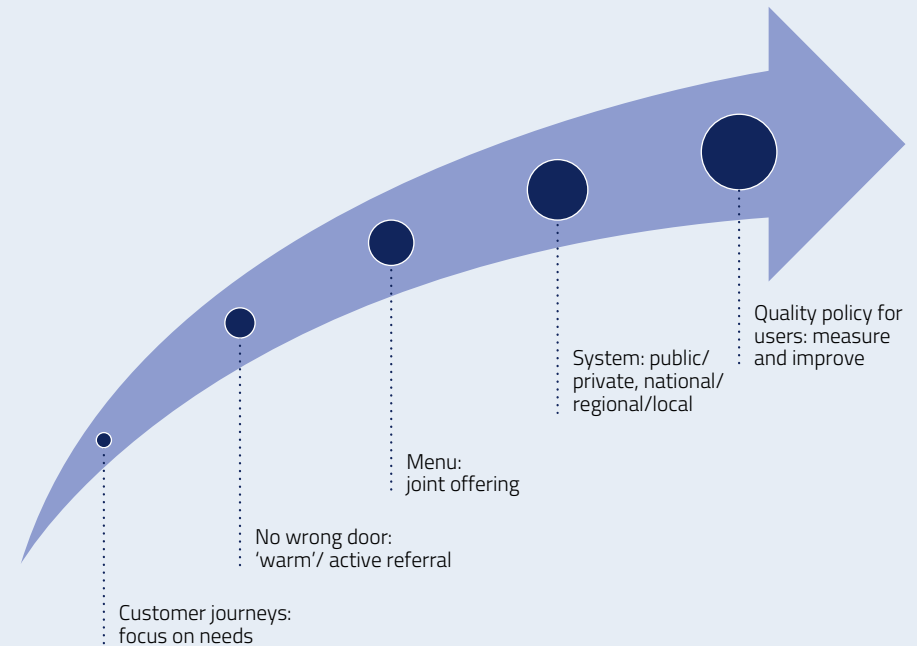
- **Administrative consultation on the outcomes of Dienstbare Dienstverlening.** In August 2022, headed by the Ministry of Economic Affairs and Climate Policy, the first administrative consultation session was held with the national service providers Chamber of Commerce, RVO and the Regional Development Companies about the outcomes of Dienstbare Dienstverlening. The Committee explained its recommendations further. The service providers announced their intention to use the recommendations to introduce improvements, for example by improving the process of ‘active referral’ and communicating in a language that is appropriate to the variety of entrepreneurs in the broad SME sector. Together they are working on a common proposition for the transition topics sustainability, digitalisation and the labour market.

⁴⁵ Parliamentary Papers II 2021/2022 32637, 498.

⁴⁶ The study report from KplusV has also been published: Parliamentary Papers II, 2021/2022, 32637, No. 498.

The Committee hopes that the recommendations in *Dienstbare Dienstverlening* will help the various stakeholders to move forward quickly in developing support for SMEs. It is crucial that the various players in the system - public and private, local, regional and national - accept their role and elaborate a common approach.

The Committee envisages a perspective for development in which the needs of entrepreneurs are taken as the starting point. The next step is for providers to develop a common proposition, that involves the various parties (private and public, local, regional and national). At the end of the day, the proposition will have to come from the system of service provision in the broadest sense, and the quality of services must be structurally monitored. It goes without saying that each of these steps can be worked towards right from the start.







Part 2:

Facts and figures about the state of the SME sector

Background study by Statistics Netherlands
(CBS)



This background study describes the role played by SME companies in the business economy⁴⁷ and considers recent economic developments. The first yardstick employed is turnover and added value. The next set of assessments relates to dynamism within the SME sector. What is the situation in respect of continued growth of businesses? How many companies have ceased business and how many were newly established and how does this relate to the total business population?

The report then considers the consequences of price increases and rising energy costs for SMEs. What effect did government policy during the COVID-19 crisis have on such developments as innovation and digitalisation? Sustainability is high on the agenda, but how many entrepreneurs are experiencing difficulties in that area? And to what extent are businesses improving their sustainability? The report also considers the extent to which entrepreneurs are hindered by shortages on the labour market.

The background study then investigates the financial position of SME companies. What was the solvency situation within the SME sector during the COVID-19 crisis, and what impact has the COVID-19 crisis had on the debt position of companies? Finally, the international trading position of SME companies is examined.

Much of this background study is based on the most recent available data from Statistics Netherlands (CBS). Wherever possible, the second COVID-19 year (2021) is compared with the first COVID-19 year (2020) and with the year that preceded the COVID-19 crisis (2019).

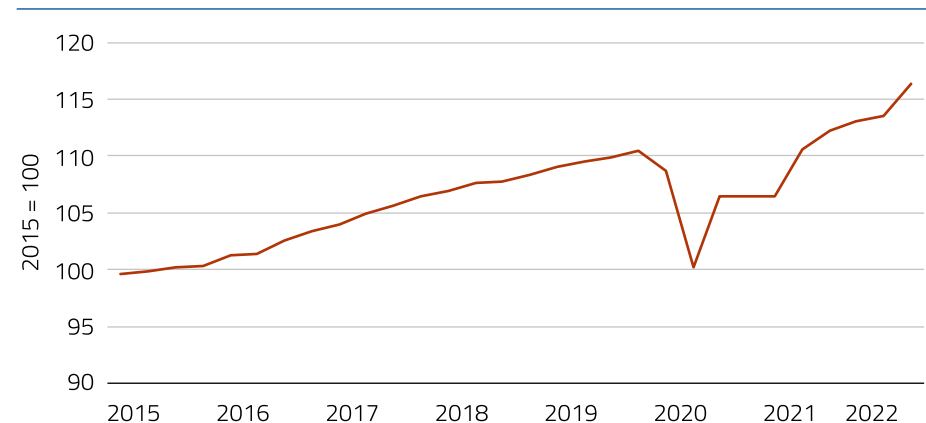
⁴⁷ The business economy, the non-financial sector, is a combination of branches and sectors (SBI B-N, excluding K and including 95). Excluded from the non-financial sector are the agricultural sector, forestry and fishery, financial services, education, health and welfare care, culture, sport and recreation, interest and hobby associations and other personal services.

1.1 Macroeconomic picture 2022-2023

In 2020, the COVID-19 pandemic caused the largest downturn in the Dutch economy since World War Two (see figure 2.1). One year later, the economy recovered and grew, also as compared with the pre-COVID-19 year 2019. In 2022, that growth continued. In the second quarter of 2022, GDP rose by 2.6 percent as compared with the previous quarter. The greatest contribution to economic growth was made by the trade balance and investments. Consumption by households also had a positive impact. In the second quarter of 2022, there were no more COVID-19 measures, while non-essential shops and contact professions were still subject to restrictions during the first quarter of the year. At that time, GDP showed almost no growth, as compared with the previous quarter. According to the baseline projections of the *Macro Economic Outlook (MEV)* by the Netherlands Bureau for Economic Policy Analysis (CPB), the economy is set to grow by 4.6 percent in 2022.

Despite the growth, once again in 2022 the Dutch economy and hence also the SME sector is faced with new challenges. The war in Ukraine, in combination with disruptions caused by the COVID-19 crisis, has led to high inflation⁴⁸. In addition, ever more companies are struggling with staff shortages due to the increased tension on the labour market. The CPB still expects the Dutch economy to grow in 2023, but at a lower rate than in 2022 (1.5 percent). That growth will be lower in the event of a higher gas price in 2023, and slightly higher if the gas price is low⁴⁹.

Figure 2.1: Gross domestic product (volume), seasonally corrected.
Period: 2015 1st quarter – 2022 2nd quarter.



Source: Statistics Netherlands

⁴⁸ CPB. (2022), *Projections Macro Economic Outlook 2023 (MEV)*. 20 September 2022 (cbp.nl)

⁴⁹ CPB. (2022), *Projections Macro Economic Outlook 2023 (MEV)*. 20 September 2022 (cbp.nl)

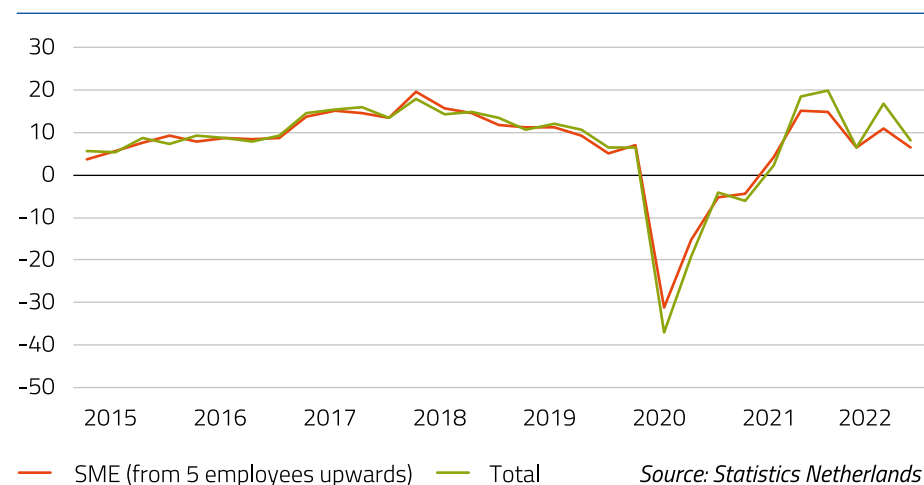
1.2 State of the SME sector

The COVID-19 virus had a major impact on the Dutch economy. In 2020, the economy shrank, but in 2021 it recovered from this dip to the point where it was slightly larger than before the COVID-19 crisis. The same also applies in part to figures for the state of the SME sector: some basic indicators in the SME sector achieved a level higher than that of 2019. Other figures, however, did not show a full recovery. This varies according to size category.

Business confidence once again positive following a slump due to COVID-19 pandemic

Business confidence⁵⁰ has revealed considerable fluctuations since the COVID-19 pandemic, that relates closely to the COVID-19 measures in place and the measures in the preceding months. In particular this applies to the sectors affected directly by lockdowns and measures. At the start of the third quarter of 2022, business confidence among SME companies (from 5 employees upwards) fell to 6.5. In the previous quarter, confidence had risen after the majority of COVID-19 measures had lapsed in February 2022. The same development is reflected for all companies (SMEs and large enterprises). However, the mood indicator for all companies was higher than for just SME enterprises.

Figure 2.2: Business confidence. Period: 2015 1st quarter - 2022 3rd quarter.



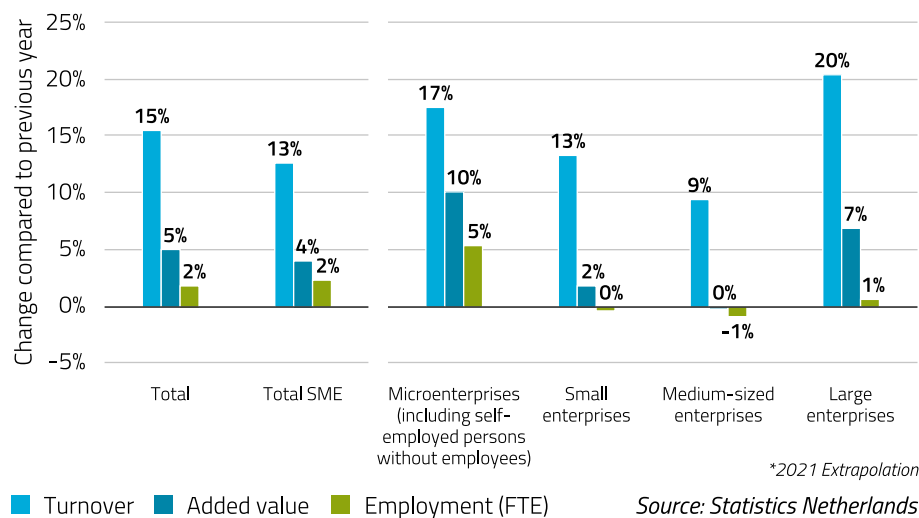
⁵⁰ These figures refer to all trade and industry from 5 employees upwards (excluding financial institutions and utility companies) and not only the business economy.

More turnover and more employment for the SME sector than pre-COVID-19

After a downturn in turnover within the SME sector from 2019 to 2020, the turnover figures rose once again in 2021 as compared with the previous year (see figure 2.3). This placed turnover for all size categories once again above the pre-COVID-19 level. The rise in turnover in the SME sector was highest for microenterprises (including self-employed persons without employees), where it was 17 percent higher than in 2020. Large enterprises turned over 20 percent more than the previous year.

With the exception of medium-sized enterprises, added value rose in 2021 for all size categories. In the previous year, by comparison, it had still fallen in every size category in the SME sector and large enterprises. However, in the majority of size categories, growth in 2021 failed to match the downturn the previous year, so that added value remained below the pre-COVID-19 crisis level. Only within microenterprises (including self-employed persons without employees) did added value recover fully.

Figure 2.3: Development of turnover, added value and employment according to company size. Period: 2021*.



Employment (measured in full-time equivalents, FTEs) continued to grow annually in the period 2019–2021, both among large enterprises and in the SME sector. Growth in the SME sector was stronger than in large enterprises in 2021 due to microenterprises; for the second year running, employment in small and medium-sized enterprises fell.

In 2021, the SME sector accounted for almost three quarters of all employment and 62 percent of added value and turnover (see figure 2.4). 44 percent of SME turnover was generated by medium-sized enterprises. Within the SME sector, microenterprises (including self-employed persons without employees) created half of total employment and added the most value.

Figure 2.4: Turnover, added value and employment according to size category. Period: 2021*.

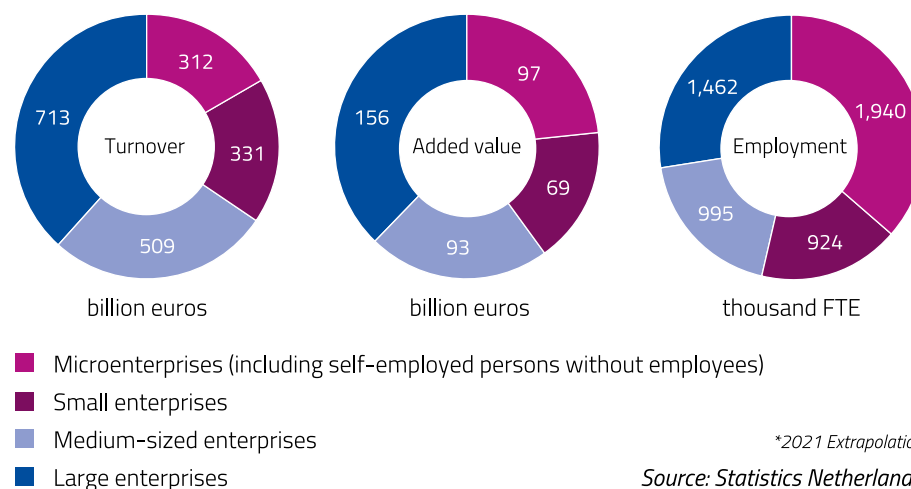
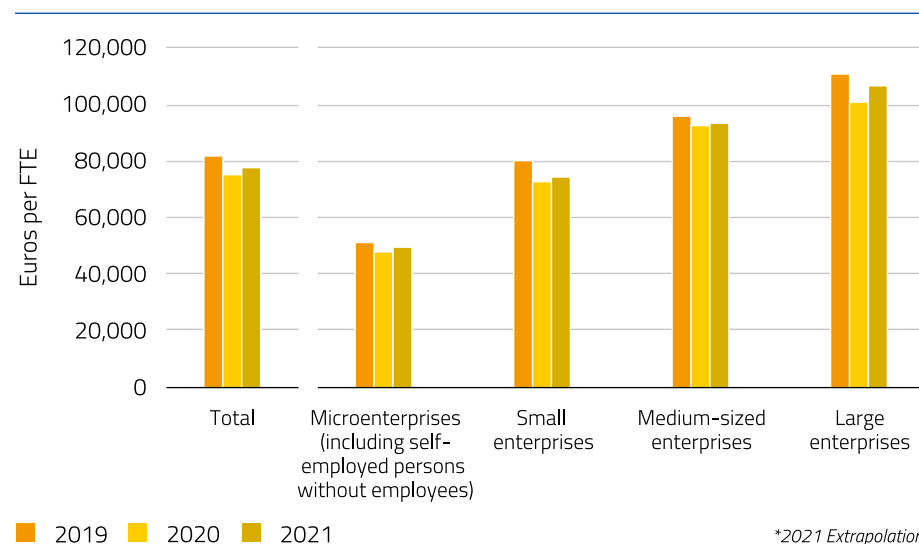
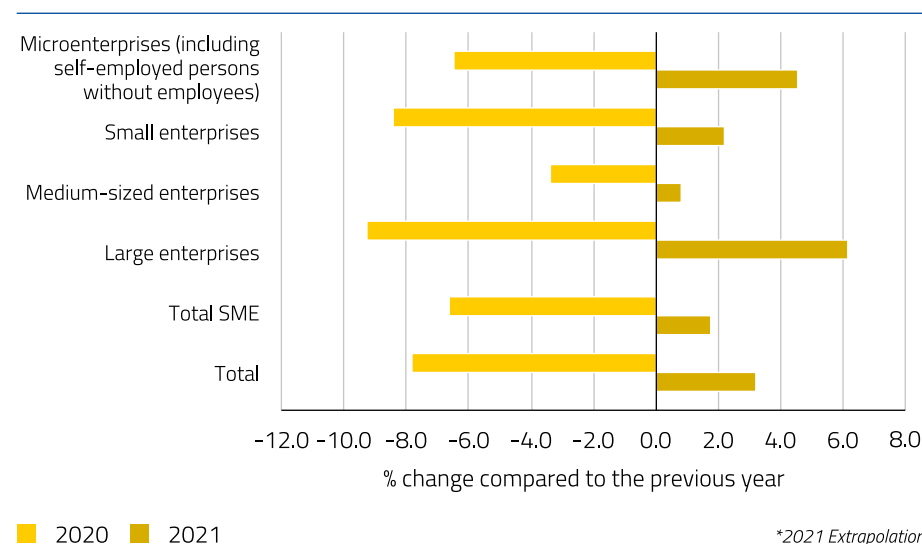


Figure 2.5: Productivity Period: 2019, 2020 and 2021*.



Source: Statistics Netherlands

Figure 2.6: Development of productivity according to company size. Period: 2020 and 2021*.



Source: Statistics Netherlands

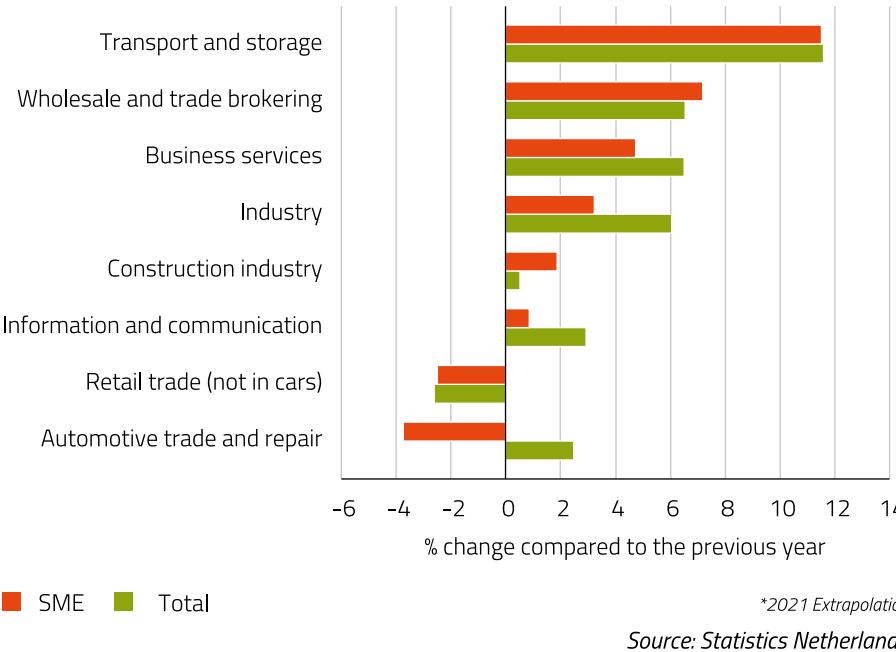
SME productivity grew, but was lower than pre-COVID-19

Productivity, measured as added value per FTE, rose in 2021 in both the SME sector and in large enterprises (see figure 2.5). This was due to the fact that added value rose more sharply than employment (FTE). In 2020, productivity was even lower than in the previous year, due to the downturn in added value (see figure 2.6). At that time, the downturn was greatest among large enterprises, followed by small businesses. In all size categories, productivity in 2021 was below the 2019 level.

In 2021, productivity was higher among large enterprises than in the SME sector, and this discrepancy increased further as compared with the previous year. This was the consequence of the faster rate of growth in added value among large enterprises than in the SME sector.

Productivity grew in most SME sectors in 2021, in the transport and storage sector by almost 12 percent (see figure 2.7). This placed productivity in this sector higher than before the COVID-19 crisis. Productivity at SME businesses in the retail trade and automotive trade fell. At SME businesses in the retail trade, automotive trade and business services, added value per FTE remained below the 2019 level.

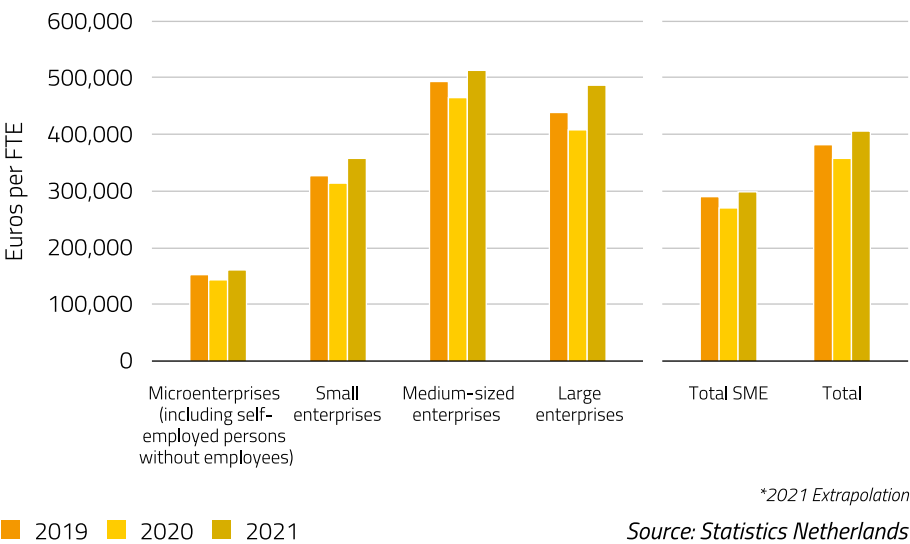
Figure 2.7: Development of productivity per sector. Period: 2021*.



Turnover per FTE higher than pre-COVID-19

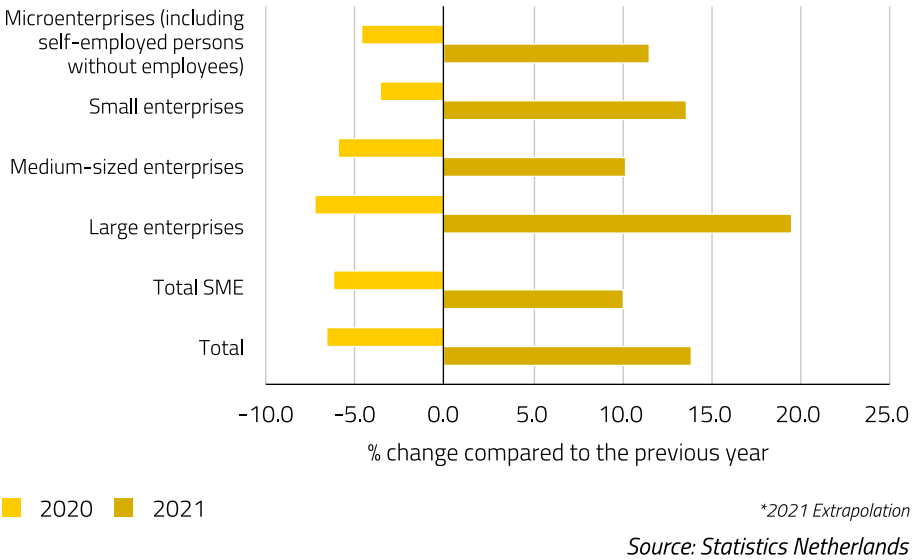
Just like productivity, turnover per FTE also rose in all size categories in 2021, having fallen in all categories in the previous year. Unlike productivity, turnover per FTE once again rose above the pre-COVID-19 level in 2021, in all size categories (see figure 2.8).

Figure 2.8: Turnover per FTE. Period: 2019, 2020 and 2021*.



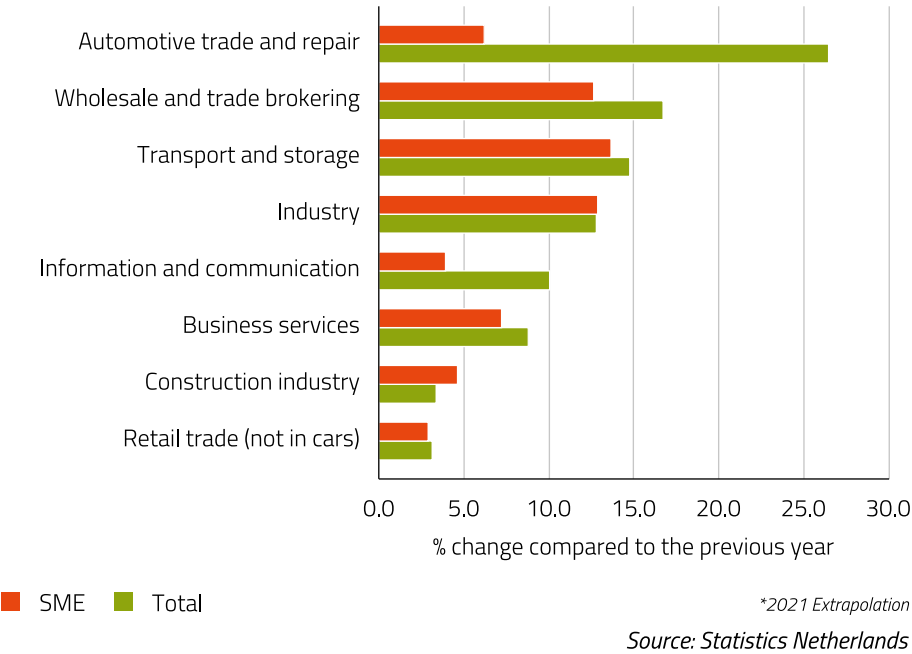
In relative terms, the rise in turnover per FTE in 2021, compared with the previous year, was greatest in large enterprises, followed by small enterprises (see figure 2.9). Over the past three years, turnover for FTEs, seen across all size categories, was highest in medium-sized enterprises.

Figure 2.9: Development in turnover per FTE according to company size.
Period: 2020 and 2021*



In every sector, turnover per FTE in 2021 was not only higher than the previous year, but also higher compared with the year prior to the outbreak of the COVID-19 pandemic (see figure 2.10). In the SME sector, the relative increase was largest in the sectors transport and storage and industry. In 2021, turnover per FTE in these sectors was 12 and 11 percent higher, respectively, than the 2019 level.

Figure 2.10: Development in turnover per FTE according to sector. Period: 2021*.



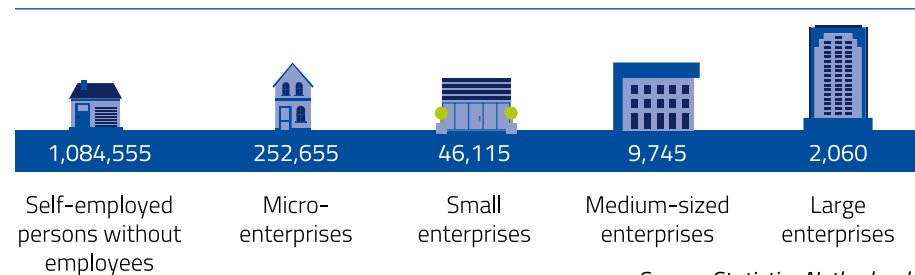
1.3 Dynamism in the SME sector

In the past two years, the government introduced support measures to ensure business continuity and to maintain employment during the COVID-19 crisis. The pandemic and the introduced support measures also impacted on the dynamism in the SME sector. Some companies in certain sectors were hit very severely by the COVID-19 crisis, while others in fact grew strongly, thanks to COVID-19. In addition to these developments, bankruptcies are currently at a historical low.

More companies in every size category, in the fourth quarter of 2022

More than three quarters of the business economy in the Netherlands consists of self-employed persons without employees. In total, there were almost 1.1 million self-employed persons without employees in the fourth quarter of 2022 (see figure 2.11). Almost all companies in the business economy belong to the SME sector (99.9 percent). As concerns the SME sector excluding self-employed persons without employees, this proportion is 22.3 percent of all companies.

Figure 2.11: Number of enterprises. Period: 4th quarter 2022.

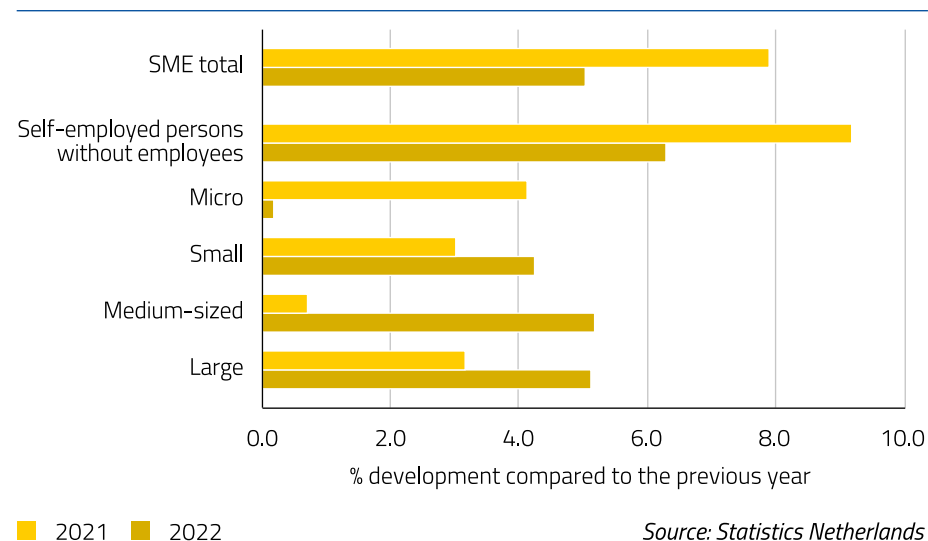


Source: Statistics Netherlands

In the fourth quarter of 2021, the number of companies in all size categories rose compared with the previous year. The number once again rose in the fourth quarter of 2022. The rate of growth was smallest among microenterprises (see figure 2.12). The number of self-employed persons without employees grew steadily throughout the period 2018-2022. On average this group of entrepreneurs has grown by around 7 percent each year.

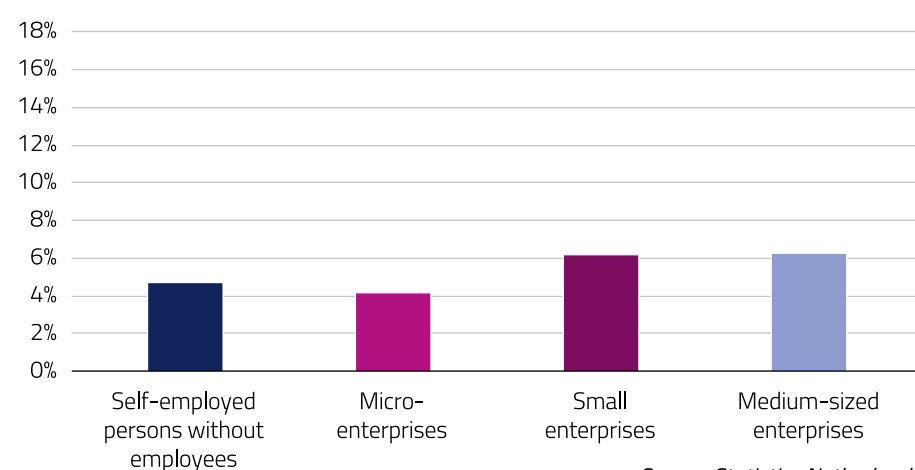
Figure 2.12: Growth in number of enterprises. Business economy.

Period: 4th quarter 2022.



Source: Statistics Netherlands

Figure 2.13: Enterprises achieving growth Period: 2011-2021.



Limited further growth of the SME sector.

For all companies in the business economy, over the period 2011 to 2021, more companies shrank to a smaller size category (see figure 2.14) than experienced further growth (see figure 2.13). The difference between the number of companies that shrank and grew was most prominent among small enterprises. Of all 42,237 small companies in 2011, 17 percent had shrunk and 6 percent had grown in 2021. This restricted the dynamism within the SME sector.

Of the 253 thousand self-employed persons without employees in 2011, more than half no longer existed in 2021. The number of companies that no longer existed in 2021 fell as the size category rose. The decline in numbers was smallest among large enterprises; just 27 percent of the 1,600 companies from 2011 no longer existed in 2021. It was highest for self-employed persons without employees, with a total of 51 percent of entrepreneurs no longer existing. In the period 2012 to 2021, more than 920 thousand companies started business (see figure 2.15). The majority of them were self-employed persons without employees (84 percent).

Figure 2.14: Enterprises declining in size. Period: 2011-2021.

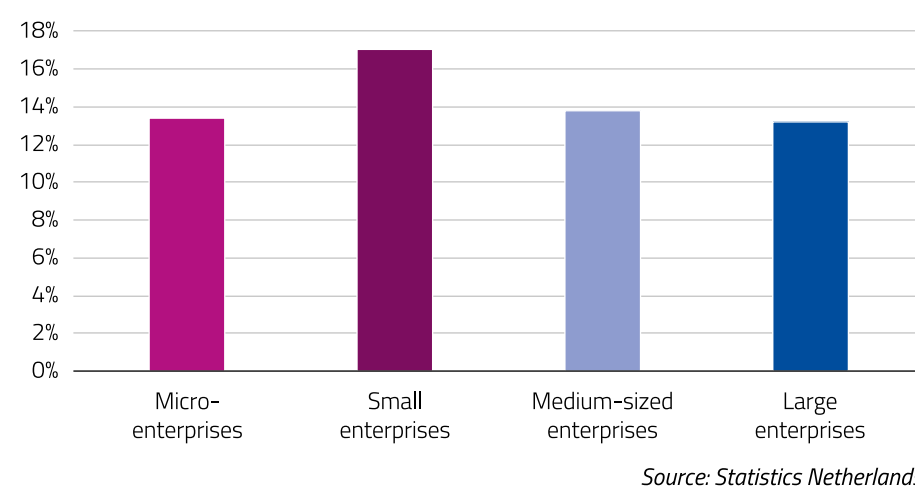
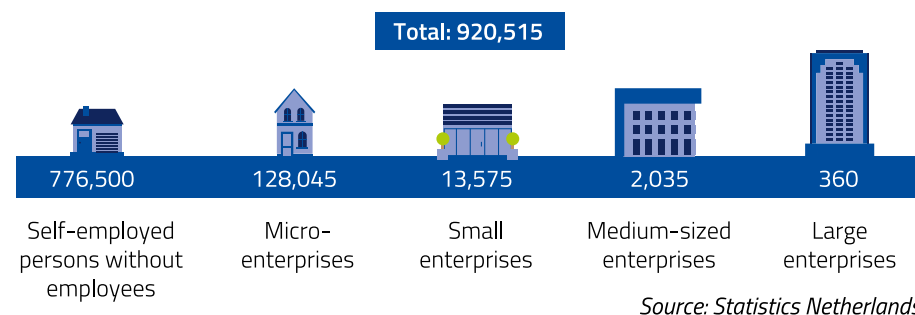


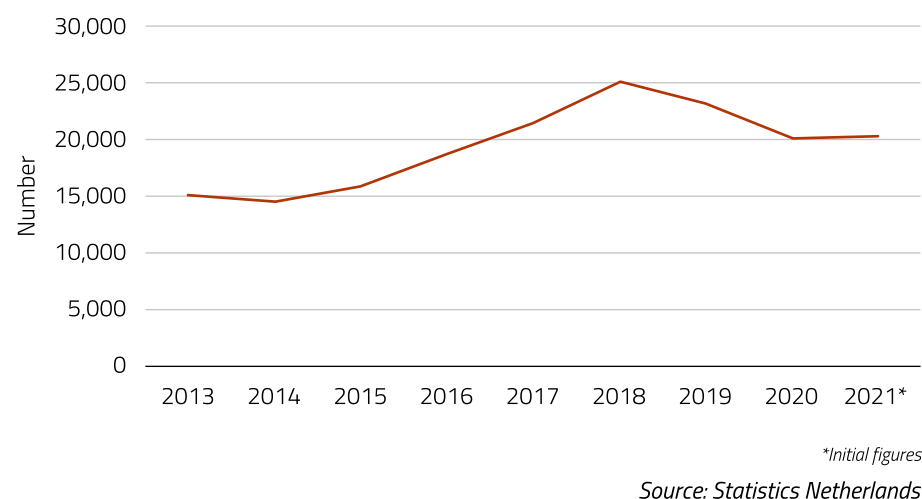
Figure 2.15: Enterprises new in the population Period: 2011-2021.



More high-growth companies

In the period 2014-2018, the number of high-growth companies⁵¹ in the SME sector rose year on year, followed in 2019 and 2020 by a downturn (see figure 2.16). This downturn was not continued into 2021; the number of high-growth companies in that year was slightly higher than the previous year. In the whole of the business economy there were 20,200 high-growth companies in 2021.

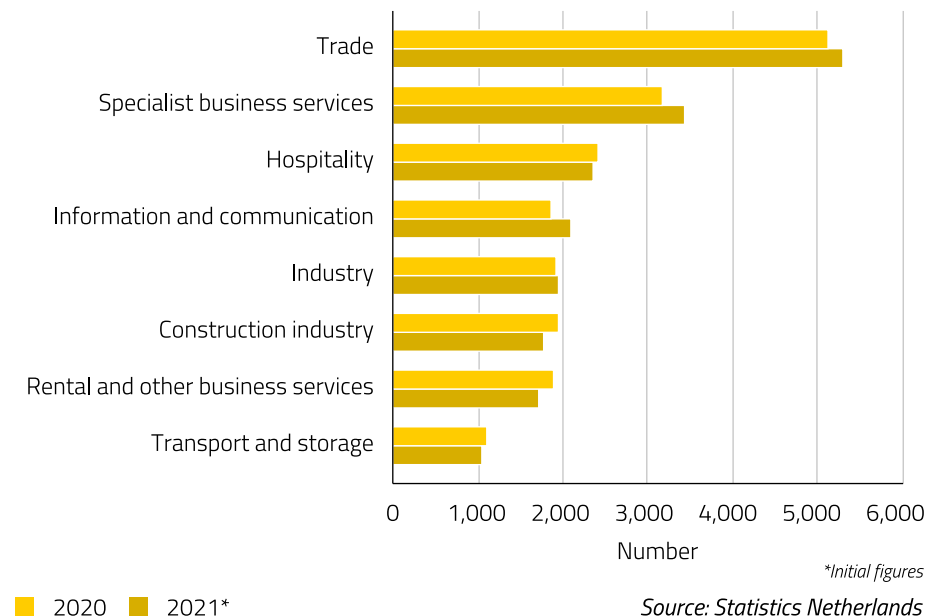
Figure 2.16: High-growth SME business economy. Period: 2013-2021.



⁵¹ High-growth companies can be broken down into small high-growth companies and larger high-growth companies. The small high-growth companies are companies with fewer than 10 employees, whereby growth amounts to at least 3.3 employees over three consecutive years. The larger high-growth companies are companies with 10 or more employees, whereby growth amounts to at least 33 percent over three consecutive years.

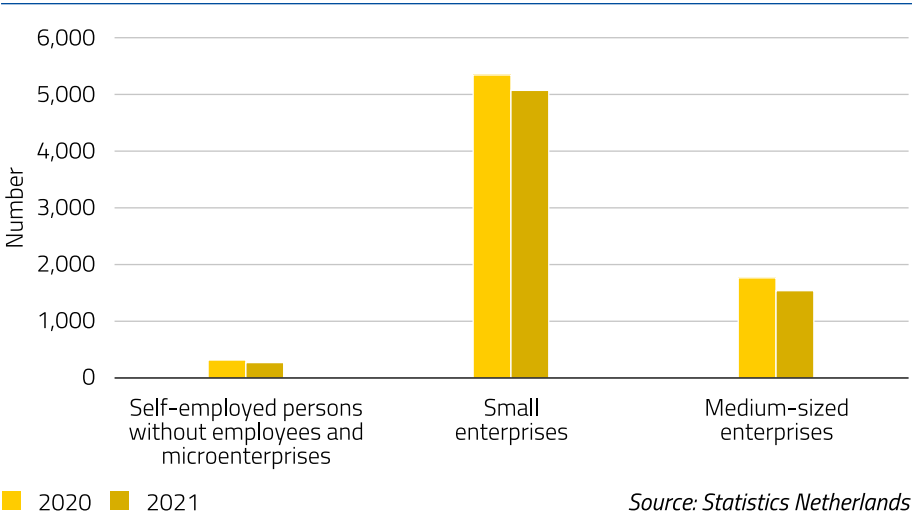
The majority of new high-growth companies (see figure 2.17) could be found in specialist business services (+255), IT (+240) and trade (+180). This was countered by a downturn in the number of high-growth companies in construction (-175) and rental and other business services (-165).

Figure 2.17: High-growth enterprises according to sector. Period: 2020 and 2021.



The group of high-growth companies is made up of small and large high-growth companies. The number of larger high-growth companies totalled 6.9 thousand companies (see figure 2.18). 485 fewer than in 2020. The large high-growth companies consisted mainly of small enterprises.

Figure 2.18: Enterprises achieving high rapid growth. Period: 2020 and 2021.

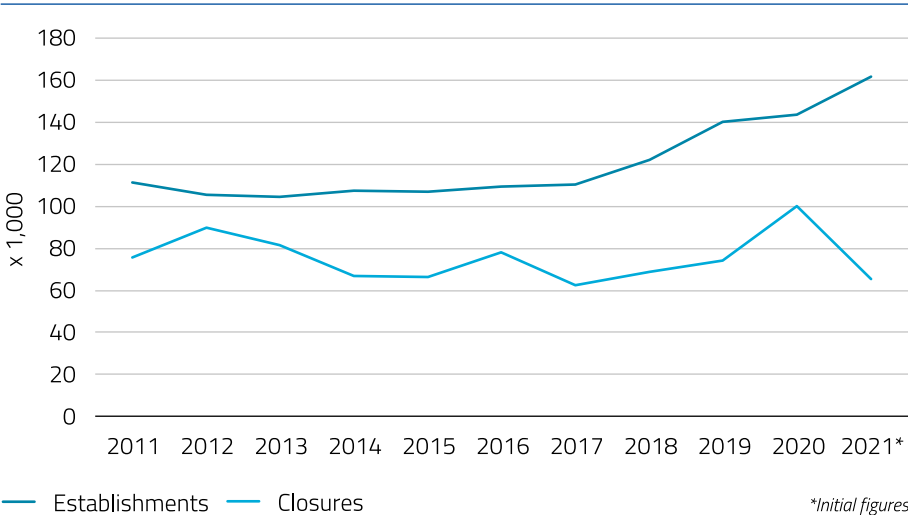


More company establishments and fewer company closures in the SME sector

In 2021, almost 162 thousand SME companies were established in the business economy in the Netherlands (see figure 2.19). That is 13 percent more than the previous year. Between 2019 and 2020, the number of company establishments also rose by 2 percent. Although fewer companies were established in almost all sectors at that time, the number of new establishments in the trade sector rose by 27 percent. This mainly involved newly established webshops, the number of which rose by approximately 50 percent, compared with 2019.

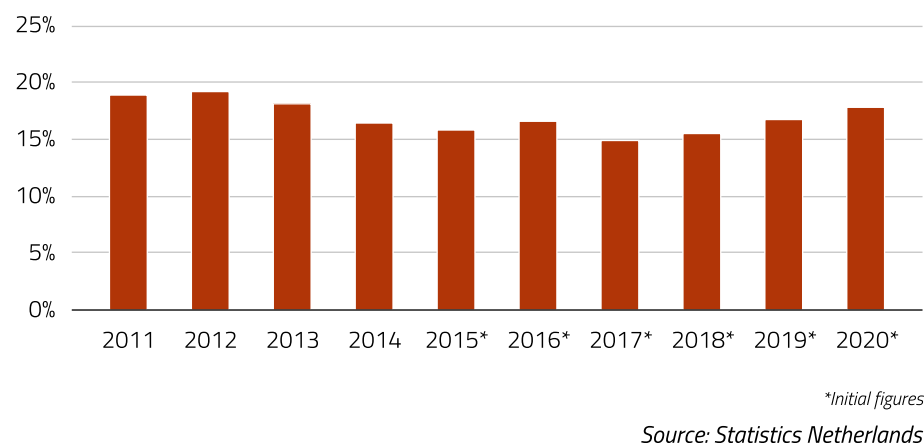
Between 2017 and 2020, the number of company closures increased, each year. In 2021, that situation changed and almost 35 thousand fewer companies were closed, than a year before.

Figure 2.19: Enterprise establishments and closures in the SME sector. Period: 2011-2021.



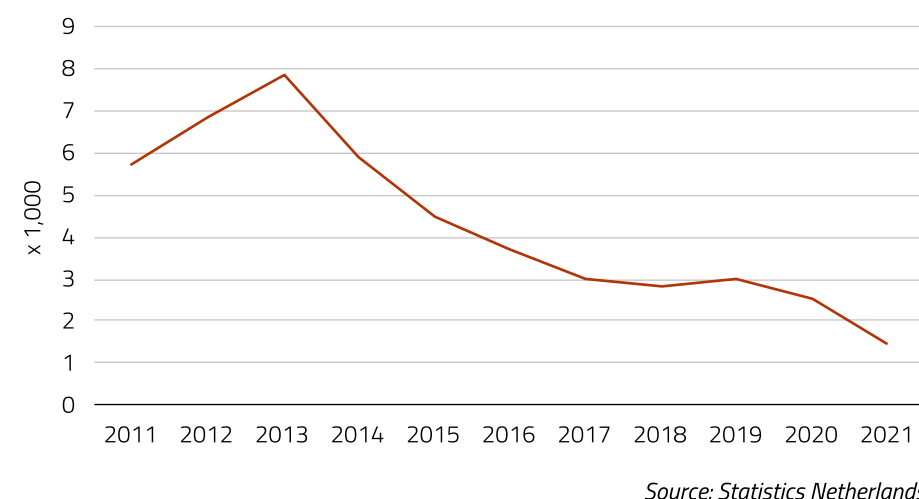
By comparing the total number of company establishments and company closures with the overall company population, the churn rate can be calculated. The churn rate is a yardstick for company dynamics. In 2011, the churn rate for all SME enterprises in the business economy was 18.9 percent (see figure 2.20). Following a rise in the indicator in 2012, it fell each year in the period 2012-2017, with the exception of 2016. From 2017 onwards, the indicator, and hence the dynamism on the labour market, started to recover slightly. In 2020, the churn rate was 17.9 percent. The churn rate varied widely from sector to sector: it was highest (30.4) in the mail and courier segment and lowest within the automotive and trailer industry (7.3). Almost one third of all SME companies in the mail and courier segment had closed, or was newly established, in 2020.

Figure 2.20: Churnrate. Period: 2011-2020.



Bankruptcies represent only a small share of company closures. The number of SME companies that went bankrupt in 2020 and 2021 was lower than in the period before the outbreak of COVID-19. In 2021, 1440 SME companies in the business economy were declared bankrupt. 43 percent fewer than the previous year, when 2521 companies were declared bankrupt. Compared with 2019, the number of bankruptcies was more than halved. From the second quarter of 2020 onwards, SME businesses were able to make use of financial support measures from the government, during the COVID-19 crisis. Companies can also go partially bankrupt, and are then not featured in the number of company closures.

Figure 2.21: Pronounced bankruptcies SME. Period: 2011-2021.



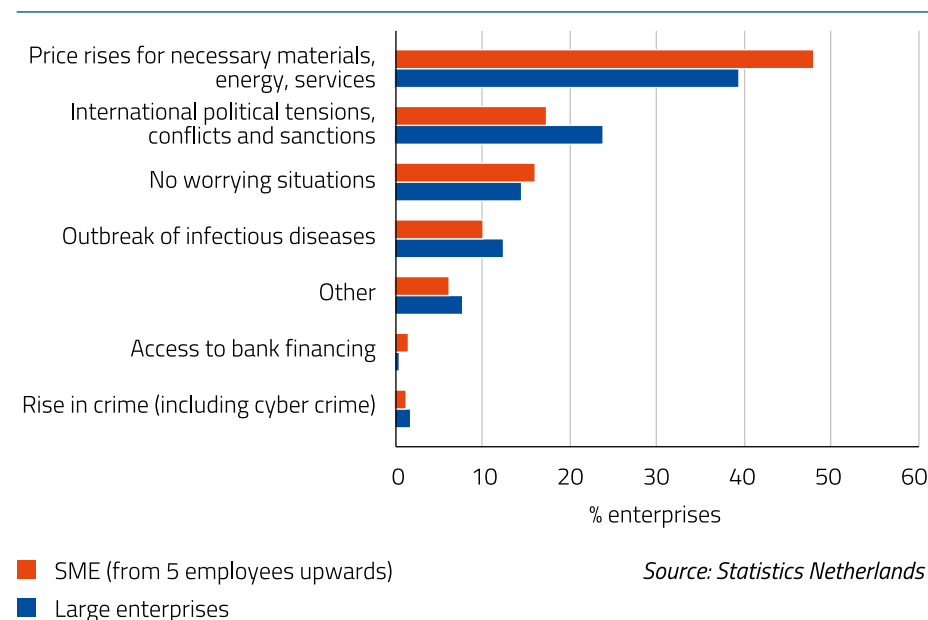
1.4 Price rises and energy costs

On 24 February 2022, Russia invaded Ukraine. As a result of the war in Ukraine and disruptions due to the COVID-19 crisis, inflation has risen to a record level, as reported by the CPB (2022)⁵². At the start of April 2022, the commercial concerns of entrepreneurs were above all price increases in the required materials, energy and services (see figure 2.22). In the SME sector (from 5 employees upwards) this applied for almost half of all entrepreneurs and for 40 percent of large enterprises. In addition, slightly more than half of all entrepreneurs in medium-sized enterprises were concerned, which is more than in micro and small enterprises (from 5 employees upwards). In that category, 47 percent of entrepreneurs were concerned about price rises. Above all SME entrepreneurs in industry and construction indicated that they were worried about price rises for the coming year.

One month later, in May 2022, entrepreneurs were asked in the Business Survey Netherlands to what extent they were specifically troubled by rising prices for raw materials or products, as a result of the war in Ukraine. 66 percent of entrepreneurs in the SME sector indicated they were facing problems, medium-sized enterprises slightly more often than micro and small enterprises (from 5 employees upwards). At 85 percent, the entrepreneurs in industry expressed their concerns most often.

Many entrepreneurs are only able to pass on those cost increases to a limited extent to their customers. At the start of the third quarter of 2022, it became clear that 87 percent of SME entrepreneurs could pass on these costs, but only 3 percent of them to the full extent. Moreover, on balance, entrepreneurs expected rising sales prices in the period July-September 2022 (see figure 2.23). This above all applied to entrepreneurs in construction, trade and industry. Of the total SME sector, on balance 37 percent of entrepreneurs expected rising sales prices.⁵³

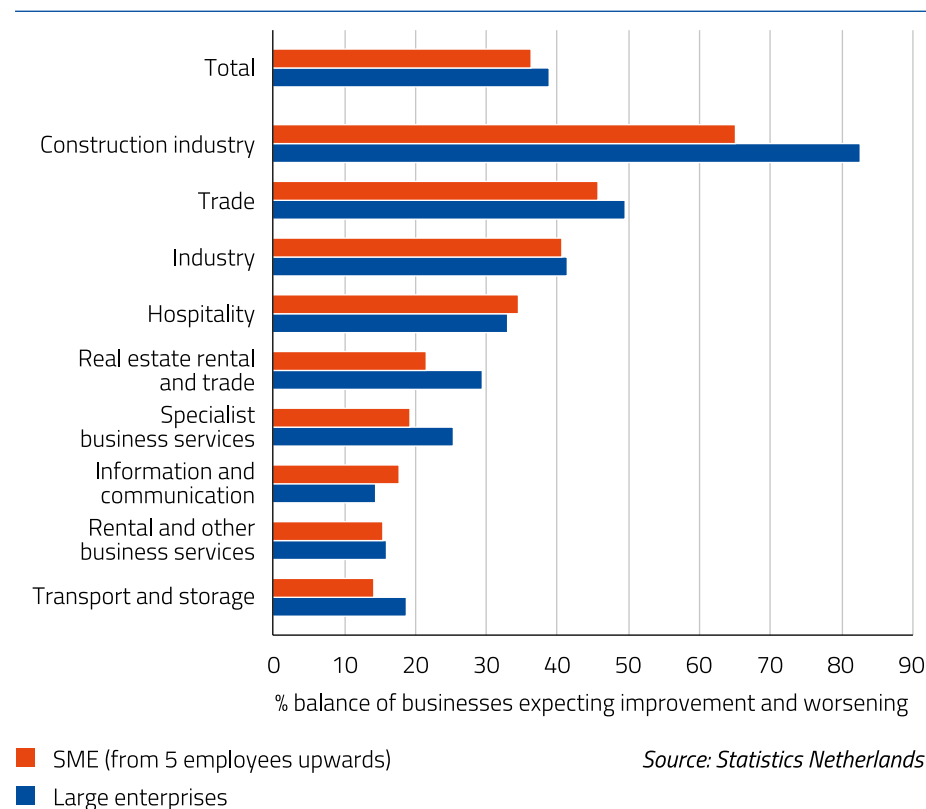
Figure 2.22: Most worrying situation for enterprise over the next 12 months.
Period: April 2022.



⁵² CPB. (2022), *Projections Macro Economic Outlook 2023 (MEV)*. 20 September 2022 (cbp.nl)

⁵³ The figures in this section relate to all trade and industry from 5 employees upwards (excluding financial institutions and utility companies) and not only the business economy. Agriculture, mining, construction and wholesale are also excluded from the figures for May.

Figure 2.23: Expected sales prices for next three months. Period: 3rd quarter 2022.



Higher energy costs in 2021 and 2022

In the course of 2021 and 2022, energy prices have risen sharply. In August 2022, domestic sales prices for energy were 245 percent higher than in August 2021 (see figure 2.24). The rise in energy prices is affecting both trade and industry and households, and as such has made a major contribution to the rise in inflation.

Figure 2.24: Domestic sales prices for energy. Period: January 2017 – August 2022.

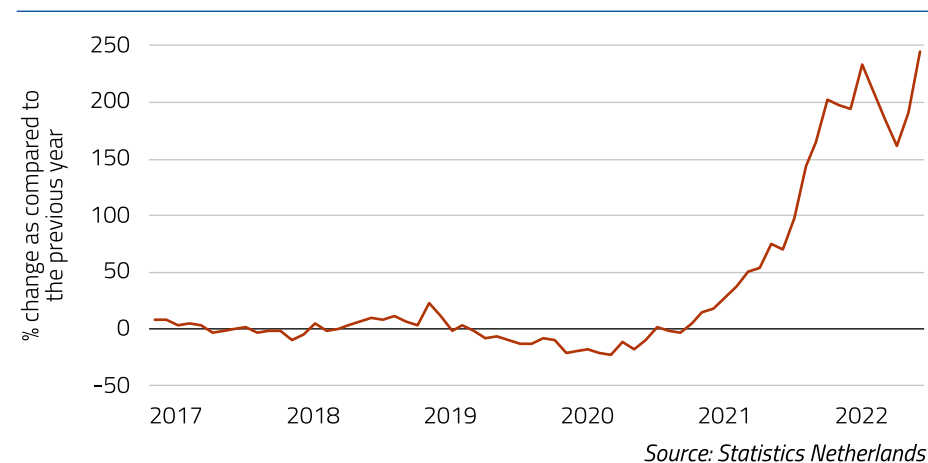
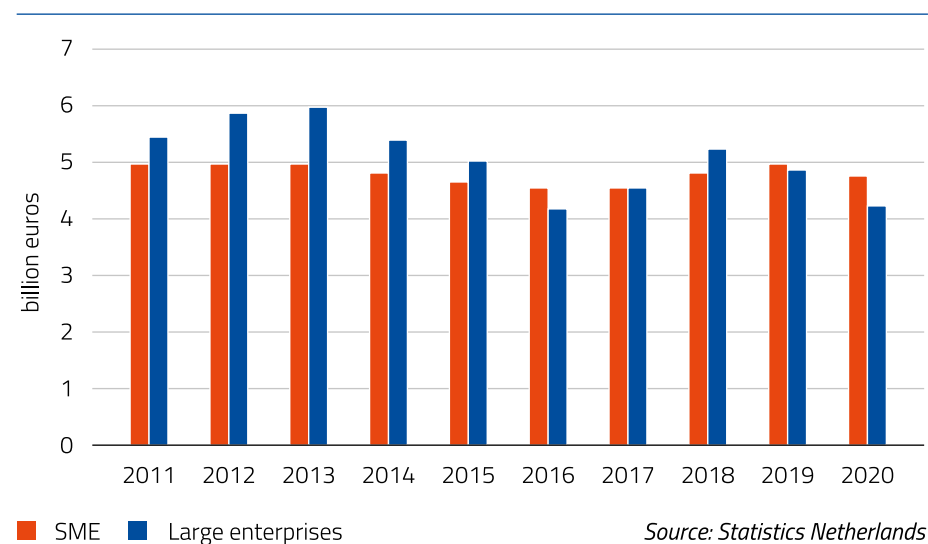


Figure 2.25: Energy costs business economy, SME and large enterprises. Period: 2011–2020.



SMEs have higher energy costs than large enterprises

For the comparison of energy costs between size categories, in this survey, figures were used up to and including 2020. In 2020, energy costs for the SME sector amounted to 4.7 billion euro, and for large enterprises 4.2 billion euro (see figure 2.25). Also in 2019, the SME sector had higher energy costs than large enterprises, but in earlier years, starting in 2011, this was not the case. For the years 2011–2020, energy costs for large enterprises fluctuated more widely than those of SMEs. In 2020, the energy costs of the SME sector (in current prices) were almost equal to the costs in 2011. For large enterprises, the costs were 22 percent lower in 2020.

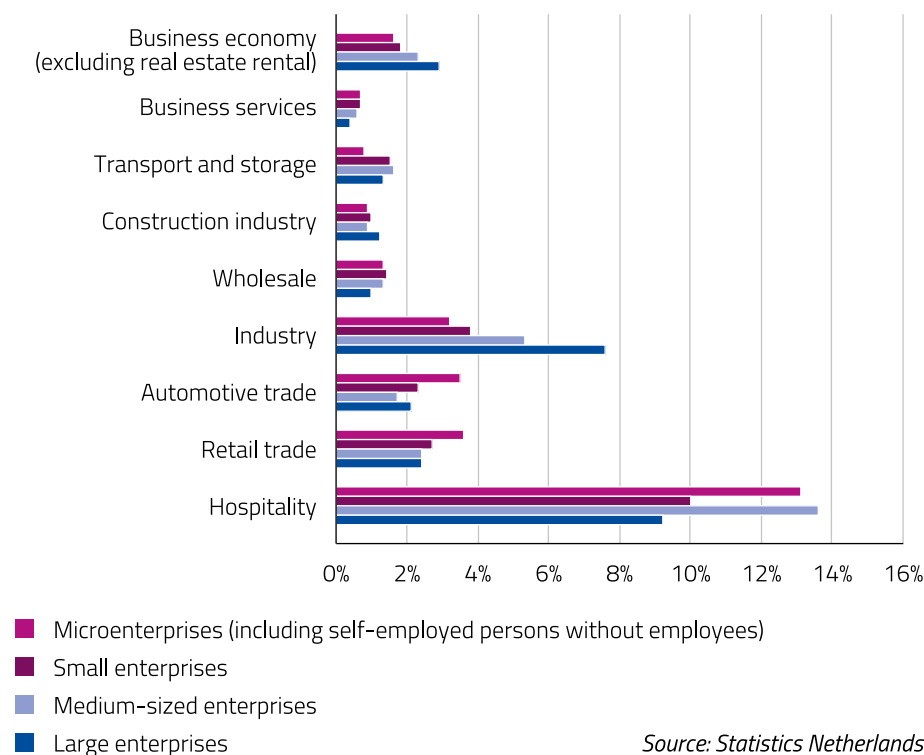
The industry sector had by far the highest energy costs, of all sectors. This applied in particular for large enterprises; 71 percent of all energy costs were incurred in this sector. In all other sectors, the energy costs of SMEs were higher than those of large enterprises.

Figure 2.26: Energy costs SME business economy. Period: 2011–2020.



In 2019 and 2020, the proportion of energy costs in the added value of the SME sector amounted to around 2 percent, compared to around 3 percent in large enterprises. Above all in hospitality and industry, but also in the retail trade, this share is higher than in such sectors as business services. In SMEs in hospitality, the share in 2019 was more than 6 percent. In business services, it was 0.6 percent.

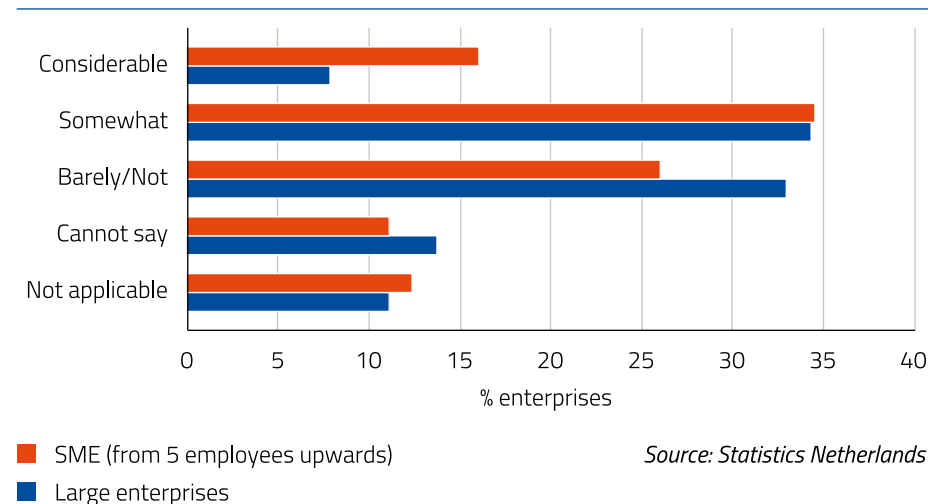
Figure 2.27: Share of energy costs in added value. Period: 2020.



Also reduced availability of raw materials and products due to war

The war in Ukraine is not only affecting entrepreneurs by increasing the prices of raw materials and products, but also in terms of the reduced availability of these resources. Around 35 percent of entrepreneurs in the SME sector and in large enterprises indicated in early May 2022 that they were somewhat troubled by reduced availability of raw materials or products as a result of the war in Ukraine (see figure 2.28). Around 26 percent of SME companies had few or no problems, a situation that applied to 33 percent of large enterprises. In the SME sector, there were proportionally more companies suffering a high degree of difficulty than in large enterprises, namely 16 percent compared with 8 percent.⁵⁴

Figure 2.28: Suffering nuisance due to reduced availability of raw materials and products due to war in Ukraine. Period: May 2022.



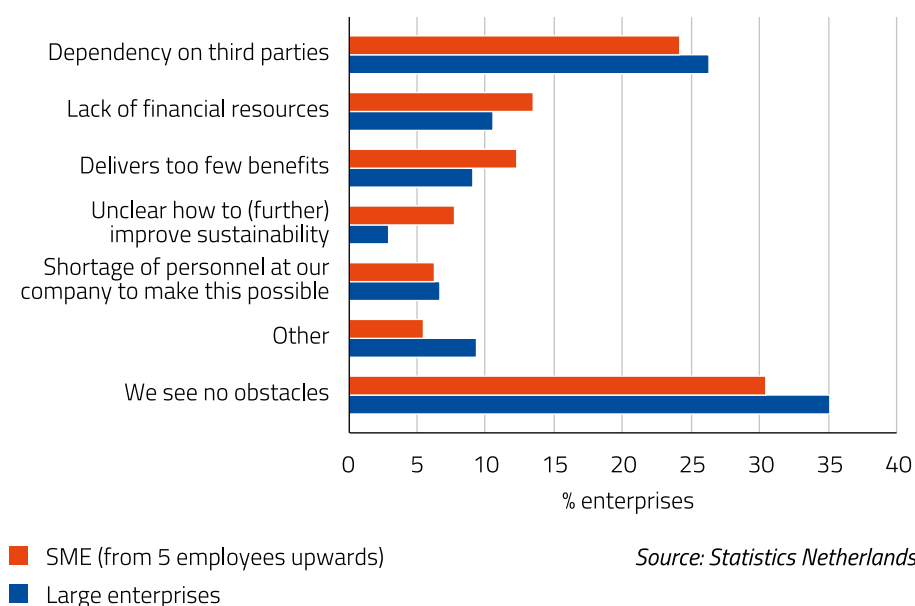
⁵⁴ The figures in this section relate to all trade and industry from 5 employees upwards (excluding financial institutions and utility companies) and not only the business economy. Excluded are agriculture, mining, construction and wholesale trade.

1.5 Sustainability

Entrepreneurs experience obstacles to achieving improved sustainability

The Cabinet wishes to be part of Europe's leading group in the transition to a green economy⁵⁵. As regards sustainability, possibilities include the use of renewable energy, energy saving, low emissions and efficient or smart use of raw materials and waste. The majority of entrepreneurs⁵⁶ reported obstacles to achieve more sustainability; SMEs more often than large enterprises.

Figure 2.29: Most important obstacle to improving sustainability of the enterprise. Period: September 2022.



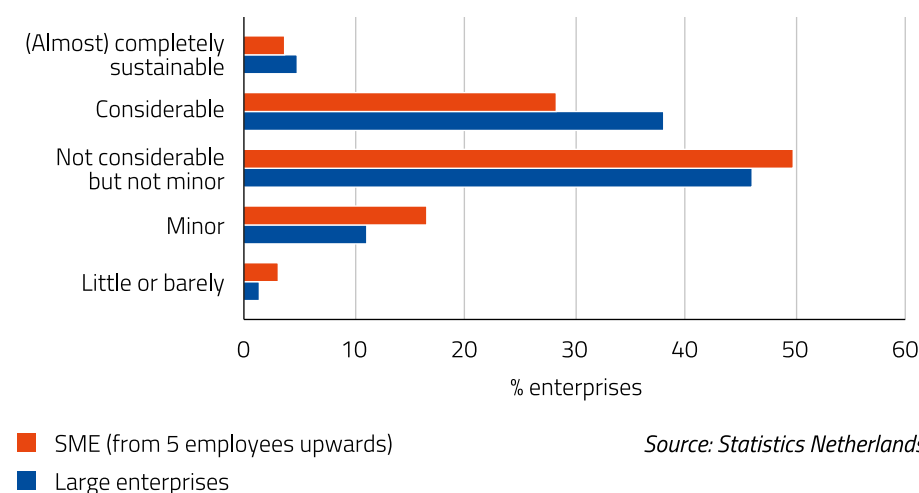
⁵⁵ VVD, D66, CDA, ChristenUnie (2021), *Coalition agreement 'Omzien naar elkaar, vooruitkijken naar de toekomst'*. 21 December 2021. (kabinetsformatie2021.nl)

⁵⁶ Total trade and industry from 5 employees upwards (excluding agriculture, mining, construction and wholesale, financial institutions and utility companies).

At the start of September 2022, almost 70 percent of SME entrepreneurs reported this situation. Both SMEs and large enterprises were above all hindered by their dependency on third parties, and a lack of financial resources (see figure 2.29).

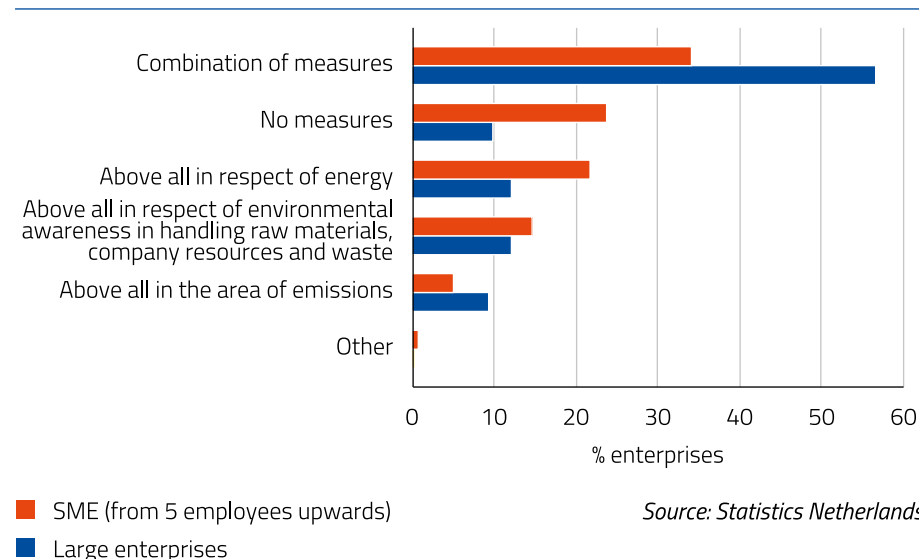
32 percent of SME entrepreneurs indicated they are largely, almost entirely or entirely sustainable (see figure 2.30).⁵⁷ This is fewer than in large enterprises, where 42 percent of entrepreneurs describe themselves as almost entirely or entirely sustainable. Large enterprises this year also took relatively more measures towards more sustainable business operations than their SME counterparts (see figure 2.31). Almost a quarter of SME entrepreneurs took no measures at all, compared with 10 in large enterprises.

Figure 2.30: Opinion of degree of sustainability of own business operations. Period: September 2022.



⁵⁷ The outcomes do not mean that all economic activities are equally sustainable. Companies, for example, tend to compare their performance with standards, fellow companies and opportunities for sustainability within their sector, rather than comparing themselves with other (more sustainable) sectors.

Figure 2.31: Measures taken for more sustainable business operations than in previous year. Period: September 2022.



Three quarters of SMEs took measures to improve sustainability

More than three quarters of SME companies⁵⁸ reported having taken measures in 2022 to make their business operations more sustainable (see figure 2.32). In relative terms, most SME companies that took measures for sustainability (around 80 percent) came from the retail trade and automotive trade, industry, transport and storage and real estate rental and trade. Around 40 percent of companies in these sectors reported having taken multiple measures in respect of energy, emissions or the circular economy. Measures were most often taken in relation to energy. In relative terms, specialist business services and information and communication, the fewest companies took measures to improve sustainability. In these sectors, two out of three SME companies had made their business operations more sustainable.

Almost one third of all SME companies scored their business operations as mostly or entirely sustainable (see figure 2.33). Almost 20 percent of all SME companies reported that the operations of their company were only slightly, barely or not at all sustainable. The extent to which companies operate sustainably varies widely from sector to sector. Proportionally, most companies that reported being sustainable came from the information and communication sector (39%). In relative terms, hospitality was the sector in which most companies reported little or no sustainability in their operations (29 percent).

⁵⁸ This relates to all trade and industry from 5 employees upwards (excluding financial institutions and utility companies) and not only the business economy. Excluded are agriculture, mining, construction and wholesale trade.

Figure 2.32: Measures taken for more sustainable business operations than last year according to sector. Period: September 2022.

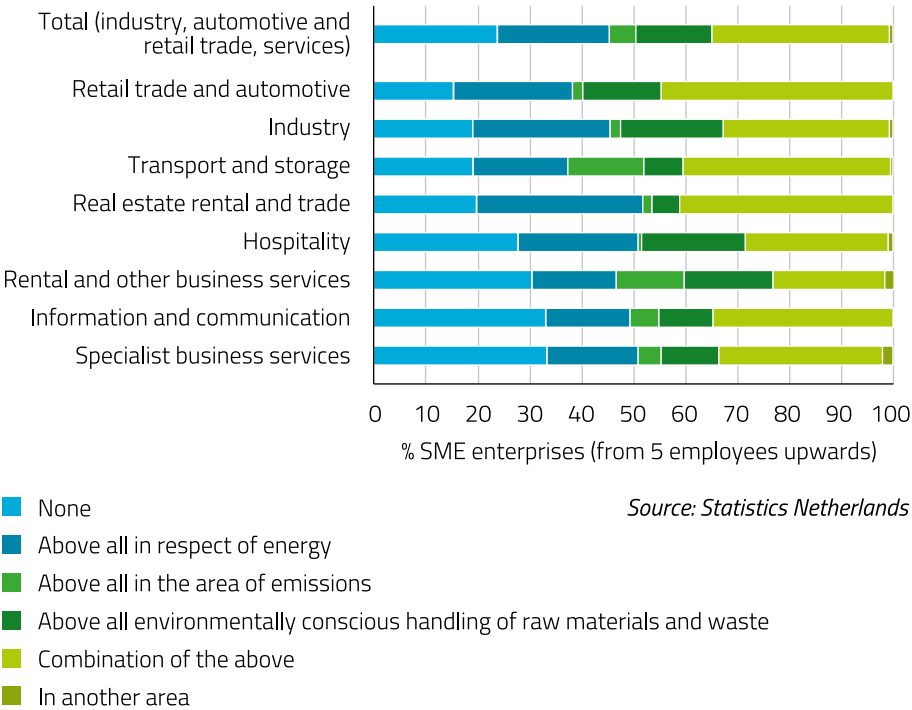
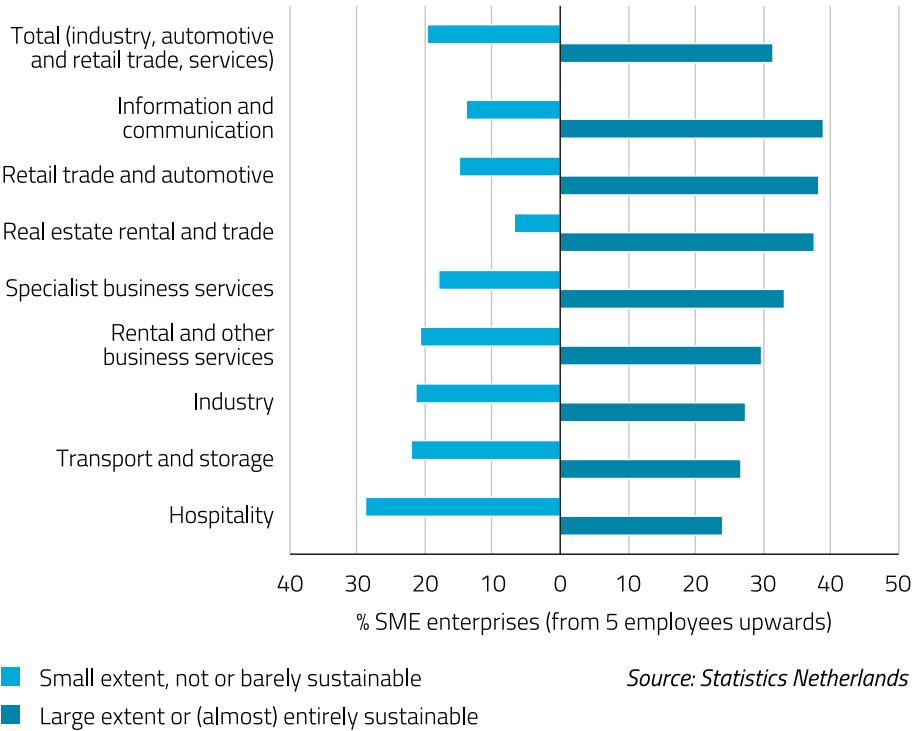


Figure 2.33: Opinion on sustainability of own business operations according to sector. Period: September 2022.



1.6 Digitalisation and innovations in the SME sector

Over the past few years, the government has focused on a digital transition in the Netherlands.⁵⁹ In response to the COVID-19 crisis in 2020, the government launched a working from home recommendation and employees started to work and learn online. This accelerated the process of digitalisation in companies more than in the past. For example, the number of online meetings in 2020 rose compared with the previous year, at 41 percent of SME companies (2 to 250 employees). In large enterprises, 97 percent of companies organised online meetings more often. The number of companies with external access to the company email and software also rose faster among large enterprises than in the SME sector in 2020. At the start of October 2021, in the majority of companies (from 5 employees upwards) hybrid working was possible. These companies expected that this mixed form of working at home and on location would remain part of their business practice. Entrepreneurs in large enterprises expressed this expectation more often than SMEs.

More companies with teleworking and more teleworkers

The number of teleworkers⁶⁰ at companies rose compared with the previous year in almost all companies⁶¹ in 2021. Remote working was generally more common in large enterprises than in SMEs. The number of companies where teleworking occurred rose in microenterprises (excluding self-employed persons without employees), medium-sized enterprises and small enterprises in 2021, compared with the previous year, while remaining unchanged in large enterprises. Teleworking was possible in almost all companies in the large enterprise sector (98 percent). The proportion of teleworkers was by far the highest in financial services and information and communication.

59 Ministry of Economic Affairs. (2021) *The Dutch Digitalisation Strategy 2021* (overheid.nl)

60 In industry and energy, commercial services and healthcare (SBIs C-N and Q)

61 This relates to employees who regularly work outside the company offices and from there have external access to the ICT system of the company. In other words, the employee has access to files and/or software, i.e. more than just email.

Figure 2.34: Teleworkers. Period: (2020, 2021).

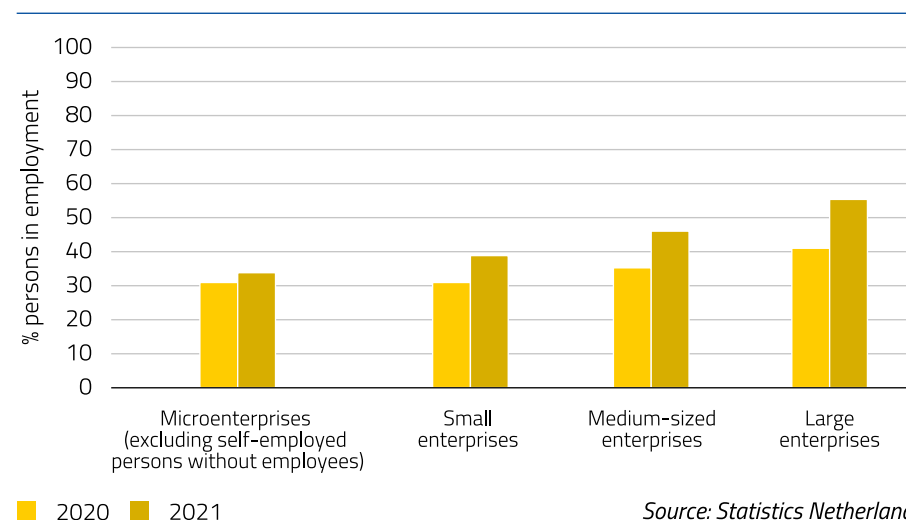


Figure 2.35: Enterprises with teleworking possibilities. Period: (2020, 2021).

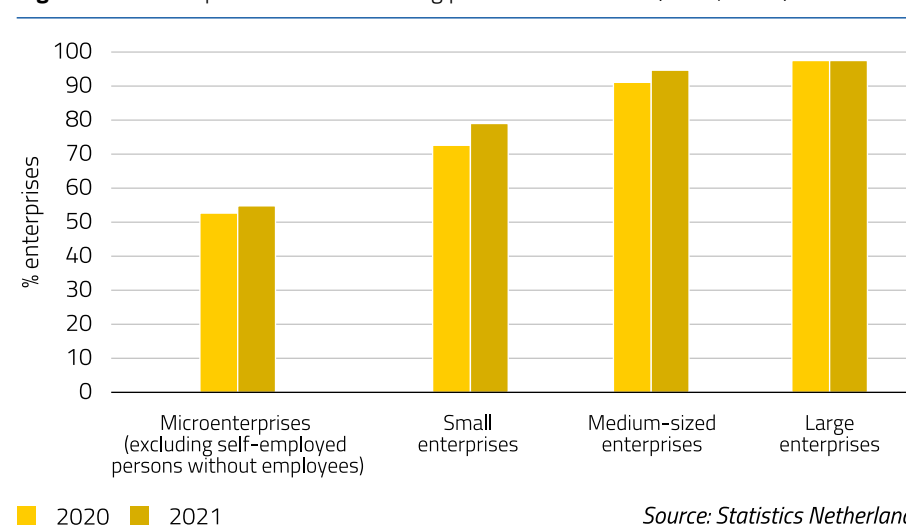
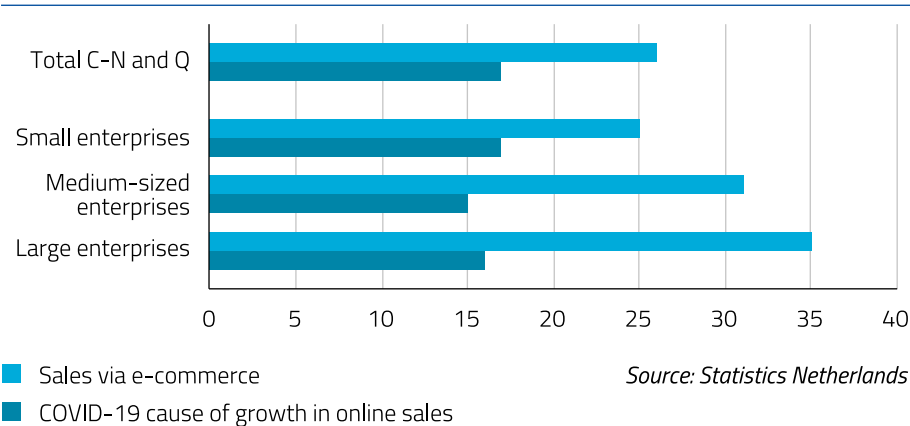


Figure 2.36: COVID-19 cause of growth in online sales. Period: 2020.



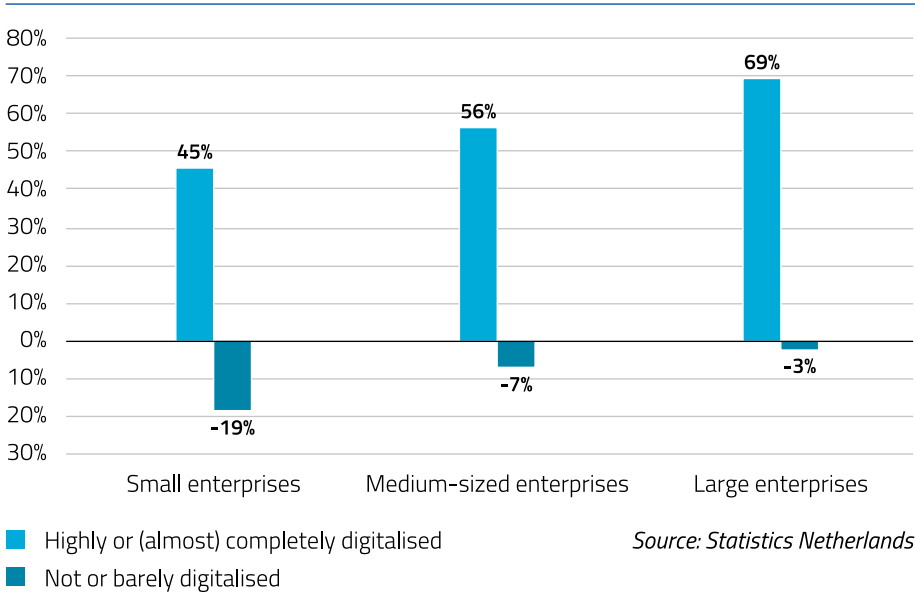
Around 26 percent of all companies⁶² sold more online in 2021 than the previous year. Two out of every three entrepreneurs reported that this was a consequence of the COVID-19 pandemic. Above all small enterprises achieved higher online sales in 2021 as a consequence of the COVID-19 pandemic. This was reported by 17 out of every 25 entrepreneurs.

62 In industry and energy, commercial services and healthcare (SBIs C-N and Q).

Small companies least digitalised

The degree of digitalisation⁶³ was higher in 2021 among large enterprises than in small and medium-sized enterprises. 69 percent of large enterprises were very, almost completely or completely digitalised, compared with 56 percent of medium-sized enterprises and less than half of small enterprises. The percentage of companies that reported little or no digitalisation also varied according to size category. For small enterprises the total was 19 percent, for large enterprises just 3 percent. Above all small enterprises in hospitality and construction reported little to no digitalisation.

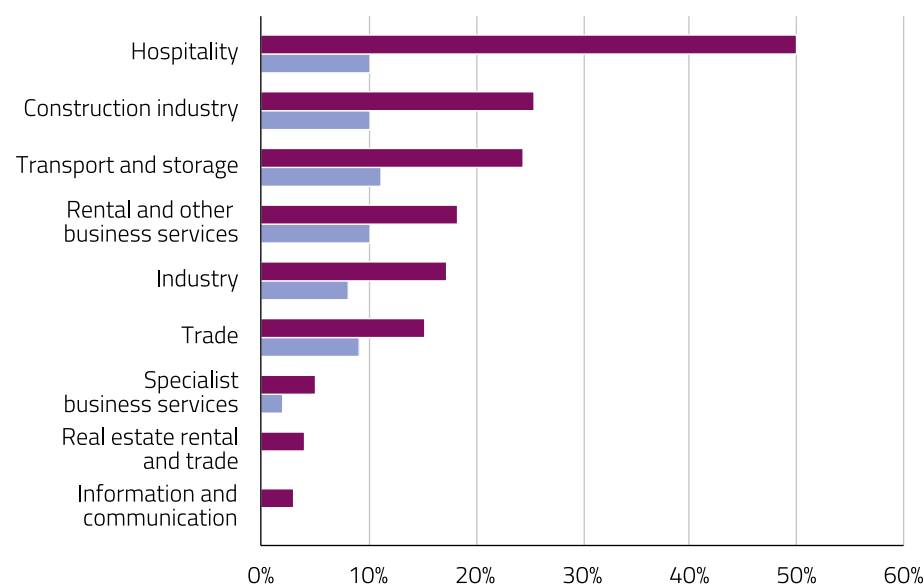
Figure 2.37: Enterprises according to degree of digitalisation. Period: 2021.



63 The degree to which companies themselves report that they have digitalised their information and data to optimise (internal) business operations. This relates to companies in the sectors industry and energy, commercial services and healthcare (SBIs C-N and Q).



Figure 2.38: Companies not or barely digitalised Period: 2021.

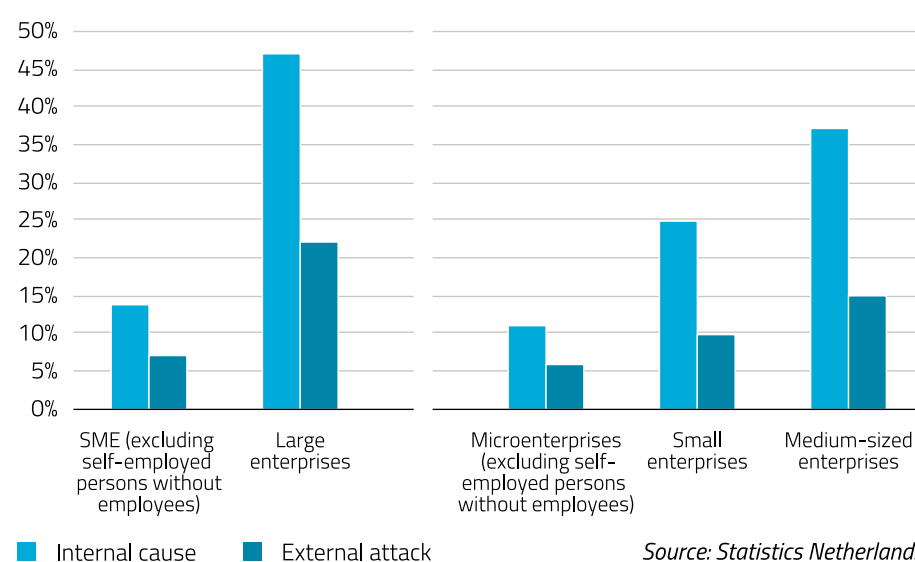


■ Small enterprises ■ Medium-sized enterprises *Source: Statistics Netherlands*

Relatively few cybersecurity incidents in the SME sector

The number of companies⁶⁴ that was confronted by a cybersecurity incident in 2020 was relatively higher among large enterprises than SMEs (excluding self-employed persons without employees). Almost half of large enterprises were confronted with an incident with an internal cause and 22 percent with an external attack. For the SME sector, these percentages were 14 and 7 percent, respectively. In the SME sector, medium-sized enterprises were most often confronted with a cybersecurity incident.

Figure 2.39: Enterprises with cybersecurity incident. Period: 2020.



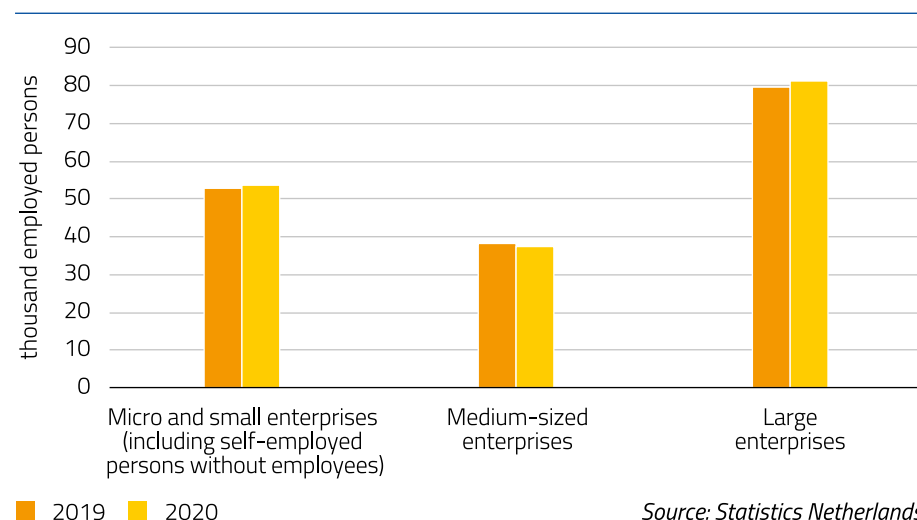
■ Internal cause ■ External attack

Source: Statistics Netherlands

In the event of a cyber incident caused either internally or externally, the most common result was failure of the ICT service, such as the failure of the website. At 9 percent of large enterprises, an external attack resulted in the disclosure of data, compared with just 1 percent of companies in the SME sector.

⁶⁴ Companies in the sectors industry and energy, commercial services and healthcare (SBIs C-N and Q).

Figure 2.40: R&D personnel. Period: (2019, 2020).



More R&D personnel employed in SMEs

In 2020, more R&D personnel were employed at small and medium-sized enterprises (91 thousand employees) than at large enterprises (82 thousand employees). The number of R&D personnel rose slightly compared with 2019 (see figure 2.40) in both the SME sector and large enterprises. At 8.3 billion euro, total R&D expenditure was highest in large enterprises in 2020. Micro and small enterprises (including self-employed persons without employees) spent least on R&D, at almost 1.8 billion euro.

Figure 2.41: R&D expenditure Period: 2020.

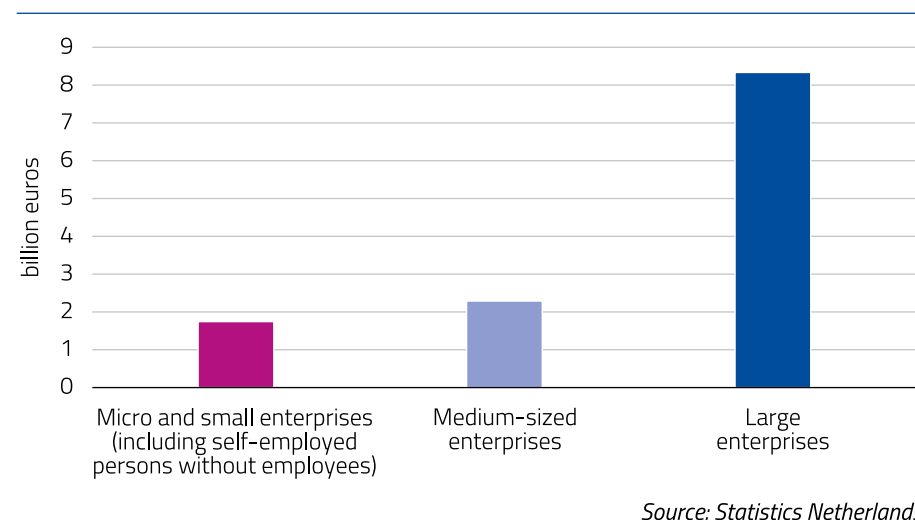


Figure 2.42: Own R&D expenditure, top 4 sectors Period: 2020.

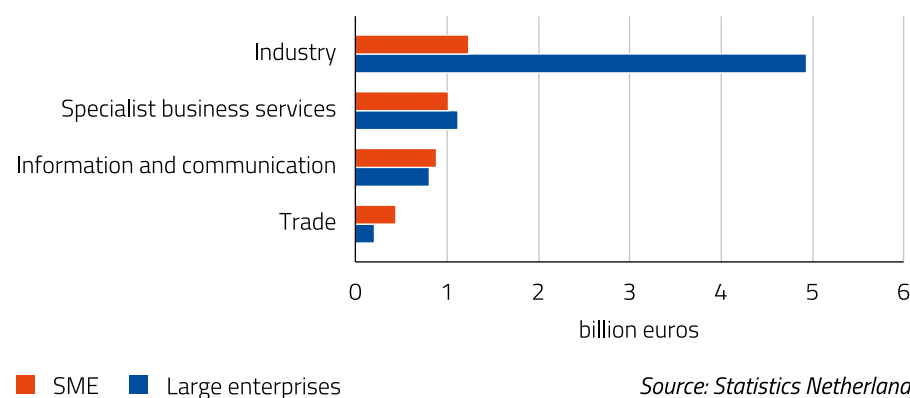
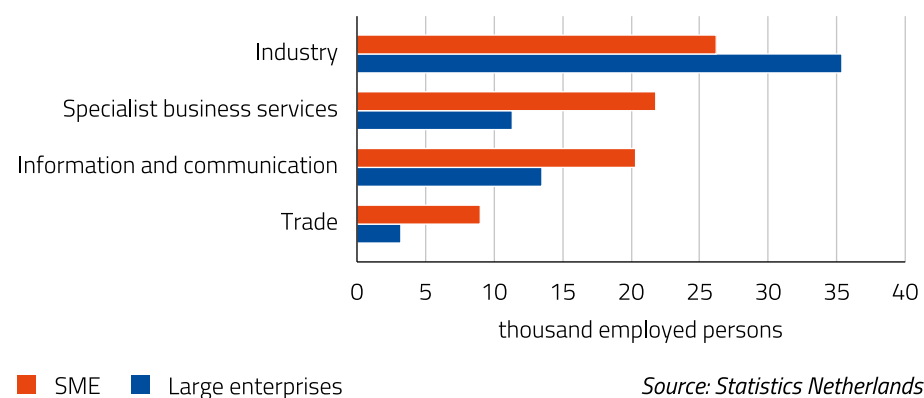


Figure 2.43: R&D personnel, top 4 sectors, Period: 2020.



The four business economy sectors with the highest R&D expenditure (see figure 2.42) and most R&D personnel (see figure 2.43) in 2020 were industry, specialist business services, information and communication and trade. Within these top four, SME companies had higher R&D expenditure than large enterprises in information and communication and trade. The difference between SMEs and large enterprises was greatest in industry: in this sector, large enterprises spent almost four times more money on R&D than SMEs. In industry, more R&D personnel were employed at large enterprises than in the SME sector. In the sectors information and communication, specialist business services and trade, the SME sector employed more R&D personnel.

1.7 Labour market

In the second quarter of 2022, 327 thousand people (3.3 percent) from the working population were unemployed⁶⁵ (see figure 2.44). This represents a new low since the start of the series in 2003. Unemployment rose quickly at the start of the COVID-19 crisis; from 4.0 percent in the first quarter of 2020 to 5.5 percent in the third quarter of 2020. From that time onwards, unemployment once again fell, each quarter.

Figure 2.44: Unemployment percentages per quarter (seasonally corrected). 15 to 75 years. Period: 2003 1st quarter - 2022 2nd quarter.



⁶⁵ This group consists of persons between the ages of 15 and 75 years who either had paid employment (employed working population) or have recently sought paid employment and are immediately available to take up paid employment (unemployed working population).

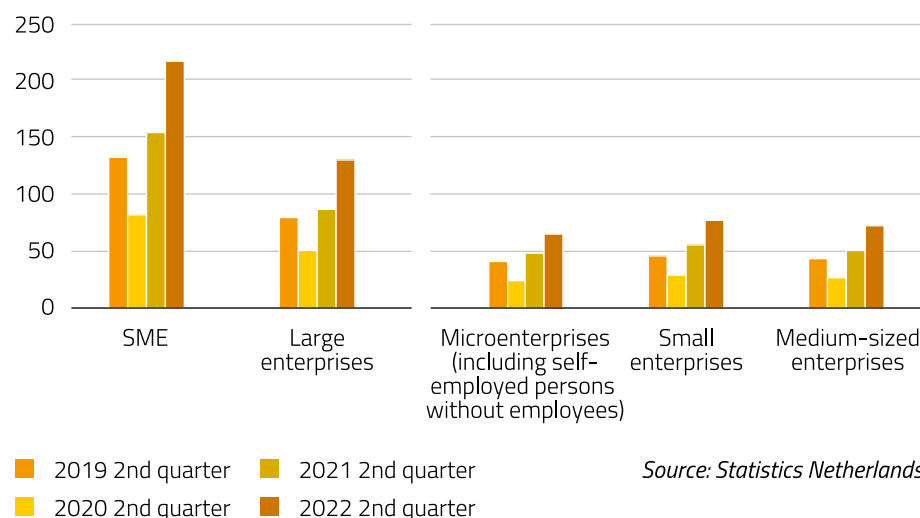
Record level of SME job vacancies

At the end of the second quarter of 2022, the business economy had a record number of 216 thousand unfilled job vacancies in the SME sector. At the start of the COVID-19 pandemic, the number of unfilled vacancies fell, but since the second quarter of 2021, record levels have been reached. The majority of unfilled vacancies were in small enterprises, followed by medium-sized enterprises (see figure 2.45).

In the SME sector, in the second quarter of 2022, there were more than one and a half times as many unfilled vacancies than in large enterprises. This meant the SME sector represented 63 percent of all unfilled vacancies in the business economy. This ratio has remained almost unchanged, compared with previous periods. For large enterprises, the number of unfilled vacancies rose by more than half, compared with the second quarter of 2021, while the increase for the SME sector was 41 percent.

The number of unfilled vacancies varies widely from sector to sector. SME companies in trade, transport and hospitality represented 45 percent of unfilled vacancies in the second quarter of 2022. Industry and energy made up 22 percent.

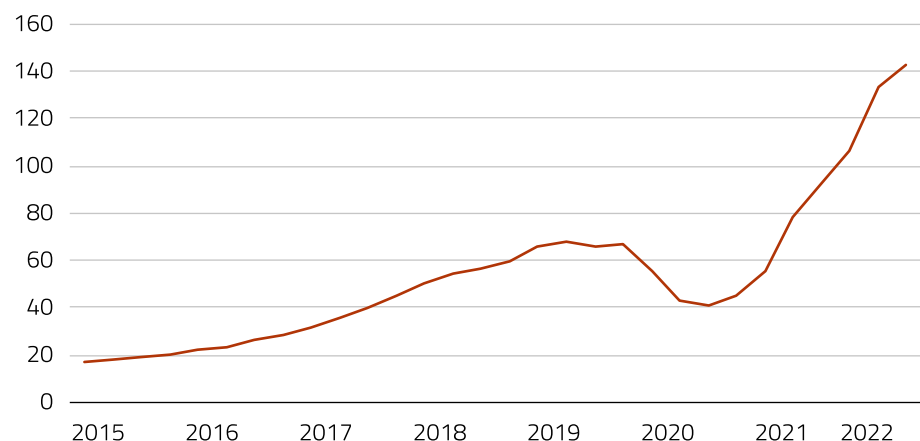
Figure 2.45: Unfilled vacancies according to size category, 2nd quarter. Period: 2019-2022.



Rapid rise in tension on the labour market

Low unemployment in combination with a further rise in the number of unfilled vacancies led to increased tension on the labour market (see figure 2.46). In the second quarter of 2022, a further 16 thousand unfilled vacancies were added, while the number of unemployed persons fell by 11 thousand. As a result, in this quarter, there were 143 vacancies for every 100 unemployed persons.

Figure 2.46: Tension on the labour market. Vacancies per 100 unemployed persons. Period: 2015 1st quarter - 2022 3rd quarter.

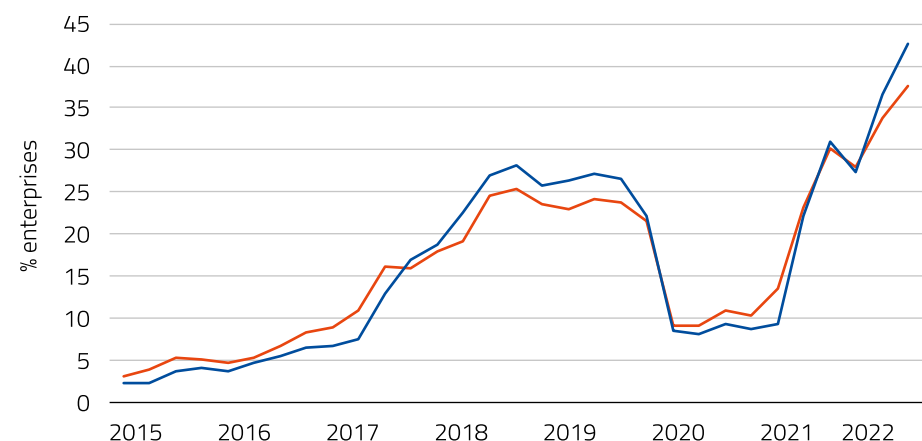


Source: Statistics Netherlands

Entrepreneurs increasingly often hindered by staff shortages

The increased shortages on the labour market are also reflected by the obstacles perceived by entrepreneurs. At the start of the third quarter of 2022, a record percentage of 38 percent of SME entrepreneurs reported that their business operations were above all hindered by staff shortages. From the second quarter of 2020 onwards, this percentage fell considerably as a result of the COVID-19 crisis, but one year later it again started to rise (see figure 2.47).

Figure 2.47: Staff shortages as primary obstacle to commercial activities. Period: 2015 1st quarter - 2022 3rd quarter.

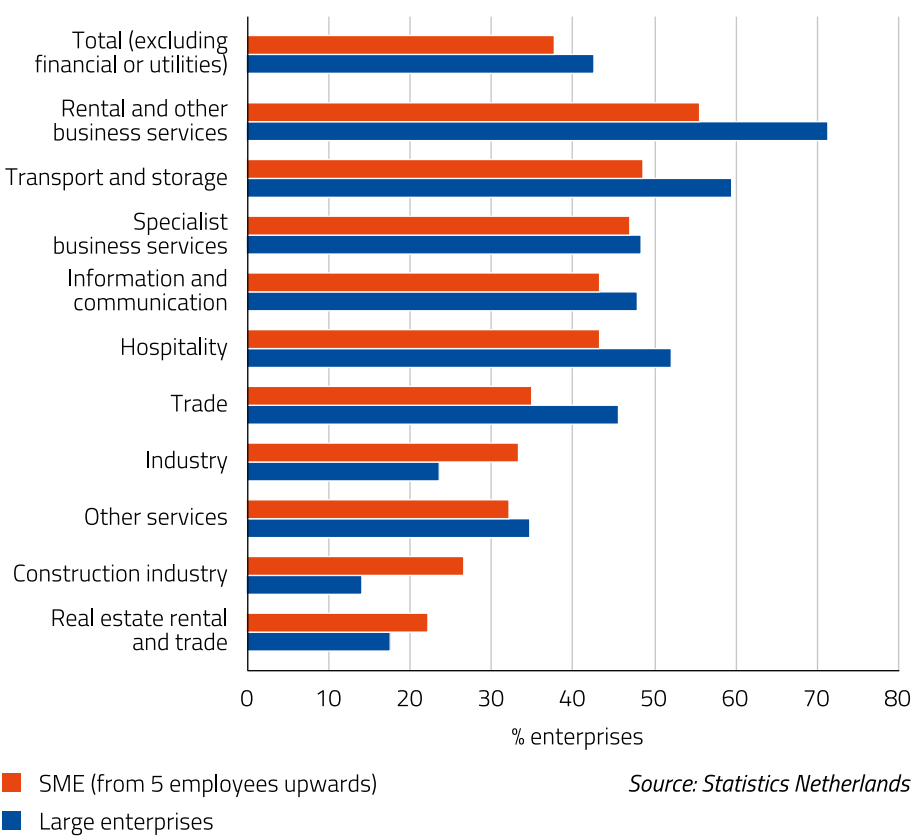


— SME (from 5 employees upwards)
— Large enterprises

Source: Statistics Netherlands

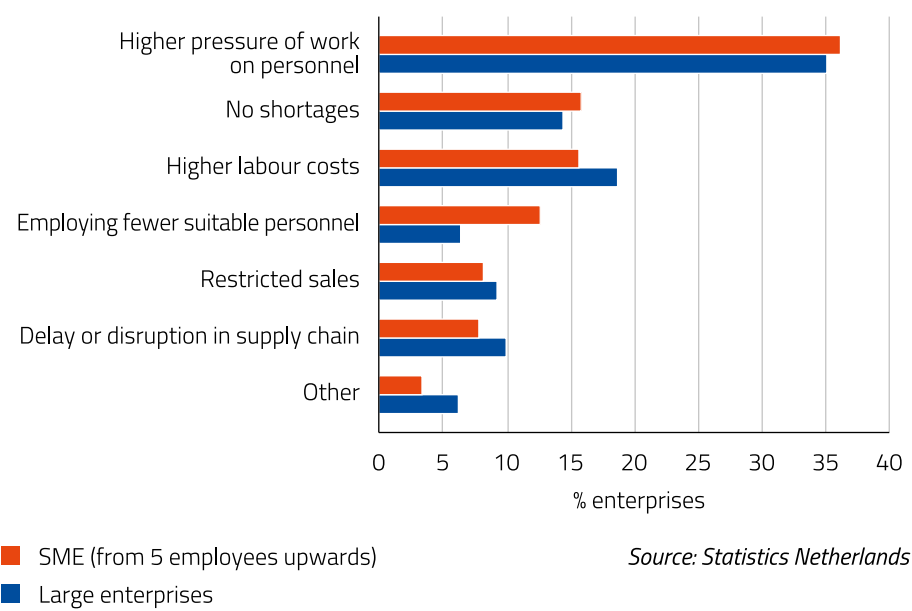
In the majority of sectors, relatively more entrepreneurs in large enterprises reported experiencing staff shortages as a hindrance, than in the SME sector (see figure 2.48). The discrepancy was greatest for the sector rental and other business services. There were relatively more SME entrepreneurs struggling with staff shortages in the construction sector and real estate rental and trade.

Figure 2.48: Staff shortages as primary obstacle to commercial activities according to sector. Period: 3rd quarter 2022.



Entrepreneurs reported at the start of the third quarter of 2022 that staff shortages were above all leading to increased pressure of work, and rising labour costs, for example because higher wages have to be paid (see figure 2.49). The consequences were felt almost equally by entrepreneurs in SMEs and large enterprises. Nevertheless, entrepreneurs in large enterprises found it relatively more difficult to find suitable personnel as a result of staff shortages than SMEs.

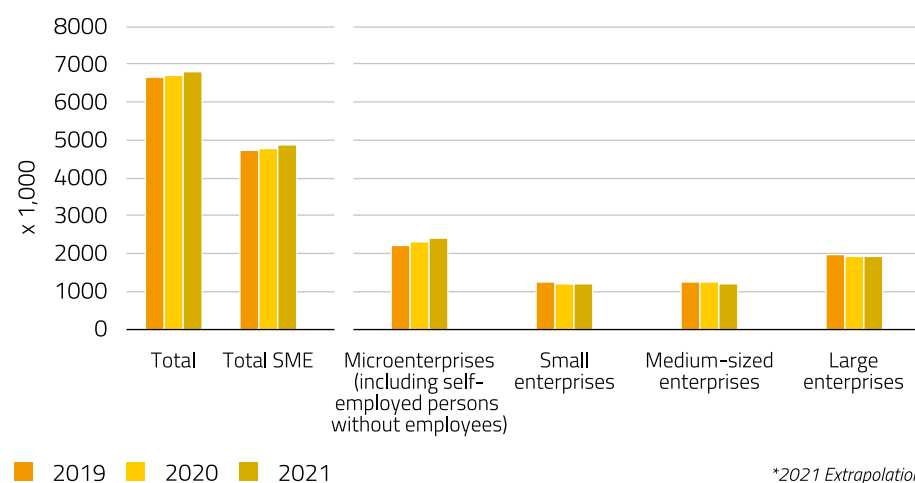
Figure 2.49: Consequences of staff shortages according to entrepreneurs. Period: 3rd quarter 2022.



Further rise in the number of persons in employment

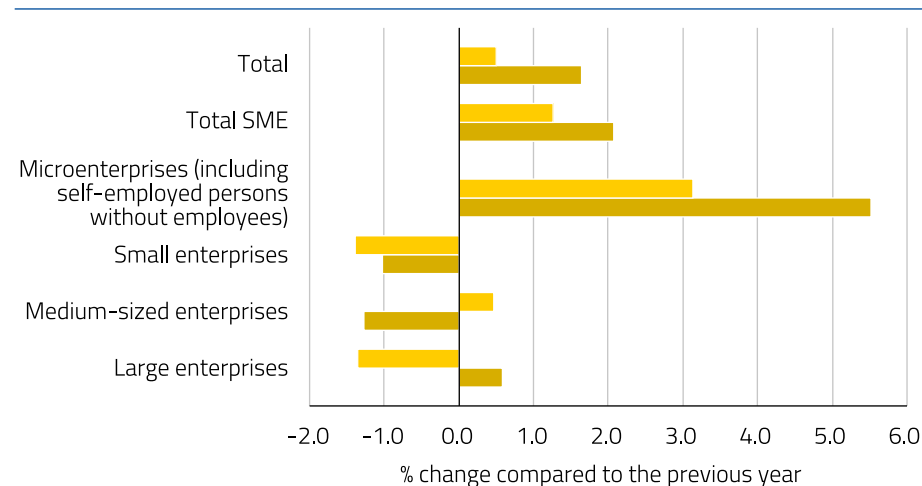
The number of persons in employment at SME companies in the business economy rose further between 2020 and 2021. This was entirely due to microenterprises (including self-employed persons without employees), where the increase amounted to 5.5 percent (see figure 2.51). The number of persons in employment in fact fell in small and medium-sized enterprises. More people were employed in large enterprises in 2021 than the previous year, but the rise was less pronounced than in the SME sector. Of all size categories, employment in 2021 was only higher than in 2019 in microenterprises (including self-employed persons without employees).

Figure 2.50: Persons in employment. Period: 2019, 2020 and 2021*.



Source: Statistics Netherlands

Figure 2.51: Development of persons in employment according to company size. Period: 2020 and 2021*.



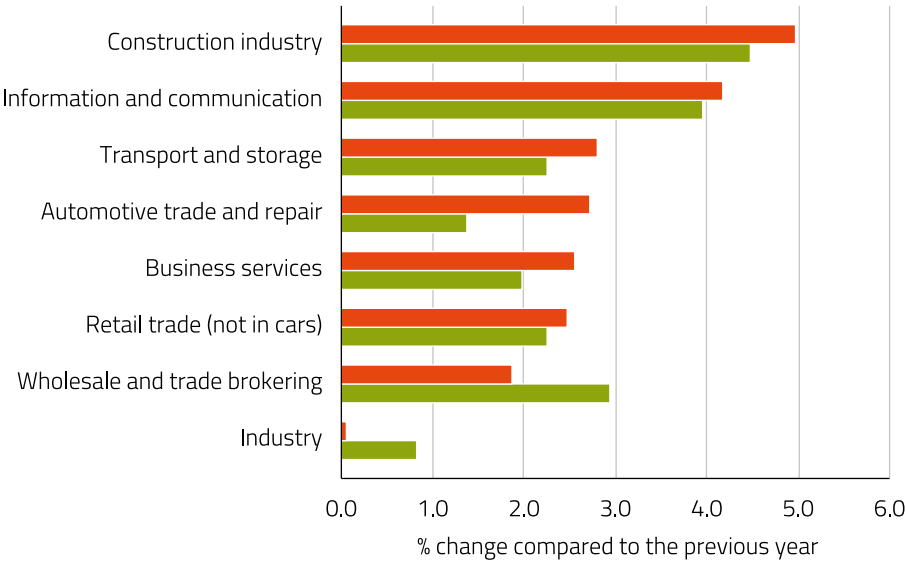
2020 2021

*2021 Extrapolation

Source: Statistics Netherlands

The relatively highest rise in the number of persons in employment in the SME sector in 2021 was seen in construction and the information and communication sector (see figure 2.52). In many sectors, growth was higher for SMEs than for large enterprises. With the exception of industry, employment was once again higher than the pre-COVID-19 crisis level, in all sectors.

Figure 2.52: Development of persons in employment according to sector. Period: 2021*.



■ SME ■ Total

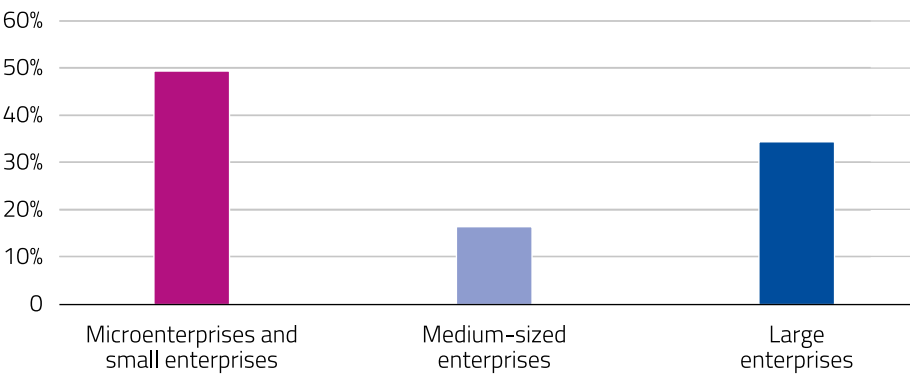
*2021 Extrapolation

Source: Statistics Netherlands

Influx and exit to and from employment

In the fourth quarter of 2021, the influx of not working or self-employed persons into work in paid employment was relatively highest among micro and small enterprises including self-employed persons without employees (see figure 2.53). The rate of influx and exit was relatively low in medium-sized enterprises. The exit of employees to non-employed status or work as a self-employed person was also highest in micro and small enterprises.

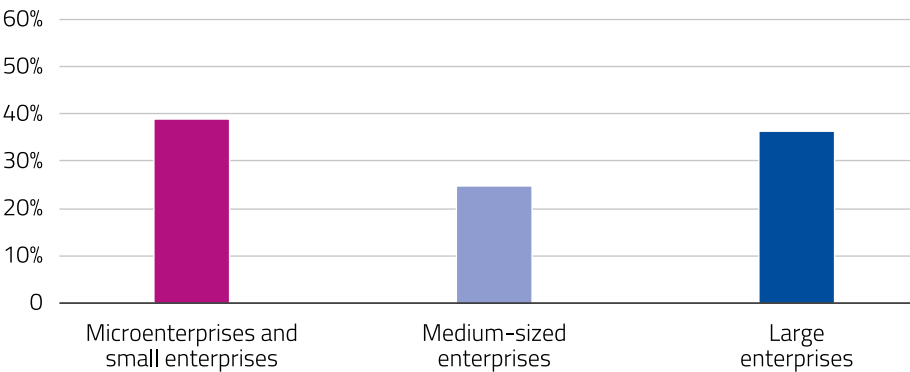
Figure 2.53: Entry of non-employed or self-employed persons into salaried employment, one quarter later. Period: 4th quarter 2021*.



*Initial figures

Source: Statistics Netherlands

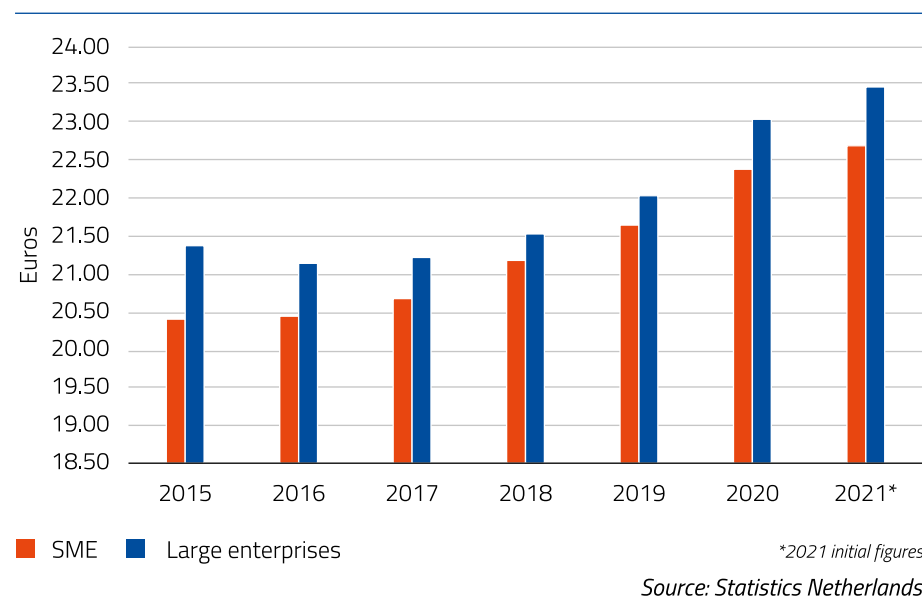
Figure 2.54: Exit of employees into non-employed or self-employed, one quarter later. Period: 4th quarter 2021*.



*Initial figures

Source: Statistics Netherlands

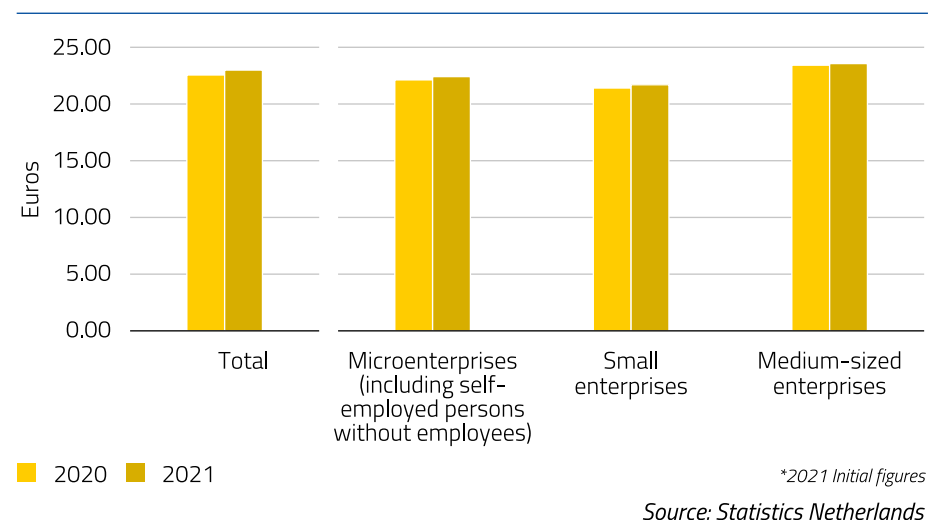
Figure 2.55: Hourly wages. Period: 2015–2021*.



Further rise in hourly wage

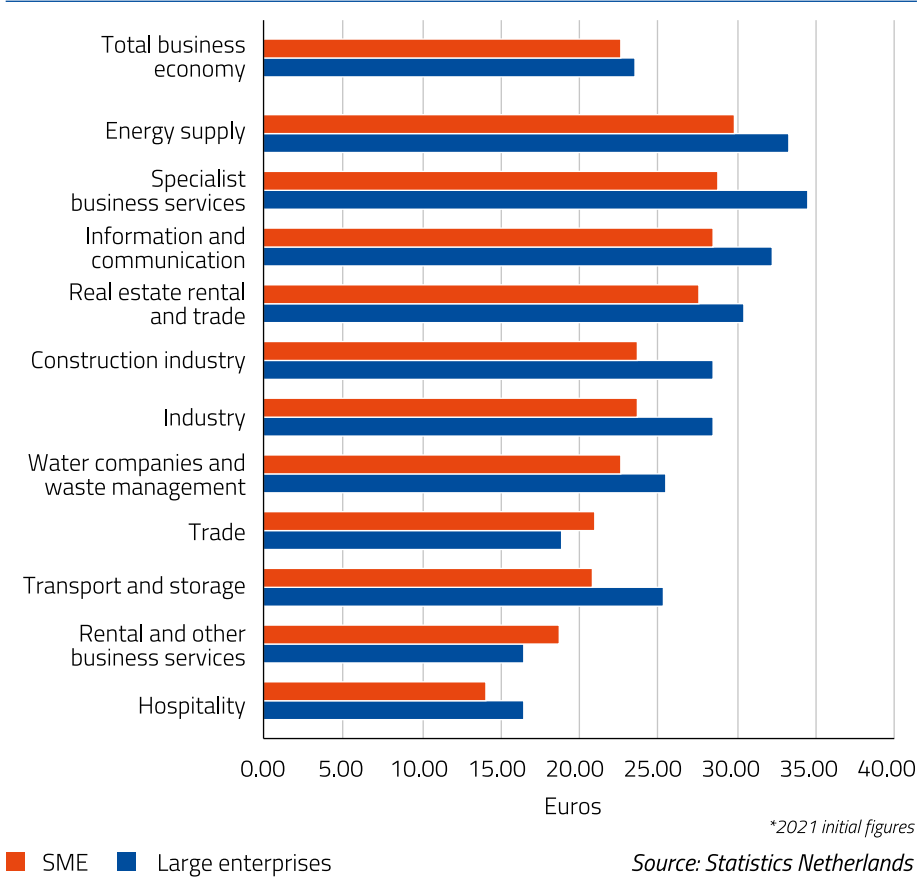
Since 2016, hourly wages have risen annually, in both large enterprises and the SME sector (see figure 2.55). Average earnings per hour were highest in medium-sized enterprises and lowest in small enterprises (see figure 2.56). For three years running, average hourly wages in large enterprises rose fastest of all size categories. In 2021, the rise amounted to 1.8 percent.

Figure 2.56: Hourly wage according to company size. Period: 2020–2021*.



For SMEs and large enterprises, hourly wages were highest in energy supply and specialist business services (see figure 2.57). The greatest discrepancies in hourly wages between large enterprises and the SME sector were in specialist business services, transport and storage, industry and construction. In these sectors, average earnings per hour were 17 to 18 percent higher in large enterprises than in SMEs. In trade and rental and other business services, the SME hourly wage was higher than in large enterprises. The lowest hourly wages were in hospitality.

Figure 2.57: Hourly wage according to sector. Period: 2021*.

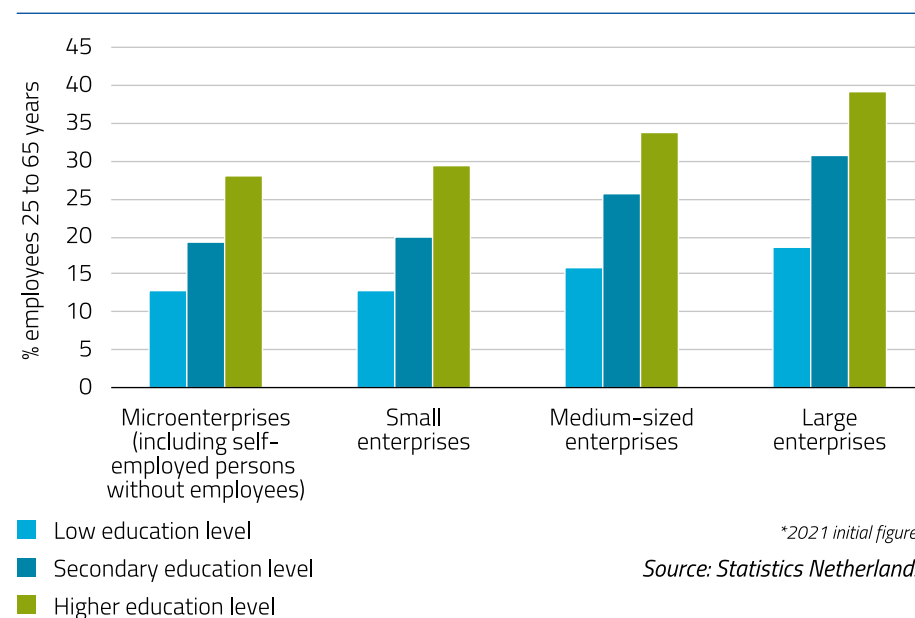


Within the SME sector, the highest proportion of participants in lifelong learning is in medium-sized enterprises

In 2021, the number of participants in lifelong learning⁶⁶ in the SME sector was relatively highest within medium-sized enterprises. At one in three employees, participation in lifelong learning was highest of all size categories among employees in large enterprises⁶⁷.

Irrespective of company size, proportionally, the majority of employees who recently participated in a training or course have a high level of education (see figure 2.58). Moreover, the number of participants in lifelong learning increased, as the level of education rose.

Figure 2.58: Lifelong learning. Period: 2021*.



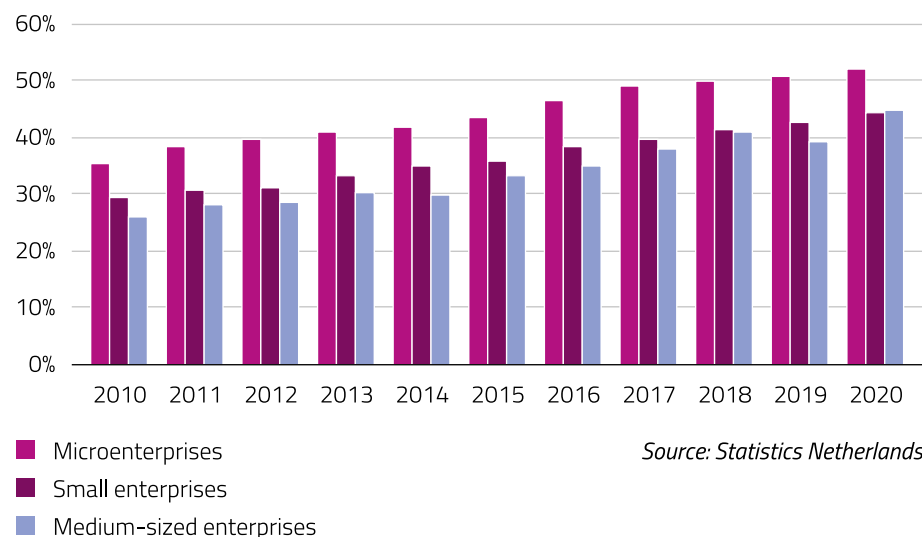
⁶⁶ Lifelong learning includes all training and courses currently being followed or recently followed by employees (in the last 4 weeks). This may relate to formal training and/or informal educational activities such as courses, workshops or private classes.

⁶⁷ Due to changes in the design of the study and the questionnaire for the working population survey (EBB), the figures for reporting year 2022 were revised in the first quarter of 2021. As a result, the figures for 2021 cannot be directly compared with those from previous reporting periods. In the figures on participation in lifelong learning, the break with previous years above all affects participation in informal courses and has less impact in respect of participation in formal courses. This is also because the EBB questionnaire has become personalised, whereas in the past, respondents were asked about the situation for the entire family or household.

1.8 Financial position of SME companies

Over the past few years, many sectors had to deal with COVID-19 measures such as contact-restricting measures and hard lockdowns aimed at tackling the COVID-19 virus. In response, the government introduced a series of COVID-19 support measures for companies and entrepreneurs. The aim of these measures was to maintain employment, to bridge weak liquidity positions and to safeguard the continuity of companies. This section looks at the financial position of SME companies since the COVID-19 pandemic.

Figure 2.59: Solvency Period: 2010-2020.



Further rise in solvency of SMEs

During the COVID-19 year 2020, solvency⁶⁸ rose further in all size categories of the SME sector (excluding self-employed persons without employees) (see figure 2.59). This financial key figure indicates to what extent a company is capable at a given moment of meeting its total obligations. At a rate of 52 percent, solvency was highest in microenterprises (excluding self-employed persons without employees) as in previous years. Solvency varies widely from sector to sector. Small enterprises in mining, at 65.6 percent, were most solvent. Micro and small enterprises in energy supply, at 19.1 and 19.7 percent respectively, were least solvent. In 2019, for microenterprises this percentage had been 43.9 percent, and for small enterprises 16.2. A solvency percentage between 25 and 40 percent is considered good.

Figure 2.60: Current ratio. Period: 2010-2020.



68 Solvency is a ratio that indicates which share of total assets is financed with equity capital and which is borrowed. Equity capital consists mainly of paid share capital and withheld profits.

Liquidity (current ratio) remained practically constant in the SME sector in 2020 (see figure 2.60). For microenterprises (excluding self-employed persons without employees), after years of being constant, the current ratio rose in the first COVID-19 year, ending at 2.2. For medium and small enterprises, the current ratio was 1.5 and 1.7 respectively. A current ratio of at least 1.5 is considered financially healthy. Current assets are then one and half times the size of the current liabilities. For medium-sized enterprises in the sector information and communication, the current ratio, at 0.8, was lowest in the SME sector. Medium-sized enterprises in real estate rental and trade had the highest liquidity, at 3.4.

Fewer applications for financing by SME companies than pre-COVID-19

The demand among SME companies in the business economy for external financing remained about the same during COVID-19 (July 2020-July 2021) to pre-COVID (July 2018-July 2019). Almost 20 percent of companies needed external financing, and the majority then investigated the possibilities for financing (see figure 2.61).

The proportion of companies that eventually made an application fell from 12 percent pre-COVID-19 to 9 percent in the period July 2020 through to July 2021. In total, 7 percent of all SME companies submitted a successful financing application during the COVID-19 crisis. The most important reason for applying for financing was to bridge the COVID-19 period.

Figure 2.61: Search for external financing, SME enterprises (excluding self-employed persons without employees) Period: July 2018 to July 2019 and July 2020 to July 2021.

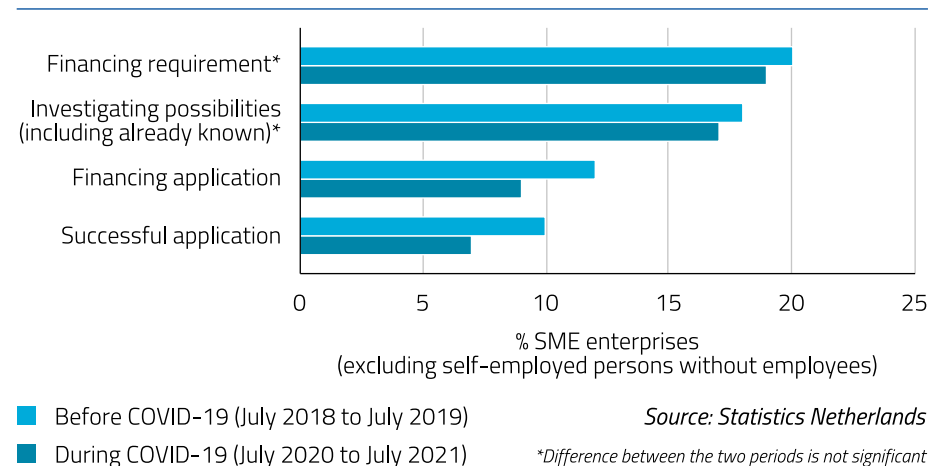
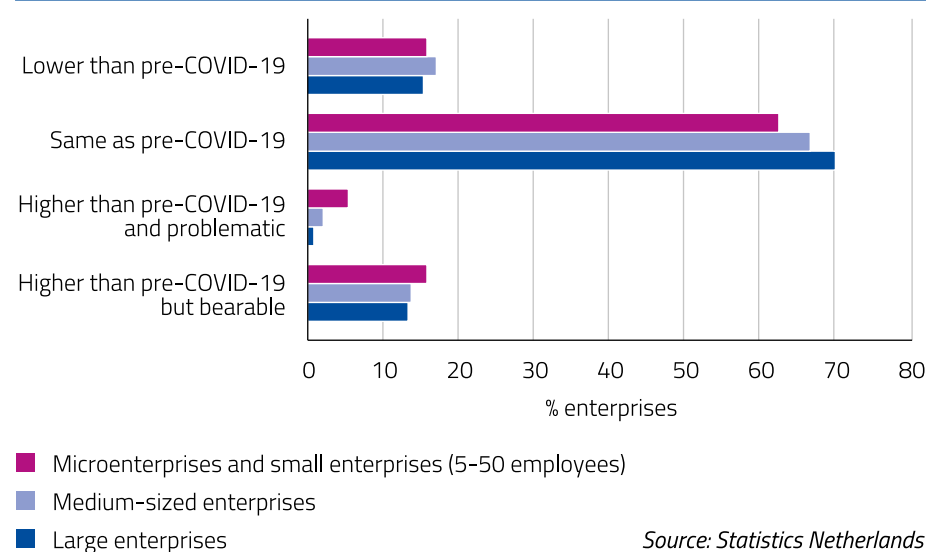


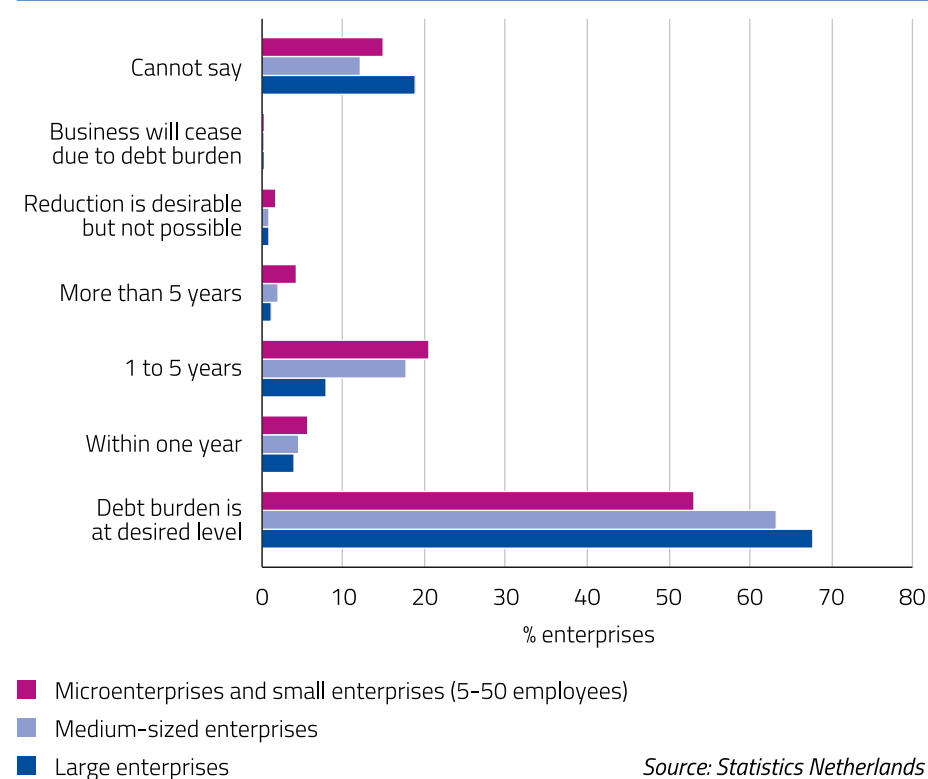
Figure 2.62: Judgement of debt burden compared with the pre-COVID-19 situation. Period: April 2022.



Almost two out of three SME companies have debts equal to those pre-COVID-19

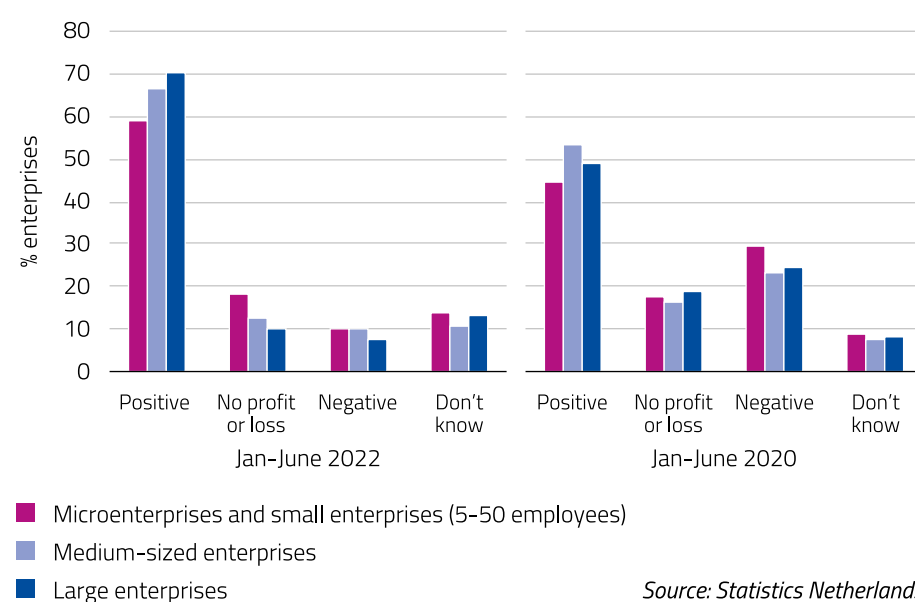
At 67 percent of medium-sized enterprises and 63 percent of micro and small enterprises (from 5 employees upwards), debt in April 2022 was the same as pre-COVID-19 (see figure 2.62). In large enterprises, this applied to 70 percent of companies. A proportion of the companies assessed their own debt burden as being higher than pre-COVID-19: 13.5 percent in large enterprises and 16 percent in micro and small enterprises. The majority of this debt remained bearable, and was not problematic. In micro and small enterprises, almost 6 percent reported having problematic debts, that were higher than pre-COVID-19.

Figure 2.63: Expected period for reducing debt burden to desired level. Period: April 2022.



The majority of companies wishing to reduce their debt burden reported needing between one and five years to do this (see figure 2.63). The majority of companies reported that their debt burden was on the required scale, and would not be reduced. Another group of companies reported that it was not able at that moment to say within what timeframe their debt could be reduced. This applied slightly more to large enterprises than SMEs.

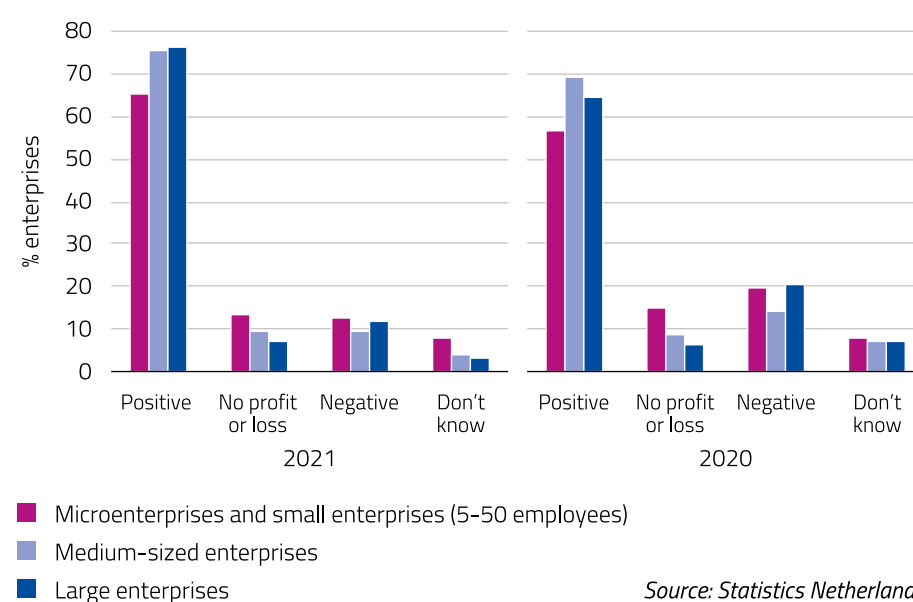
Figure 2.64: Operating result, past six months. Period: Jan-June 2021, Jan-June 2020.



SME sector more positive about operating result

In the first half of 2022, more entrepreneurs expected to achieve a positive operating result than in the same period in 2020 (see figure 2.64). Entrepreneurs in large enterprises more often reported that they had made a profit than entrepreneurs in small and medium-sized enterprises. The proportion of entrepreneurs reporting a loss over the past six months has more than halved.

Figure 2.65: Expected operating result, past year. Period: 2021, 2020).



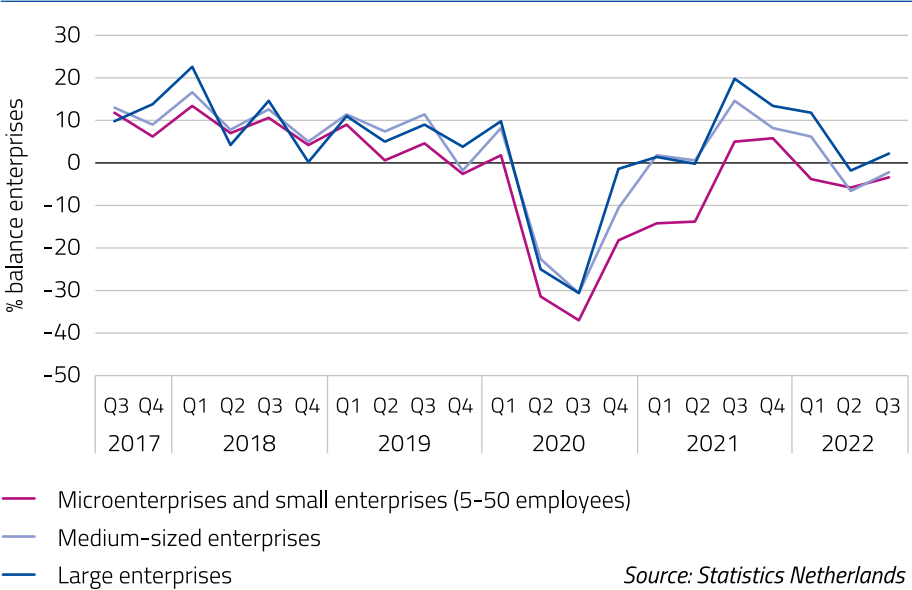
As concerns the operating result for 2021, the opinion of entrepreneurs was more positive than about the result for the previous year (see figure 2.65). More than three quarters of entrepreneurs in large and medium-sized enterprises expected to have made a profit over the past year. This also applied to around 66 percent of micro and small enterprises (excluding self-employed persons without employees).

SME entrepreneurs on balance negative about profitability

In the pre-COVID-19 quarters, entrepreneurs (from 5 employees upwards)⁶⁹ often saw the profitability of the last three months rise (see figure 2.66). This reversed during the last three quarters of the first COVID-19 year 2020. In that period, far more entrepreneurs were negative than positive about the profitability of the three previous months. On balance, no less than 37 percent of entrepreneurs in micro and small enterprises (from 5 employees upwards) saw profitability fall, in the third quarter of 2020.

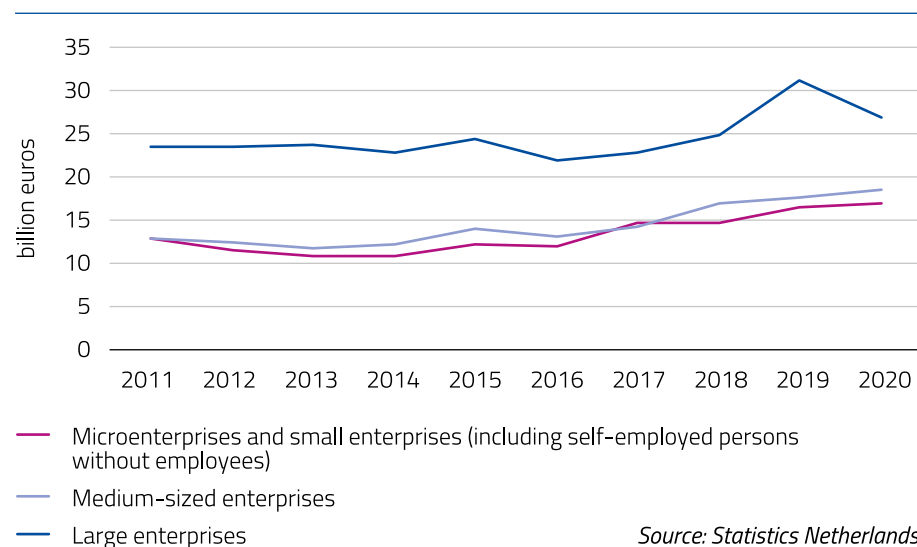
In the quarters that followed, the picture diverged per size category, and above all entrepreneurs in micro and small enterprises saw their profitability decline, on balance. At the start of the third quarter of 2022, there were more SME entrepreneurs who saw a decline in profitability than entrepreneurs who saw their profitability rise. This related to on balance 4 percent, for micro and small enterprises (from 5 employees upwards) and for medium-sized enterprises to on balance 3 percent of entrepreneurs. The balance was less negative than one quarter earlier. In large enterprises, entrepreneurs were positive about profitability, on balance, at the start of the third quarter of 2022.

Figure 2.66: Profitability past three months. Period: 2017 3rd quarter - 2022 3rd quarter.



⁶⁹ These figures refer to all trade and industry from 5 employees upwards (excluding financial institutions and utility companies) and not only the business economy.

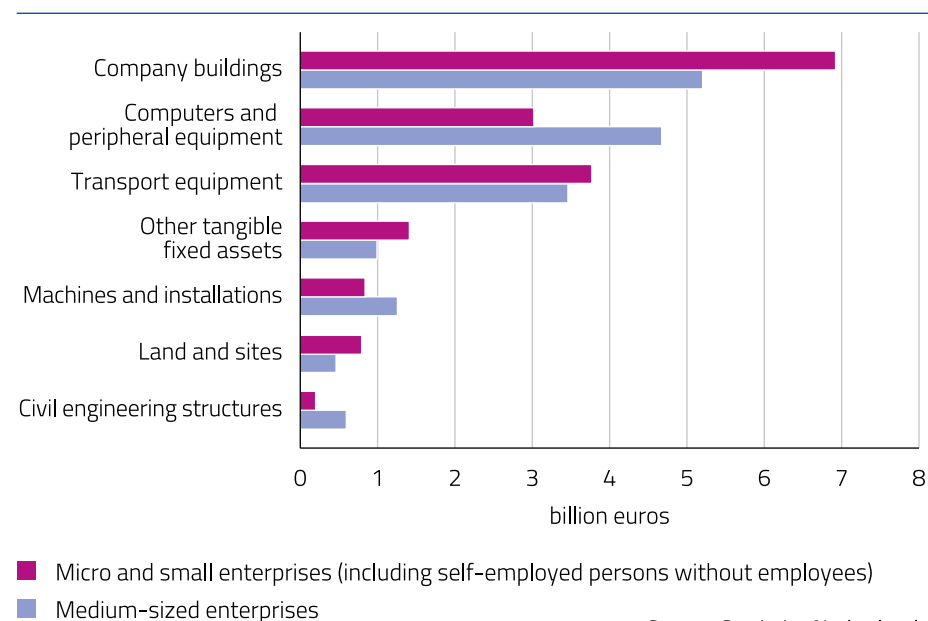
Figure 2.67: Investments in tangible fixed assets. Period: 2011–2020.



Investments by the SME sector rising

In 2020, SME companies invested 35.6 billion euro in tangible fixed assets such as buildings, machinery, transport equipment and computers. Over the years, investments gradually rose, ending up 41 percent higher than in 2016. Investments by medium-sized enterprises were almost identical to those of micro and small enterprises (including self-employed persons without employees). In large enterprises, investments in the period 2016–2019 rose at a comparable rate. This growth was not continued in 2020; in that year, investments were 13 percent lower than in 2019.

Figure 2.68: Investments in tangible fixed assets according to type. Period: 2020.



In 2020, the vast majority of investments by SME companies were in company buildings. This was followed by investments in computers and peripheral equipment, and transport equipment. Figures for investments by the SME sector in intangible assets were not yet available at the time of this survey.

1.9 International trade

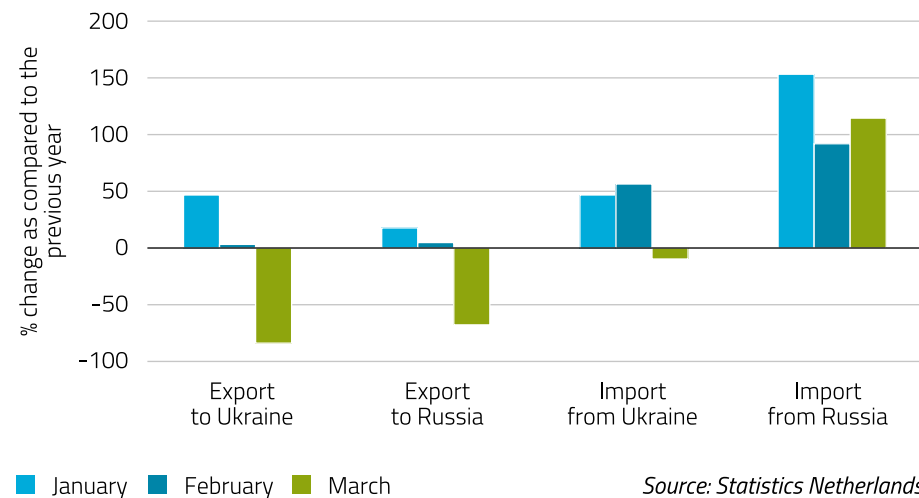
This section describes the international trading position of SME companies. The war in Ukraine has also affected traders with Ukraine and Russia. How much lower are imports from and exports to these countries in 2022? The section then examines which size category within the SME sector trades most, in relative terms, with foreign countries, and has the highest export value.

Huge fall in exports to Ukraine and Russia

The export of goods from the Netherlands to Ukraine fell in March 2022 by 84 percent compared with the same period in the previous year (see figure 2.69).

Figure 2.69: Development of import and export value Netherlands.

Period: January - March 2022.



Goods exports to Russia also fell (67 percent). The picture of goods imports is different. Due to the sharp rise in the price of mineral fuels, the value of imports from Russia rose considerably (115 percent). The value of imports from Ukraine fell.

A relatively large proportion of trade between the Netherlands and Russia takes place via large enterprises (see figure 2.70). For both the imports from and exports to the rest of the world, the interest of large enterprises is smaller. In total, there were more than 3 thousand companies that exported goods to Russia in 2021, and almost 2 thousand that imported goods from Russia.

Figure 2.70: Trade Dutch business to Russia Period: 2021.

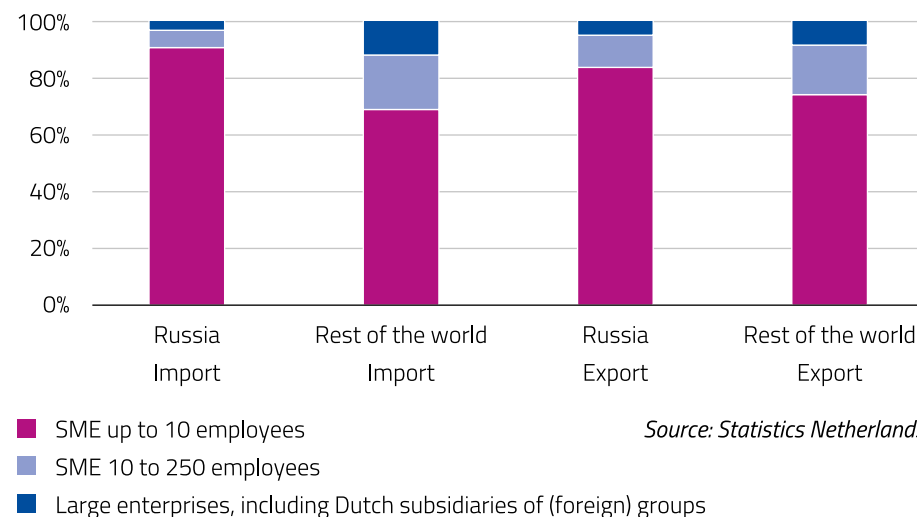


Figure 2.71: Importers and exporters. Period: 2020.



Medium-sized enterprises responsible for most foreign trade, in relative terms

The number of SME companies (excluding self-employed persons without employees) that imported or exported goods and services in 2020 increased according to size category in relative terms. Of all microenterprises, almost 30 percent were involved in foreign trade, while this applied to 85 percent of medium-sized enterprises (see figure 2.71). Above all the proportion of companies that both imported and exported (two-way traders) was relatively high in medium-sized enterprises. In absolute numbers, microenterprises were most often involved in foreign trade. The vast majority of SME companies (excluding self-employed persons without employees) are microenterprises.

Start-ups in medium-sized enterprises generate the highest export value.

In the SME sector, the average export value of a start-up goods exporter in 2021 was highest for medium-sized enterprises (see figure 2.72). The value was more than three times as high as in the previous year, but was lower than in 2019. On the other hand, among small enterprises, the average export value per start-up goods exporter was higher than in 2019.

Figure 2.72: Average trade value goods export starter. Period: 2019-2021.

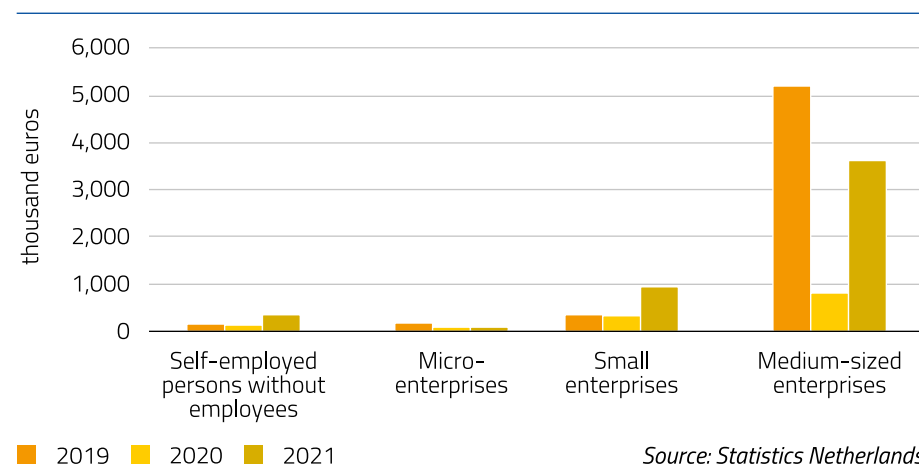
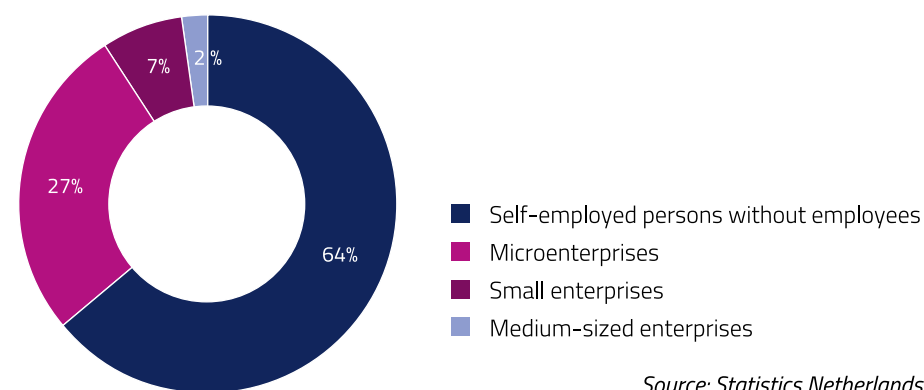


Figure 2.73: Goods export starters. Period: 2021.



The total trade value of goods exports was highest among self-employed persons without employees. This is because the vast majority of SME companies that started exporting goods in 2021 were self-employed persons without employees (see figure 2.73).

Glossary

Labour productivity › the added value per full-time equivalent (FTE). This expresses the amount of value added per hour worked.

Broader SME sector › The broader SME sector is also referred to as the 'innovation-following SME sector'. Pioneers and stragglers are not included in the definition.

Gross domestic product (GDP) › the total added value of all goods and services produced in the Netherlands.

Business economy › the *business economy* is made up of companies in private sectors, with the exception of the financial and agricultural sector. Private companies active in public sectors such as education, culture and healthcare are not included in the *business economy*.

Business cycle › the short-term economic growth fluctuations. An economic upturn refers to a situation in which the economy achieves above-average growth, while a downturn refers to a situation in which the economy achieves below-average growth.

Venture capital › capital lent to companies with a high growth potential, a high return and/or high risk character.

Equity capital › the difference between the possessions and debts of a company.

Large enterprises › companies with 250 or more employees.

Small enterprises › companies with between 10 and 49 employees.

Liquidity › degree to which an enterprise is able to meet its current payment obligations.

Microenterprises › companies with 2 to 9 employees.

Medium-sized enterprises › companies with 50 to 249 employees.

Pre-seed › *pre-seed* is financing in the earliest life phase of the enterprise. In this phase, there is often only an idea for a product or service, whereby *pre-seed* is used to financing the development of the product or service.

Productivity › see: labour productivity.

Quasi equity › a form of financing between borrowed and equity capital, for example subordinated or convertible loans.

Risk capital › see: venture capital.

R&D personnel › personnel fully or partially assigned to research and development (R&D) activities.

Scale-up › a growing start-up.

Start-up › a young innovative technology-driven enterprise with a scalable business model and international growth ambitions.

Fast fallers › companies whose turnover decreased by more than 20 percent in this period compared to the same period a year earlier.

Solvency › the relationship between equity capital and borrowed capital.

Fast risers › companies whose turnover increased by more than 20 percent in this period compared to the same period a year earlier.

Added value › the value of a product or service (sale) less the incurred purchase costs. This therefore concerns the value added to a product or service during a production process.

Vacancy rate › the number of vacancies as a percentage of the number of jobs of employees.

Earning capacity › the ability of companies to add value and continue to add value in the future.

Borrowed capital › the borrowed capital of a company consists of its payment obligations or debts.

Employment › Employment is a broad term to express the demand for labour (both filled and unfilled jobs). In this Annual Report, employment is defined as the number of filled jobs, expressed in FTEs, unless otherwise stated.

FTE › Full-time equivalent. One full-time equivalent corresponds to a full-time working week of one employee. Two part-time employees with half a job each together therefore constitute one FTE.

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