

The perceived impact of COVID-19 on the employment of (international) workers at Dutch SMEs

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List of Abbreviations

ARDS	Acute respiratory distress syndrome
CPB	Centraal Planbureau (<i>Netherlands Bureau for Economic Policy Analysis</i>)
ECMR	Expatriate Centre Maastricht Region
EU	European Union
GDP	Gross domestic product
IND	Immigratie- en Naturalisatiedienst (<i>Immigration and Naturalisation Service</i>)
KVK	Kamer van Koophandel (<i>Chamber of Commerce</i>)
MODS	Multiple organ dysfunction syndrome
NOW	Noodmaatregel Overbrugging voor Werkgelegenheid (<i>Emergency measure for bridging employment</i>)
PHEIC	Public Health Emergency of International Concern
RVO	Rijksdienst voor Ondernemend Nederland (<i>Netherlands Enterprise Agency</i>)
SME	Small and medium-sized enterprise
UNDP	United Nations Development Programme
WFA	Working-from-anywhere
WFH	Working-from-home

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Abstract

This report analyses the perceived impact of COVID-19 on the employment of international workers at Dutch small and medium-sized enterprises (SMEs), focusing on highly educated migrants. In doing so, it adds to the limited knowledge about SMEs' strategies to attract and retain international talent in general and in times of crisis specifically. The study is based on 19 semi-structured interviews with representatives of SMEs located in different parts of the Netherlands, which were conducted between July and October 2020. Key findings are verified through additional desk research. The interviewed SMEs form a heterogeneous group with different experiences of the COVID-19 pandemic. Nevertheless, three main effects of COVID-19 on the employment of international workers at Dutch SMEs can be identified. First, increased insecurities regarding the future have led to recruitment stops at many companies, which can be an opportunity for those who continue recruitment as they face less competition. Second, mobility restrictions and closed embassies led to delays in migration and the starting of work for some newly recruited migrant workers. In some cases, they furthermore led to the cancellation of internship contracts. Mobility restrictions also complicated other border crossings for employees from neighbouring countries as well as assignments abroad. Third, COVID-19 accelerated practices to work-from-home and to work-from-anywhere, which were on the rise already prior to the pandemic.

1. Introduction

Small and medium-sized enterprises (SMEs) make up the majority (99%) of all business in the Netherlands and in the European Union (EU) in general (Mulder, 2020; European Commission, n.d.). Nevertheless, little is known about strategies of SMEs to attract and retain talent as research tends to focus on larger companies. This research addresses this gap by examining the perceived impact of COVID-19 on the employment of international workers at Dutch SMEs, focusing on highly educated migrants. The study has been commissioned by the Expat Centre Maastricht Region (ECMR) to inform research of the NL Talent Coalition on the impact of COVID-19 on knowledge migrants in the Netherlands and is part of a larger research project about SMEs' strategies to attract and retain (international) talent and how migrants can contribute to innovation activities of SMEs.

This report is based on 19 semi-structured interviews with representatives of SMEs in different parts of the country. The interviewed SMEs form a very heterogeneous group with very different characteristics and experiences of the COVID-19 pandemic and are not representative of Dutch SMEs in general. The limited number of interviews in combination with this heterogeneity and the exploratory nature of the research makes it difficult to draw general conclusions. Therefore, the most important interview findings are verified through an additional desk research to identify, where possible, supporting evidence for trends in the Netherlands and worldwide.

This report identifies three main effects COVID-19 has had on the employment of international talent at Dutch SMEs so far. Some of the concern international and Dutch employees alike. First, insecurities about how COVID-19 would affect the SMEs oftentimes led to recruitment stops. Companies which continue recruitment, on the other hand, benefit from reduced competition in attracting the right talent. As unemployment among the Dutch rises, it is expected that recruitment from abroad, especially for low-skilled and less popular jobs, will become less necessary as vacancies will likely be filled by Dutch workers. Second, travel and border restrictions and organisations being closed influenced recruitment and usual mobility practices of (international) employees at Dutch SMEs. This includes, for example, slowed down migration procedures leading to delays in starting employment at Dutch SMEs and internships being cancelled. Cross-border work and assignments abroad were also made more difficult by these restrictions and international workers in the Netherlands suffered from not being allowed to visit their home countries. Third, the pandemic increased the "working-from-home" and also "working-from-anywhere", which is likely to change how we work in the future.

The remainder of this document is structured as follows: first, key terms and definitions are explained. After that the literature on the impact of COVID-19 and similar crises on SMEs and their hiring strategies (i.e. attracting and retaining international talent) is briefly reviewed. The third section explains the methodology and data. After that preliminary findings are discussed. The final section concludes.

2. Key concepts

2.1. Small and medium-sized enterprises (SMEs)

In this study, SMEs are defined exclusively based on their number of employees. In line with definitions of the European Union (EU) (EUR-Lex, n.d.), the Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland, RVO) and the Dutch Chamber of Commerce (Kamer van Koophandel, KVK), SMEs are defined as companies with 10 to 249 employees worldwide. Additional criteria for an enterprise to be called an SME, which are not taken into account in this study, relate to their annual turnover (<EUR 50 million (EU and RVO definition)/ < EUR 40 million (KVK definition)) or the total value of assets on balance sheet ($\leq$ EUR 43 million (EU and RVO definition)/ $\leq$ EUR 20 million (KVK definition)). Branch offices of companies with more than 250 employees worldwide are excluded from the research because it is assumed that they have other resources to attract and retain international talent.

2.2. Knowledge migrants

In the Netherlands, a *kennismigrant* (knowledge migrant) is defined as someone who has a contract at a Dutch company or organisation and meets a certain salary threshold (IND, n.d.). This admission scheme is only used for third country nationals. EU and Swiss nationals are guaranteed the right to free movement, and are allowed to live and work in the Netherlands without a residence permit (Berkhout et al., 2015).

To obtain the knowledge migrant permit, first of all, the migrant's employer in the Netherlands needs to file a request for a residence permit. An organisation has to be a recognised sponsor by the *Immigratie- en Naturalisatiedienst* (Immigration and Naturalisation Service, IND) to be able to apply for a residence permit for knowledge migrants (IND, n.d.). Second, the migrant needs to meet a certain salary threshold depending on the migrant's age. For migrants above the age of 30 this threshold is € 4.612 a month, and for migrants under 30 it is € 3.381 a month (IND, n.d.).

2.3. COVID-19

Coronavirus diseases are among the most common viruses infecting the respiratory system causing varying degrees of symptoms and complications. COVID-19 (also known as SARS-CoV-2, coronavirus, or Wuhan coronavirus) was first identified in the Chinese city of Wuhan at the end of 2019. A tremendous number of people has been infected and continues to be infected showing sometimes mild or no symptoms and sometimes acute respiratory disease symptoms. The severe deterioration in the health of some patients, mainly older people and vulnerable group members, is frequently followed by complications such as pneumonia (lower respiratory tract infection), the life-threatening acute respiratory distress syndrome (ARDS) and Multiple organ dysfunction syndrome (MODS).

The rapid increase in cases associated with this coronavirus as well as the unpredictable rate of its spread and transmission caused the concern of experts from the beginning, who relatively soon began to claim that it was a pandemic of this disease. In fact, on March 11, 2020, the World Health Organization formally attributed the term pandemic to COVID-19 by declaring a Public Health Emergency of International Concern (PHEIC) and issuing emergency measures in order to avoid an extreme diversion of the situation (WHO, 2020a; WHO, 2020b; WHO, 2020c).

3. The impact of COVID-19 on SMEs

This section reviews relevant literature on the impact of COVID-19 on SMEs, including academic literature, grey literature and other relevant reports.

The exceptional and emergent conditions that arose in the context of the COVID-19 pandemic are not only related to health, but also have serious economic dimensions. More specifically, the pandemic situation has greatly affected the world economy and the global financial system. At the state level, trade relations have changed among countries and organizations leading to negative consequences on their growth and pace of economic activity. Their impact both on large companies as well as SMEs seems to have been inevitable, and in turn, this has had important ramifications for business functions on a micro level. The imposition of lockdowns and the introduction of new ways of working (remote work, suspension of employees, etc.) created new employment regimes. Hiring and sustaining international personnel, the focus of this study, has also been affected by travel restrictions and hindering of documentation processes (OECD, 2020b).

The Dutch economy has been severely impacted by the pandemic as well leading to a recession, with an expected long-term impact on the Dutch gross domestic product (GDP) caused by a decline in labour supply, investment and productivity (Elbourne et al., 2020). To get an overview of the possible fallout, the government has created four scenarios to calculate possible effects in 2020 and 2021. The best-case scenario shows that the GDP will drop by 1.5 per cent in 2020, after which it will rise with 3.5 per cent in 2021. The worst-case scenario, predicts that the GDP will drop with 7.5 per cent in 2020, followed by another drop of 2.7 per cent in 2021 (Arbeidsmarktinzicht, 2020). According to Statistics Netherlands (Centraal Bureau voor de Statistiek, CBS), bankruptcies have not increased yet. Up to week 39 (21-27 September 2020), a total of 2574 companies have filed for bankruptcy, which is 247 less bankruptcies than in the same period of time in 2019 (CBS, 2020b). Furthermore, in the second quarter of 2020 there were 322,000 fewer jobs than in the previous quarter, a decrease of three per cent. At the same time, the number of unemployed rose by 72,000 (26 per cent) to 349,000. Finally, at the end of the second quarter there were 26,000 fewer vacancies than in the previous quarter, the number of vacancies dropped by 30 per cent over the past 6 months (CBS, 2020a).

Internationally, the demand for specific products decreased causing a necessary pause in production lines. Logistics were affected by intra- and international mobility restrictions, directly and indirectly affecting manufacturing business processes in need of raw materials as well as suppliers who provide these goods (Nicola et al., 2020). Out of all organisations, SMEs tend to suffer most in times of crisis, and are the least prepared out of all organisations. They are vulnerable to pandemics due to their “limited capacities and resources to prepare for and cope with a pandemic” (Turner, & Akinremi, 2020). SMEs were confronted with lockdown and quarantine measures, maximum client capacity restrictions, the use of protective gear, a reduction in labour supply and a set of unprecedented regulations introduced in short notice (OECD, 2020a). Not to mention the psychological impact of the crisis on the consumers’ behaviour, which caused a sudden drop in demand and loss of revenue (OECD, 2020). At the same time, property renting costs and other maintenance related costs were still in place while specific companies did not generate any revenue.

In Italy, for example, a study surveying 6000 SMEs found that 72 per cent of them faced problems related to decreased demand, supply chain or logistics in March 2020 (Levashenko & Koval, 2020). This report also shows that the fact that SMEs are usually dependent on a limited number of suppliers can have a positive or a negative effect: it can protect them from shock (dependence on local supply chains decreases the impact of events in other parts of the world), but sometimes SMEs are highly dependent on suppliers in countries that are heavily affected by COVID-19 (Levashenko &

Koval, 2020). Furthermore, as highlighted from researchers in the United Kingdom, micro businesses have usually no sufficient precautionary savings, a fact which places them at immediate or medium-term risk, meaning that they either do not have cash holdings at all or there is no evidence of previously built cash reserves. Consequently, they may suffer from cash fluidity, even in the short term, causing severe repercussions for their operations in case of unpredictable events (Cowling, Brown, & Rocha, 2020). An extensive study from Columbia University with 5,800 small sized enterprises in the United States indicated that 43 per cent of the companies had to close temporarily, and on average, they reported they had dropped active employment by 39 per cent. The impact varies depending on the sector. An example would be the tourism and hospitality industries which were highly affected, forcing a lot of small sized companies to fire personnel or even shut down. The likelihood of declaring bankruptcy was higher in absence of financial assistance (Bartik, Bertrand, Cullen, Glaeser, Luca, & Stanton, 2020a, 2020b).

3.1. Constraints on hiring and retaining international talent

A very important aspect of the labour market nowadays is the globalization of recruitment. Highly-skilled professionals are amongst the most mobile, working in positions where they can apply their knowledge and experience all over the world. Fundamental prerequisite of this new labour landscape is the feasibility of travelling across borders as well as the legislative part of the procedure which includes different kinds of work visa and residence permits. COVID-19 has reduced human movement drastically, with more than 200 governments having implemented measures to restrict movement to and from their countries (Migration Policy Institute, 2020).

Some countries have implemented exceptions to these measures for essential workers and services. In Germany and the UK, farm workers are allowed to enter the country once again to sustain food production, and in Australia, people with specialised medical skills and those who offer critical emergency services are welcome (Migration Policy Institute, 2020). The Migration Policy Institute (2020) also points out that, even when a vaccine or treatment for the virus is widely available, travel restriction policies may not be lifted everywhere, because some countries may see the benefits of border closures. Both the restrictions during the COVID-19 crisis, as well as the possible restrictions that will remain after, could make it much more difficult to attract and retain international talent. A solution to these issues could be remote work which has long been a concept in various business sectors. COVID-19 could accelerate the acceptance of remote work as a new way of working.

3.2. Impact of COVID-19 on (knowledge) migrants in the Netherlands

Due to the COVID-19 crisis, many of the international knowledge migrants in the Netherlands have been living in insecurity (Adviescommissie voor Vreemdelingenzaken, 2020). Some migrants have returned to their country of origin, and many of those who are currently residing in third countries are not able to return to the Netherlands. In general, knowledge migrants in the Netherlands are permitted to stay abroad for a maximum of eight months before their residence permit expires (AWVN, 2020). This would mean that, if the COVID-19 crisis persists for another couple of months, migrants who have returned to their home country and are not able to return to the Netherlands would lose their residence permit. The government has made an exception for these migrants, stating that if they can prove or explain that their prolonged stay abroad is not their own fault, their residence permit will not expire (IND, 2020). Additionally, some of the knowledge migrants who have stayed in the Netherlands during the crisis are at risk of not meeting their income threshold anymore, because of reduced working hours at companies to deal with the crisis (AWVN, 2020; IND, n.d.). In this situation, fears arise of not being able to continue working and living in the Netherlands during and after the crisis.

3.3. Dutch policy responses

While crisis management is mostly a task of business owners themselves, policy makers usually support these entrepreneurs in dealing with crises such as COVID-19. These policy makers conduct crisis management on a larger scale in order to help businesses in their own crisis management endeavours (Kickers et al., 2020). The United Nations Development Programme (UNDP) UNDP recommends that SMEs need to get the majority of economic support from their national governments as they are among the most affected groups of the COVID-19 crisis (UNDP, 2020). According to the OECD (2020), many countries have implemented specific SME policy responses, such as measures concerning working time shortening, temporary lay-off and sick leave. Additionally, governments, including the Dutch, provide support for employees who are temporarily laid off, and/or for companies to 'safeguard employment' (OECD, 2020). The Dutch government implemented the 'Emergency measure for Bridging Employment' (Noodmaatregel Overbrugging voor Werkgelegenheid, NOW) scheme. The NOW scheme is intended for businesses who suffer a substantial loss of turnover as a result of the COVID-19 crisis (at least 20 per cent, and as of January 2021 at least 30 per cent) (Rijksoverheid, 2020). Right now, the NOW scheme also covers 100 per cent of salary costs for employees, which will drop to 60 per cent in 2021 (MKB Nederland, 2020).

Since knowledge migrants are of great importance to the Netherlands, the government has taken action to retain these migrants and make sure they are allowed to stay in and return to the country during or after the COVID-19 crisis. The Dutch government has implemented several rules and policies, for the migrants to be able to stay in or return to the Netherlands without any consequences to their resident permit and work. Moreover, companies which cannot pay their migrant employees the full salary, will not be fined for the duration of the pandemic if the migrant cannot meet the income threshold (Koolmees & van Ark, 2020). For companies receiving governmental support through the NOW scheme, paying their employees with permanent and temporary contracts and meeting the salary threshold should not be a problem since they can submit an application for an allowance for labour costs and receive an advance payment for this (Koolmees & van Ark, 2020).

3.4. Summary

In sum, the COVID-19 crisis and related mobility and border restrictions have important implications for the Dutch economy in the short-, medium-, and long-term. SMEs are especially vulnerable to crises due to limited resources and capacities and a high dependency on suppliers. Depending on the sector and specialization of SMEs, the COVID-19 pandemic affects their economic performance, their ability to recruit and retain (international) employees and the way they work. Economic insecurities affect employers and (international) employees alike. The review has shown that little is known about the way in which COVID-19 affects the employment of international (highly educated) workers at Dutch SMEs. Governments worldwide, including in the Netherlands, have introduced measures to (financially) support SMEs in dealing with the impact of COVID-19 and to provide more security for migrants, for example regarding rights to remain living in the country.

4. Methodology and data

This study uses a qualitative methodology and is based on 19 semi-structured interviews with representatives of SMEs in the Netherlands focusing on, but not being limited to those working in consultancy, research and other business services; manufacturing; information and communication; and human health and social work activities according to the Dutch *Standaard Bedrijfsindeling* (standard industrial classification). Interviewees were recruited through various channels (i.e. through a list of the Chamber of Commerce, networks of the NL Talent Coalition, and snowballing) using a purposive sampling strategy to capture a range of different types of SMEs. Interviews were conducted in English and Dutch between July and October 2020 and lasted between 10 and 75

minutes. The interview guide includes questions on the SMEs' background, their internationalization activities, the role of migrant workers, innovation activities, location and the impact of COVID-19 on hiring international migrants (see Annex I for the full interview guide). For the purpose of this report, the background information and the impact of COVID-19 were analysed in-depth. All interviews were voice recorded and transcribed using an abridged verbatim style.

Data were anonymised and coded using the software Atlas.ti for qualitative data analysis. Since this research is rather explorative in nature, a hybrid approach of deductive and inductive coding was applied. In a first step, a coding framework was designed based on the review of academic and grey literature and other relevant reports (see previous section). Besides that, the researchers remained open to emerging codes to not limit the analysis too much and to ensure that new knowledge can be gained.

Due to the explorative nature of the research and the limited number of interviews, additional desk research was conducted in order to identify, where possible, supporting evidence for the most important findings and to be able to draw more general conclusions. This evidence includes academic sources, policy reports and grey literature.

The main limitation of this study is that the data is not representative of SMEs in the Netherlands. Due to the low responsiveness of SMEs who were invited for an interview it was not possible to collect more (representative) data. A possible explanation for this is that data collection occurred during the summer months when a lot of companies are (partly) closed because of holidays. In addition to that SMEs were likely preoccupied with dealing with the consequences of COVID-19 and therefore less open to being interviewed. Another shortcoming is the geographical imbalance, with most of the interviewed SMEs being located in the Dutch Province of Limburg. This is because it was initially planned to focus on this region. The scope of the study was gradually expanded to also include other parts of the Netherlands to deal with the low response rate and be able to collect sufficient data. This geographical imbalance does not seem to be a problem since the experiences of SMEs are comparable disregarding the location as the analysis has shown.¹

¹ What is mentioned more often in interviews with companies in North-Brabant is the increasingly international character of the city of Eindhoven as well as the support provided by the Brainport Talent Attraction Programme and the Holland Expat Centre South in Eindhoven, which is also not surprising since the Brainport Talent Attraction Programme supported the recruitment of interview partners. The analysis shows that these programmes, however, do not influence how the interviewed companies perceive or experience the impact of COVID-19 on strategies to attract and retain (international) talent. In addition, similar programmes and services also exist in other parts of the Netherlands, which means that they are not reserved to companies at the Brainport campus, in Eindhoven or North-Brabant.

5. Results

This section provides background information about the interviewed SMEs and discusses the impact COVID-19 has had on the employment of (international) workers at these companies so far. Key information about the interviewed companies can be found in Appendix II.

5.1. International talent at the interviewed SMEs

Nineteen interviews were conducted with 13 SMEs in Limburg, three in North-Brabant, one in Drenthe and two with various locations across different Provinces of the Netherlands. Several of the interviewed SMEs also have branch offices in Belgium. It is a conscious decision to not report the location of the companies in this report to guarantee the respondents' anonymity. Seven SMEs worked in consultancy, research and other business services, six in manufacturing, two in information and communication, one in wholesale and retail trade, one in waste management, one in human health and social work activities, and one in mining and quarrying according to the Dutch *Standaard Bedrijfsindeling* (standard industrial classification).

The share of international employees in the interviewed SMEs varies significantly, with five having no international employees at the time of the interview at all (Int. 1, 4, 7, 11, 12) and one SME even having more international than Dutch employees (Int. 10). Three of the SMEs, which employed few or no internationals at the time of the interview, had done so in the past and/or had experience with international interns, for example, from Belgium, Spain, the United Kingdom and China (Int. 1, 4, 14). Several interviewees report that they are not opposed to hiring internationals even though they do not employ any at the moment (Int. 1, 7, 11).

The educational level of employees, both Dutch and international, differs depending on the specialisation of the firm. Interviewees were careful not to conflate educational level and skills as workers with lower education also bring valuable and often very specialised skills to conduct their work at the respective companies (Int. 7, 9). Three SMEs employ mainly lower-educated workers from Eastern Europe (Int. 0, 15), Turkey or Arabic countries (Int. 16), working in production or very physically demanding and/or 'dirty' jobs which are not very popular among the Dutch population. Management positions in these SMEs are usually filled by Dutch employees with higher education degrees (Int. 0, 15, 16). Other SMEs employ highly educated internationals (and Dutch people) with a Master's degree or PhD, especially with specialisations that are difficult to source in the Netherlands, such as chemists and engineers with different specialisations (Int. 2, 8, 10, 14, 18). Some of the interviewed SMEs claim that it is most important that their employees have the skills that they need

and nationality comes secondary (Int. 1, 2, 6): “We need it. The technical skills are more important than the nationality” (Int. 6). Naturally, when the required skills are not available among Dutch workers, SMEs have to start looking abroad (Int. 3, 6, 8, 10, 13, 17). Nevertheless, some acknowledge a preference for Dutch employees (Int. 6, 10) or internationals already living in the Netherlands (Int. 17) because of fewer administrative hurdles (i.e. visa applications, becoming a sponsor for knowledge migrants, etc.), and issues with intercultural communication (Int. 4, 7, 12).

For some SMEs where the working language is Dutch or even the regional dialect, language is also a hurdle to hiring international talent (Int. 4, 6, 11, 12, 13). Changing the working language to English or another language means a lot of work for SMEs with limited capacities as the whole system of quality management and key communication have to be transferred (Int. 7, 8). At the same time, one interviewee reports that it does not seem natural for them to transfer to English entirely, because the majority of employees is and speaks Dutch, which is why they support their international employee with learning Dutch (Int. 3, 8, 13) or a prerequisite to hiring internationals would be sufficient Dutch language skills (Int. 9, 11, 13). At two SMEs, Dutch language skills are not required (Int. 10, 15) or some employees are exempted from the language requirements, for example, technical workers in the research and development departments (Int. 13). It is interesting to note that at some of the very internationally oriented SMEs, (part of) the working language is English even though there are no international employees (Int. 9, 18), or the working language was English even before the first internationals were hired (Int. 17).

While some employees are aware of the benefits that having a more diverse workforce could have (e.g. increased innovation because of different ideas and knowledge coming together) (Int. 6, 8, 13, 14, 18), the main reason for hiring international employees is usually a shortage of suitable workers in the Netherlands rather than increasing innovation through diversity (Int. 2, 3, 4, 6, 8, 10, 15, 17, 18). The majority of the interviewed SMEs with international employees have to hire them simply because their vacancies cannot be filled relying on Dutch personnel only (Int. 1, 2, 5, 6, 8, 9, 10). Often, the first step to finding suitable employees abroad is to look across the border in Belgium and Germany (Int. 1, 5, 6, 7, 8, 9, 16). People from Flanders in Belgium are especially wanted because Dutch is their native language and because Belgian schools and universities offer education in fields that are much needed by the interviewed SMEs but rarely taught or not very popular among students in the Netherlands (Int. 1, 6, 9, 16). Some also highlighted positively the attitude and behaviour of Flemish people which can differ in comparison to the Dutch (Int. 1, 5). Some SMEs also have branch offices in Belgium and employ Belgian nationals there (Int. 11, 14). Despite the geographic proximity, interviewed SMEs report difficulties in attracting German employees (Int. 9,

13) and only two had German employees at the time of the interview (Int. 10, 13). SMEs performing more low-skilled work which locals are reluctant to do typically rely on labour from Eastern Europe (Int. 0, 15,). Noticeably, SMEs conducting scientific research with a more international focus for example in the fields of ICT, chemistry or engineering more often employ highly-educated internationals from Europe and beyond, for example from the UK, Spain, Portugal, Italy, Greece, Bulgaria, Turkey, Colombia, Brazil, India, Israel, Thailand, and Iran, with at least a Master's degree (Int. 2, 8, 10, 13, 18). This is not surprising as it has been found that shortage occupations in the Netherlands include science, engineering and ICT professionals (CEDEFOP, 2016).

5.2. The impact of COVID-19 on recruiting, hiring and employing international talent at SMEs

The impact of COVID-19 on the interviewed companies, for example, in terms of turnover, growth and sales, differs with three experiencing a slightly more negative impact (Int. 6, 7, 18), and four even experiencing a positive impact (Int. 9, 11, 12, 16). The remaining SMEs reported a modest impact. Accordingly, six of the interviewed SMEs had applied for financial support from the Dutch government to deal with the impact of the pandemic (*NOW grant*) (Int. 6, 7, 10, 12, 15, 17). All interviewees were satisfied with the measures the Dutch government has taken to support them and reported that measures to keep distance at work or to work remotely were taken without much difficulty. None of the interviewed SMEs had had to make employees redundant as a consequence of COVID-19 yet.

That does not mean, however, that this can be prevented entirely in the future. While the Dutch economy is doing slightly better than many others, the COVID-19 crisis still has had a substantial impact, and the effects of the crisis have, for the most part, yet to manifest themselves (CPB, 2020). Government subsidies and other support policies have “bought time for companies to make a number of painful decisions but will not be able to prevent all of them” (CPB, 2020, p.4). The COVID-19 crisis is expected to lead to an unprecedented increase of unemployment figures in the Netherlands (CBS 2020; DNB, 2020). Figures show that in the second quarter of 2020 there was a decrease of 322,000 jobs when compared to the first quarter, and unemployment increased with 26 per cent (CBS, 2020; DNB, 2020). The pace of the increase in unemployment is expected to slow down due to continued government support to companies and organisations (CPB, 2020). Other factors that will likely affect the Dutch economy as a consequence of COVID-19 relate to not being

able to redeem all of the missed investment opportunities, migrant workers not coming to the Netherlands and a decrease in productivity (CPB, 2020).

So far, the impact of COVID-19 on hiring and employing international talent at the interviewed SMEs can be divided into three groups: 1) increase in “working-from-home” and “working-from-anywhere”; 2) travel and border restrictions leading to delays in the hiring and migration process and obstacles to usual mobility practices; and 3) insecurities about the future leading to recruitment stops.

5.2.1. Increasing insecurities leading to recruitment stops

As a result of COVID-19, employers are facing growing insecurities regarding the future. Therefore, many companies in the Netherlands, including some of the interviewed SMEs (Int. 1, 2, 6, 12, 16, 18) put the recruitment of new workers, unless absolutely necessary, on hold, even if it was just for a very short time at the very beginning of the lockdown (Int. 13). Besides increased insecurities concerning the future of the company and whether one will be able to afford an additional employee, the lockdown and requirements to work-from-home made it difficult to train newly recruited employees for tasks on-site (Int. 6). One SME, had just found a suitable candidate after a long search at the beginning of the pandemic, but did not hire him/her as it was unclear what the future would bring. In hindsight, the impact of COVID-19 on the SME was modest, so it would have been possible to hire the candidate (Int. 1). In another interviewed company, the recruitment stop proved to be the right decision since the impact of COVID-19 in combination with other external factors was slightly more negative (Int. 18).

For those who continue recruitment, recruitment stops at competing companies can also be an opportunity. Due to reduced competition, one of the interviewed companies which reported to be “constantly growing” was able to recruit more workers during and because of the pandemic (Int. 17). For another company, COVID-19 led to an increased demand in the products they are selling. Therefore, they recruited approximately 10 students to work in the warehouse temporarily. These students were available because they could not continue their studies for a while or were not allowed to spend a semester abroad as planned as a consequence of COVID-19 (Int. 13). When it comes to recruiting employees virtually, one SME acknowledged a preference for Dutch candidates for whom they can request a certificate of conduct from the Dutch authorities. This is a safer option compared to hiring someone from abroad whom they have never met (Int. 14).

A fourth company usually relying on lower educated workers from Eastern Europe expects that it will become easier to hire Dutch workers who previously did not want to work in their field due to the pandemic. With increasing unemployment among the Dutch, hiring abroad, might become less necessary for this SME in the future (Int. 0).

Increasing insecurities do not only affect employers, but also employees. In one of the other interviewed companies, which was struggling to find new investors due to the pandemic, an employee left voluntarily because he could not deal with growing insecurities, even though the company's existence was never really threatened and the management team was very transparent about the SME's finances (Int. 10). Furthermore, growing insecurities likely prevent workers from changing employees, unless absolutely necessary (Int. 6).

5.2.2. Travel and border restrictions: Delays in the hiring and migration process and obstacles to usual mobility practices

Impact on hiring and the migration process

In March, a number of European governments decided to close their national borders. This coincided with the closure of the EU external borders to non-residents, as well as with lockdowns in several member states, making it much more difficult to enter the EU from a third country (Migration Policy Institute, 2020). This also made it more difficult to hire people from abroad. One SME had hired someone from Thailand in February 2020 before the COVID-19 situation worsened (Int. 8) and another SME was in the process of hiring someone from Brazil when the situation worsened in March 2020 (Int. 2). The hiring and migration processes turned out very difficult due to embassies and other state actors being closed "until further notice" (Int. 2), which is why it was not possible to receive the necessary documentation to complete the hiring/ migration process (i.e. passport, MVV sticker², visa). In addition, the cancelation of international flights prevented the employees to travel to the Netherlands, which is why they started their jobs later than initially planned. Starting their work remotely was not an option, mainly for legal reasons (int. 2). Similarly, one of the interviewed companies had hired an intern from India, who was supposed to come to the Netherlands and as a consequence of COVID-19 was never able to start their internship (Int. 17). Unfortunately, it is unclear what this delay in or cancelation of recruiting new staff meant for the SMEs' activities and/or profits.

² An MVV (machtiging tot voorlopig verblijf, provisional residence permit) is a special entrance visa. Sometimes migrants need to apply for an MVV before being able to get a residence permit. To apply for this, a purpose of stay (in this case work) is necessary (IND, n.d.).

With regard to recruiting workers during the pandemic, two SME acknowledged a preference for Dutch workers or internationals already living in the Netherlands as it is easier to meet potential candidates before signing an employment contract and because it comes with less uncertainty (Int. 8, 14). Since travel and border restrictions made that very complicated, one SME decided to not recruit people from abroad for the time being, even though they thought that “that’s a shame” (Int. 14). This was not the case for another SME, which recruited low-skilled workers mainly from Eastern Europe for their main season from March to October as in previous years (Int. 15).

Travel bans, border restrictions, prolonged visa and work permit procedures also affect Dutch SMEs implementing projects abroad. A project in Colombia, for example, was delayed and a project in Israel complicated because of extra procedures for work permits to prove that the SME’s employees needed to travel and execute the work on-site (Int. 18). In addition, insecurities related to border closures led the SME to abandon the usual rotation system, where an expert spends two weeks (or more) in the country where the project is implemented, alternating with two weeks (or more) at home. Since it was not clear if experts would be allowed to return to the project country after spending time at home, they had to stay in the project country altogether to not put the project at risk (Int. 18). Furthermore, travelling would have required the expert to self-quarantine for two weeks upon arrival in the home country as well as the project country, meaning an additional loss for the SME (Int. 18). Giving up the rotation system probably also meant extra mental strain for the employees, who did not see this coming when accepting or applying for the project.

Impact on cross-border workers

The restrictions imposed on the freedom of movement within the EU have also had an impact on cross-border workers. Workers who live in one country and work in another cannot commute as easily anymore (Migration Policy Institute, 2020). Several of the interviewed SMEs in the Netherlands rely on cross-border workers, especially individuals living in Belgium (Int. 1, 6, 16), but also Dutch nationals living across the border in Belgium or Germany (Int. 18). As the pandemic evolved, working in the Netherlands and living in a neighbouring country came with additional challenges, for example because of border closures and different COVID-19 measures taken by the individual countries. Some of the interviewed SMEs were struggling with providing a safe working space for all of their employees taking into account the different measures as much as possible (Int. 2, 8). In addition, border restrictions meant additional paperwork for employers of cross-border workers in the Netherlands, who had to fill in “certificates proving the need to cross the border” (Federal Public Service for Employment, Labour and Social Dialogue, 2020) for their employees living in Belgium and Germany during the lockdown (Int. 8; 16; 18). COVID-19 measures also affected practical matters of cross-border work leading to additional costs for the employer and extra challenges for the

employee. One of the interviewed SME, for example, usually provides a car for their cross-border workers to share and travel between Belgium and the Netherlands. As a result of social distancing, it was not possible anymore for four people to share a car. This meant that the employees had to find a different way to get to work (i.e. use their own cars) and the employer reimbursed them for the additional costs (Int. 16). While this has not been the case for any of the interviewed SMEs, it is possible that conducting their work across the border nearly became impossible for individuals who do not own a car and who could not use public cross-border transport during the lock-down, which is an issue for employers and employees alike.

Impact on employee well-being

Travel bans and border restrictions reportedly also have effects on the well-being of internationals working in SMEs in the Netherlands: “it's [...] bad for the internationals, because many of them want to go home visit family. Some haven't seen their parents for two years, yeah, that's a, that's a tough cookie, of course, so I definitely see the effect also on our international employees” (Int. 17). The challenges international migrants face as a consequence of COVID-19 are also discussed in the media and on online platforms, like IamExpat.nl and InterNations.org, suggesting that migrants start reflecting whether or not they still want to live away from their families or in a country with a less favourable health care system (Klop-Sowinska, 2020, 2020; Rowlinson, 2020). Some countries like Ireland have even seen the highest return of emigrants in years during 2020 (Rowlinson, 2020). Arguably, the mental strain of social distancing and working-from-home is higher for young, single migrants who only recently moved to the Netherlands without many possibilities to establish social networks before or during the pandemic, especially the lockdown from March to June 2020 (Klop-Sowinska, 2020).

5.2.3. Increase in flexible work modalities

Working-from-home

The COVID-19 pandemic and the related lockdown forced a lot of people to “work-from-home” (WFH) and to learn how to conduct their work virtually where possible in a very short period of time (Int. 4, 7). Even companies which were already used to having virtual meetings were able to improve these practices, for example through increased attendance and active participation of employees,

which was partly lacking previously (Int. 10). The increase in WFH is likely to change how we work also post-COVID-19:

“In no time at all, everyone has learned how to do things online. Which means we don't need to drive the car as much. We have also learned that we can work remotely from home, so we can really give more freedom to how people want to organise their time. It is all possible after all. So, I think that this has been a very good time to do things differently where possible” (Int. 4).

In several SMEs employees will be allowed to “work-from-home” more often in the future compared to the time before the pandemic (Int. 2, 4, 6, 14). Nevertheless, some companies will require their employees to come to the office for a certain number of days per week (Int. 4). One interviewee mentioned that COVID-19 accelerated the increase in remote work, which would have been likely to increase anyways, only at a slower pace. At his firm, the move to remote work did not cause any problems, “it even made the work better, faster, easier, less stress” (Int. 14). Another SME experienced an increase in employees’ productivity as a result of working from home “mainly because concentration in general is better than when they work at the company” (Int. 7).

Working-from-anywhere

Another company, which was founded by two US citizens but otherwise mainly employed locals from the region where the company is located, hired freelancers from abroad (Macedonia, the Philippines, Pakistan) to work remotely as a result of COVID-19. It is not expected of them to move to the Netherlands at all. The interviewee speaks of a “changing mind-set” regarding the location of employees and thinks that having a “global team” is “a lot leaner and easier to deal with than a large workforce all over one place” (Int.3). Having migrated from the US to the Netherlands, the interviewee knows how challenging the migration process can be and that these “extra headaches” are not “worth it” for many people (Int. 3). By hiring freelancers to work remotely this can be addressed to a certain extent. This approach is also known as “working-from-anywhere” (WFA) and seems to be on the rise around the world. It means that employees get the choice to work for a company while living anywhere they want to. Organisations such as NASA, GitLab and DataStax, had already implemented WFA policies before the COVID-19 crisis (Choudhury et al., 2020; Choudhury & Salomon, 2020). According to Choudhury et al. (2020), WFA programmes contribute to employees’ productivity even more than WFH programmes because they can live at their preferred location. Companies can also gain through these programmes as they save money, for example for office

buildings, increase profitability, increase retention rates (Forbes, 2020a) and save resources facilitating their employees' migration (Int. 3).

One reason for this interviewed SME to introduce WFA during the pandemic is that different countries are going through different phases of the crisis at the same time, which makes migration difficult (Int. 3). He thinks that this change to WFA is not just occurring in his firm, but a general trend: "I feel like the world is shifting now, people are working more flexible on a freelancer basis" (Int.3). Indeed, COVID-19 seems to have increased the implementation of WFA programmes in organisations (Forbes 2020b). Similarly, another interviewee expects "WFA" to become more common as a result of COVID-19, under the condition that SMEs can access appropriate platforms to work remotely in a secure environment (Int. 14). Security is one of the main challenges of WFA since access needs to be shifted to individual devices and users, which need to be protected (Forbes, 2020b). Additionally, according to an article by CFO (2020), an organisation with WFA programmes may run into trouble with taxing, since they will have workers living in multiple countries and thus may have to pay more taxes. While information and research on WFA are scarce, it is likely that both employers and employees will face additional challenges with regard to other legal, administrative and bureaucratic issues (e.g. insurance, social security, pension), which could be similar to those of classic cross-border workers (CPB, 2016), simply because the system we are living in is mostly designed for people living and working in the same country.

SMEs agree that certain tasks will always require employees to work on-site (Int. 3, 8, 11, 18), oftentimes including the training of new employees (Int. 6). Moreover, in their experience the dynamics and outcomes of brainstorming and developing new ideas are very different when meeting virtually compared to physically, especially in more creative fields (Int. 1, 4, 7, 10, 18). One respondent, for example, described virtual interaction as "not as effective" (Int. 18).

6. Conclusion

This study sets out how representatives of Dutch SMEs perceive the impact of the COVID-19 pandemic on the employment of international workers at their organisations, focusing on highly educated migrants. This study which has been commissioned by the Expat Centre Maastricht Region (ECMR) aims at informing the work of the NL Talent Coalition and fills a gap in the academic literature regarding SMEs' strategies to attract and retain international in times of crisis. The study is based on 19 semi-structured interviews with representatives of SMEs located in different parts of the

Netherlands, which were conducted between July and October 2020. Key findings are verified through additional desk research to establish whether they are in line with trends in the Netherlands and worldwide. The interviewed SMEs form a heterogeneous group. Depending on their specialisation and international orientation, the impact of COVID-19 on the business and the employment of (international) workers differs. The effects on the recruitment and employment of internationals at the SMEs can be broadly divided into three groups: 1) increasing insecurities leading to recruitment stops; 2) travel and border restrictions forming an obstacle to labour migration and usual mobility practices of employees; and 3) the rise in flexible work modalities. Some effects are not exclusive to international employees but also affect Dutch nationals (e.g. WFH, recruitment stops).

Most interviewees report a modest impact of the crisis and that they did not have to make any employees redundant as a result of COVID-19. All of the interviewed SMEs were satisfied with the Dutch governments approach to dealing with the crisis. None of the interviewed SMEs voiced a need for further support in dealing with the impact of COVID-19 on recruiting and employing international workers. One should note, that through financial support from the government, the initial effects of the crisis were mitigated and are still expected to manifest themselves in the months to come. Therefore, it is possible that additional support will be required in the future. It will be interesting to see, how the situation develops and how it will affect migration. Some sources suggest that the pandemic triggers migrants to reflect on where they want to live, considering distance to family members, quality of the health care system and difficulty in integrating in the host country under conditions of social distancing and working remotely. This could make the recruitment of international talent to fill skills shortages even more difficult for SMEs than it already is.

One of the most important effects of COVID-19 is that it accelerated remote work modalities, which will likely change the way we work in the future. This may also require policy responses, for example, in facilitating remote recruiting and “working-from-anywhere” where employer and employee are located in different countries and it is not expected of the employee to migrate or come to the office at all. This will call for more flexible arrangements regarding taxation, insurances and social security as the current system is designed for individuals to live and work in one country.

The study is subject to some limitations, mostly arising from the small number of interviews and the sample not being representative, which makes it difficult to draw general conclusions. To address these shortcomings, a number of suggestions for further research can be made. For example, it would be interesting to expand interviews to other parts of the Netherlands or conduct a more

representative survey among SMEs across the country. In addition, it would be useful to conduct interviews with migrants with different educational levels working at SMEs to learn more about their perspective on the impact of the pandemic and their employment in a foreign country.

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Appendix I: Interview guide

Background

1. Can you please introduce yourself briefly and explain what your position is at the enterprise you currently work for?
 - a. How long are you working in this company?
2. Can you please tell me/us a bit more about your company?
 - a. Sector? Founded when? Dutch or foreign-owned/managed?
 - b. Number of employees? Share of employees with higher education degree? Skills shortages? Share of international employees? Where are international employees from exactly (Border region, EU, TCN)? What is their educational level? What is their position at the firm (present at executive level)? In what departments are they working? How did this develop over time?
 - c. Are you working directly with internationals yourself?
 - d. Geographic focus of the company activities (local/regional; national; CB, European, all other countries; affiliates abroad?)
 - e. Is it important for your company to be located in this place? Why (not)?

Internationalisation and migrant workers

3. Are you aware of internationalization trends in SMEs in the Netherlands in general and in the region where you are located?
4. Is your firm engaging in internationalization efforts (e.g. sell products/ services abroad)?
 - a. If no, why not? Is it in the interest of the firm to become more international in the future?
 - b. If yes, how exactly?
 - c. In the case of your firm, what are the challenges and benefits of internationalization in general?
5. Is there a general demand for highly-skilled workers at your firm? If so, why?
 - a. Are skills shortages a problem in general in your firm/ region?
 - b. Are there differences in the demand for Dutch vs. international highly-skilled workers?
 - c. Is there a demand for low- or medium skilled workers?
6. Is there a demand for international highly-skilled workers at your firm? Why (not)? If yes, what are your strategies to fill this demand?
 - a. How do you define highly-skilled migrants? (Give our definition afterwards)
 - b. Are there specific criteria for hiring international highly-skilled migrants? (e.g. interest in a specific group in terms of education/ origin...)
 - c. Recruitment procedure (e.g. website, agency, networks, social media, universities, offer internships...)
 - d. Does your firm offer anything special to international employees (e.g. language courses, support with settling in, housing...)

- e. In your experience, are there any differences between Dutch and international skilled workers (e.g. education & training, motivation & attitude, general behaviour...)
 - f. In the case of your firm, what are the challenges (e.g. language barriers, financial resources, trust, competition with other firms or regions...) and benefits (e.g. fill skills shortages, increase productivity, creativity, innovation) in recruiting international workers? Differences between high and low skilled migrants? Are these perceptions based on experience?
7. What are your strategies to integrate and retain (highly-skilled) migrant workers at your company?
- a. Do you have an idea about after what period of time and for what reasons employees leave your firm again (Dutch vs international)?
 - b. Do you facilitate the personal/ professional development of your employees (e.g. life-long learning)?
8. Are you aware of any support the (regional) government, the municipality or other organisations provide for SMEs' internationalization activities like the recruitment of international talent?
9. In your view, should SMEs receive more support for their internationalization activities like recruiting international talent from the (regional) government, the municipality or other organisations? Do you have any concrete suggestions?

Innovation

10. Does your firm engage in innovation activities?
- a. How do you define innovation activities?
 - b. If no, why not? (e.g. no reason, barriers to innovation to large?)
 - i. What kind of barriers? (Lack of financial or human resources? Lack of partner? Competition with bigger companies? – are different kinds of innovation subject to different challenges?)
 - c. If yes, what kind of activities? Who is involved?
11. Did these activities result in different kinds of innovation during the past 2 years (product innovation, process innovation, organizational innovation, marketing innovation)?
- a. Patents/ licenses (* no patents does not mean no innovation)
 - b. If not, any innovations before?
 - c. Still ongoing?
 - d. Abandoned? If so, why?
12. Who developed these innovations?
- a. Firm itself? In cooperation with other firms/ partners (e.g. University)? With whom exactly? Which partner is most valuable for innovation activities and why?
13. How does the presence of highly-skilled migrant workers at your firm contribute to different

kinds of innovation? (e.g. knowledge transfer, productivity)

- a. How does the cooperation between locals and internationals work?
- b. Are there differences between the contribution of locals and internationals? (e.g. different ways of thinking?)

14. Are there any examples in which a more diverse workforce could be an obstacle to different kinds of innovation? How and why? Is this based on experience?

- a. Examples for potential obstacles: trust issues, language barriers, working style, different cultures, communication issues, ethics

15. What are your strategies to maximize the benefits of having highly-skilled migrants among your employees (e.g. language courses, cultural awareness training)?

Border region (only where applicable)

16. Your firm is located close to the border with Germany (and Belgium). What role does this location in a border region play in your internationalization and innovation activities?

- a. Is it an advantage or disadvantage when it comes to
 - i. Internationalization activities – why (not?)
 - ii. Attracting and retaining international highly-skilled workers - why (not?)
 - iii. Innovation activities - why (not?)

COVID-19

17. What is the impact of COVID-19 on your firm at the moment?

- a. Challenges?
 - i. Staff/ employees
 - ii. Internationalisation and migrant workers/ demand for workers/ hiring practices (attracting and retaining international talent)?
 - iii. Onboarding?
 - iv. Relocation?
 - v. Innovation activities
- b. Opportunities?
 - i. Innovation
 - ii. Remote work

18. What short-, medium-, and long-term effects do you expect COVID-19 to have on hiring international labour?

- i. Remote work (as advantage)
- ii. difficulties in remote hiring/selecting without face to face contacts
- iii. travel restrictions on migrants
- iv. reluctance of migrants to come to the Netherlands under the pandemic uncertainty

19. How severe would you say is the impact of COVID-19 on your firm?

- a. Reduced turn-over and consequences for maintaining personnel
- b. Labour capacity (forced reduction/closure of activities)
- c. Extra/less personnel (dismissing migrants, e.g. those on short term contracts)

20. Has your company taken action to mitigate the impact of the pandemic on the business?

21. Has your company taken action to protect employees or provided support in dealing with the pandemic?

22. Have you received support in dealing with the impact of COVID-19 from the authorities?

23. Would you have liked to receive more financial/technical support from the authorities in dealing with the effects of the pandemic?

Concluding remarks

24. Is there anything important you would like to add, that I might have missed during this interview regarding this topic?

Appendix II: Key information about interviewed SMEs

#	Sector	Year	Number of total employees	Number of International employees	Impact of COVID-19	NOW
0 ¹	Waste management	1978	12	0	n/a	n/a
1	Consultancy, research & other business services	2004	8	0 ³	modest	no
2	Information & communication	1999	16	6	modest	no
3	Consultancy, research & other business services	2013	11	5	modest	no
4	Consultancy, research & other business services	1986	20	0 ³	modest	no
5	Human health & social work activities	1987	35	4	modest	no
6	Manufacturing	1990	70	2	negative	yes
7	Manufacturing	1986	40	0	modest/ negative	yes
8	Consultancy, research & other business services	1999	90+	9	modest	no
9	Manufacturing	2010	25	2	positive	no
10	Consultancy, research & other business services	2016	23 in NL (+ 17 in France and the US)	13 in NL	modest	unclear
11	Manufacturing	1974	60	0 ²	modest	no
12	Consultancy, research & other business services	1932	25	0	modest	yes
13	Wholesale and retail trade	2000	70	11 (+trainees)	positive	no

14	Information & communication	2009/ 1970	75	1 ²	positive	
15	Manufacturing	1964	unclear	unclear	modest	yes
16	Manufacturing	1962	40	unclear	positive-modest	no
17	Consultancy, research & other business services	2014	22	5	modest	initially
18	Mining & quarrying	1996	30 (on payroll) 50 international consultants they hire on project basis	10% international 30% international	modest-negative	no

Notes: ¹ Unfortunately, this interview was conducted before the questions on COVID-19 were added. Nevertheless, it already included some useful information on this matter; ² These SMEs also have branch offices in Belgium where Belgian nationals are working; ³These SMEs have experience working with international employees and/or interns in the past