

The government is failing to plan for the unemployment ...

Published: January 13, 2026, 10:08 am

The [FT](#) notes this morning that:

Close to 6m small businesses employ more than 16m people in the UK, generating £2.2tn in turnover last year and often operating far from the public eye. But many are increasingly desperate as the pandemic has continued, throttling sales across the country and sucking dry their limited cash reserves, even with the gradual easing of the lockdown.

UK Finance, which represents the UK's banking sector, found that a fifth of small firms had less than one month of cash reserves left in May. A quarter of owners had been forced to use their savings to stay solvent; almost a fifth said they were likely to cease trading or may not survive.

They add:

Companies have taken about £50bn in guaranteed loans so far. The Office for Budget Responsibility estimates that this could rise to as high as £76bn across the loan schemes alone, with about three-quarters destined for the smallest businesses in the country.

And also note:

One in six smaller firms now relies on government-backed debt.

Whilst adding:

Referring to similar programmes during the financial crisis, the OBR assumes that up to 40 per cent of bounce back loans could default. Banking executives warn that the loss rates could be even higher. Thousands of companies face being pursued by their lenders for debts they cannot afford to repay.

Despite which they say:

Economists warn that the UK could see more than 3m people unemployed – a level it has not witnessed since the deep recession of the 1980s.

At which point I think it time to intervene in this discussion.

First, I have no doubt what is being said about small businesses is true: it is in deep trouble. I have seen saying it would be since the beginning of March.

Second, though, note that the figure of 6 million small businesses includes a great many micro-entities, many of which tax records show to be part-time and pursued alongside employment or retirement. I am not dismissing that, but they distort the data here.

Then note that most smaller businesses of any substance, and the vast majority that employ people, are run through limited companies, and according to HMRC corporation tax data there are only about 1.5 million of these that trade. Discount those in groups that really have financing rather than trading functions from that total (and there will be many tens of thousands of these) and we are talking about maybe 75% of most small employers in the country having had a bailout loan. And of those banks think 50% may not be able to repay their obligations, meaning that even if there is 'soft touch' debt recovery they will be going bust.

And yet although these companies that might fail might employ 6 million people in all apparently unemployment is not going to be more than 3 million in total, a figure which the claimant count suggests is fast being approached Even before furlough has come close to ending.

Put bluntly, this makes no sense at all. Simply extrapolating the data in the article (and I can see no reason why not: the sample is big enough in all cases for that extrapolation to be fair) and the number of jobs at risk looks to be around 6 million (16 million, times 75%, times 50%).

Not all will be lost, thankfully. I am hopeful that will not be the case. But to pretend that many hundreds of thousands of small employers will fail and somehow the jobless total will hardly increase at all - which is the view presented by this FT article - is absurd.

And on top of that you have to add on the number of self employed who may no longer have a business. I suspect that is a million or more people now.

It's really not hard to see where I get my estimate of around 6 million unemployed people from in that case, but there still seems to be a conspiracy of collective denial around this real issue we are facing right now.

I wish I knew why. The denial is preventing planning for action taking place. It is harmful

as a consequence. But apparently this state of suspended disbelief that the economy might fail as badly as reasonable data implies is something the media wants to join with the government in projecting.

I hope I'm wrong. And of course, I could be. But I am not expecting to be so.

And the failure to anticipate this crisis on the part of the government really worries me. It's playing silly games on the periphery of the issue right now and giving no clue at all that it is preparing for what is really going to happen.

We suffered this failure of foresight in March. Why are we having to do so again?