Shetland's Economy and Population

Summary of the Evidence

Prepared for Session 3 (2 September 2026)

This document summarises the two evidence papers prepared for Session 3 of the Shetland Partnership Plan development process. It is designed to give you a broad overview of what the evidence tells us about Shetland's economy and population before the Session. We encourage participants to read the full evidence ahead of the day.

A strong economy, built on fewer and fewer people

The headline figures for Shetland's economy are striking. In 2025, Shetland had the highest employment rate in Scotland, at 84.4%, against 74.7% nationally, and the lowest unemployment rate, at 1.9%. Despite its small population, Shetland has one of the strongest economies in Scotland, generating more economic value per person than every council area except Edinburgh, Aberdeen and Glasgow.

These figures reflect some genuine strengths: including high levels of employment and the continued success of key sectors such as seafood, energy and tourism, which support jobs and income across the islands. However, Shetland has also had more jobs than available workers for most of the past decade, underlining labour shortages across the economy.

But these figures only tell part of the story. Set those figures alongside the population evidence, and an even more difficult picture emerges. Since 2015, Shetland has had more deaths than births each year. The working-age population, the people available to do all those jobs, has fallen from 64% to 60% of the total in the last 20 years. Almost a third of people living in Shetland will be over 65 within the next 20 years.

Put the two evidence papers side by side, and the challenge becomes clear: Shetland's economic strength is being carried by a workforce that is shrinking, and a population that is ageing. This is not a comfortable position to be in, and it is the reason these two topics are being considered together at Session 3.

Beneath the headline figures

Shetland's economy has real strengths, but the evidence shows it is coming under pressure in ways that could limit future growth.

Recruitment and skills shortages are already having a real impact. Around seven in ten local employers report a hard-to-fill vacancy, mainly because there aren't enough applicants with the right skills. Over half struggle to hold on to the staff they already have. Housing is a constant thread running through this: limited supply and high costs make it harder for employers to bring people in, and harder for those people to stay once they arrive. This may be exacerbated by cumulative changes to recent UK immigration policies.

The economy also leans heavily on a small number of sectors. Marine industries, fishing, aquaculture and fish processing, generate over a third of Shetland's economic output on their own. Energy supports around 1,000 jobs directly and indirectly, whilst tourism is becoming an increasingly important contributor to the local economy. Public services are also major employers: Shetland Islands Council and NHS Shetland together employ around 30% of the working-age population. Shetland's economic strength is therefore also a potential vulnerability: a small number of sectors have a very large influence, so a downturn in any one of the key sectors, or sustained pressure on public sector budgets, could have significant knock-on effects across the wider economy.

Shetland's economy looks quite different depending on where you are. Household incomes vary across Shetland too, and the gap between higher and lower-income areas has been widening since 2014. The decline in oil and gas activity presents a challenge for Shetland as a whole, but opportunities and the risks associated with Sullom Voe Terminal are likely to be felt most acutely in the north of Shetland and surrounding areas.

Indeed, the energy transition may be the single biggest factor shaping Shetland's economic future. Should the current decline in oil processing at Sullom Voe Terminal continue without a successful transition to new activity, this could result in significant job losses and a reduction in economic output over the coming decades. At the same time, new investment in renewables and clean energy could create significant opportunities, helping to retain skilled jobs and generate long-term community benefit, including housing and other infrastructure.

Fewer children, fewer workers, an older Shetland

Shetland's population has looked remarkably stable for over 40 years, sitting at 22,710 people in 2025. That headline number, though, masks significant change in the make-up of the population.

Over the long term, migration has broadly offset the fact that deaths now outnumber births, helping keep the overall population relatively stable. Left to natural change, Shetland's population would already be falling. At the same time, the balance between generations has shifted significantly. Over the past 20 years, the share of the population aged over 65 has grown from 15% to 23%, while the share of under-16s has fallen from 21% to 17%. Shetland's school roll has dropped by 7% since 2018 alone.

Set against the rest of the country, this stands out. Shetland's population grew by just 2% between 2005 and 2025, compared with 8.5% for Scotland and 15% for the UK as a whole. Shetland has seen one of the steepest declines in under-16s of any local authority in the country, while the working-age population nationally has grown. Projections suggest Shetland's total population will hold roughly steady to 2047, but almost a third of everyone here by then will be over 65.

As with the economy, there are variations in population balance and change across Shetland. Population has grown in the South and Central localities in recent years, while Lerwick and Bressay, the North Isles, and Whalsay and Skerries have seen decline. However, the share of population over 65 has grown in all localities. Changes in school rolls tell a similar story.

Why young people leave, and what would bring them back

The evidence gathered directly from young people is some of the most useful in both papers, because it moves past statistics into what shapes people's decisions.

Young people leaving Shetland to pursue further education, training and early careers is a normal part of modern island life, and not in itself a problem to be solved. Many young people value Shetland's safety, community, natural environment and quality of life, and would like to stay or come back.

What gets in the way is more practical: most say they can find a job in Shetland but worry about career progression and whether there is a genuine long-term future here. Housing availability and affordability, transport, and digital connectivity are consistently raised as the barriers that make returning difficult, even for people who want to.

The challenge isn't to stop young people leaving – it's to create the conditions that let people leave, gain experience, and then choose to return, whilst also attracting new residents and families to the isles.

Two papers, one problem

It would be easy to treat the economy and population papers as two separate subjects for this Session, but Shetland's future economic and population challenges are inseparable.

A shrinking, ageing workforce makes it harder for local businesses to fill vacancies, grow, or capitalise on major opportunities like energy transition. A strained economy, in turn, makes Shetland a harder place to move to or stay in, through higher costs, limited housing availability and growing pressure on public services. And because the public services alone account for around 30% of Shetland's working-age employment, pressure on public spending is not just a service story, it is an economic one too.

Housing sits at the centre of this loop. A shortage of affordable homes, exacerbated by a reducing household size, limits how many workers employers can attract, whilst transport, digital connectivity and access to childcare and services all reinforce the same cycle. The challenge is finding a way to unlock progress in either direction, creating the conditions for population and economic sustainability.

The economy and the population should not be seen as separate challenges: each shapes the other, and progress on one depends on progress on the other.

What this means for our children

The Shetland Partnership Plan process has used the stories of seven fictional but evidence-based children, Olivia, George, Freya, Harry, Carrie, Lewis and Lottie, to keep this evidence grounded in real lives. Everything in these papers matters to their future: whether there are good jobs waiting for them when they leave school, whether their families can find or keep a home, and whether the public services they rely on remain there for them.

At Session 3, three future scenarios for Shetland will explore what these trends could mean in practice for children like these, depending on the choices made over the years ahead. These scenarios do not provide a comprehensive description of all possible economic, demographic and community outcomes, but are primarily differentiated by the possible outcomes of current key trends and proposed developments. **They should only be viewed as illustrative examples** of how Shetland's future could unfold, and are intended to stimulate discussion. There are other sector-specific factors that could also influence Shetland's economic resilience, that are not illustrated in the scenarios.

What this session is about

The purpose of Session 3 is to look at this evidence together, to understand what it means for Shetland, and to start building a shared picture of what a sustainable economy and population needs to look like in the next Partnership Plan.

The people in the room bring a breadth of knowledge and front-line experience that no paper can replicate. That conversation, and what comes out of it, is where the real value of this session lies.

To help focus discussion, some questions worth reflecting on ahead of the day:

- What has surprised, concerned or encouraged you from the evidence presented?
- Where do we, collectively, have real levers to make a difference, locally, regionally or nationally?
- What happens if nothing changes in terms of the current outlook?
- What does this mean in the context of Shetland's inequalities?
- What does a healthy, sustainable balance between Shetland's economy and its population actually look like?

This summary draws out the headline themes, but it can only scratch the surface of two detailed and carefully evidenced papers. We'd encourage everyone attending Session 3 to read the full evidence papers, Shetland's Economy and Shetland's Population, available at **shetlandpartnership.org** ahead of the day.