HIE
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

January 2011

Area profile for Shetland

Highlights

In 2009, the population of Shetland was 22,210. This represents an increase of just over 1% since 2001 and compares to a 3.1% increase overall in the Highlands and Islands and a 2.5% increase in Scotland.

Unemployment in Shetland has been consistently below the rate for the Highlands and Islands[1].

The most recent GVA figures for 2007 state that Gross Value Added (GVA) per full-time equivalent employee was higher in Shetland than in the Highlands and Islands for construction, but lower in manufacturing and services.

The female dominated sector of public administration, education and health is the largest employment sector, accounting for over 40% of female employment in 2008. Agriculture and fishing, construction, transport and communications and other services account for a higher proportion of employees in Shetland than in the Highlands and Islands.

The majority of workers were employed by companies with fewer than 50 employees in 2007. This demonstrates the dominance of employment within small businesses in Shetland. Self employment in Shetland was nearly 12% of the working population, higher than the Highlands and Islands (10%) and Scotland (8%).

Business start-ups in Shetland were slightly lower than in the Highlands and Islands in 2008. There were 3.8 new start-ups per 1,000 of the population compared to 4.0 in the Highlands and Islands.

The educational attainment level in Shetland secondary schools is extremely high and was well above the Scottish level in 2007/08.

House prices have been rising rapidly in recent years. In 2008, the median house price in Shetland was £91,250 compared to £117,750 in the Highlands and Islands and £114,500 in Scotland.

[1] Please refer to the 'Unemployment Digest' prepared by the Planning and Economics team on a monthly basis for the latest unemployment data at: http://www.hie.co.uk/highlands-and-islands/economic-reports-and-research/

Population: 22,210

Area: 144,000 hectares

Main sectors of employment: energy, primary industries, transport and communication

Saxa Vord, Unst

Introduction

This Area Profile for Shetland provides recently available data from the most reliable sources on:

- Population structure
- Population change
- Migration
- Unemployment
- Economic activity
- Incomes
- Gross Value Added (GVA)
- Employment by sector
- Company size
- Business starts
- Educational attainment
- Destinations of school leavers
- House prices
- Quality of life indicators

Comparisons are made with the Highlands and Islands as a whole and Scotland.

Population

Table 1 shows the change in the resident population of Shetland, compared to the Highlands and Islands and Scotland from 2001 to 2009.

Table 1: Resident Population: 2001 – 2009

	2001	2009	Change (2001-09)	% Change (2001-09)
Shetland	21,960	22,210	250	1.14
Highlands & Islands	433,448	447,043	13,595	3.14
Scotland	5,064,200	5,190,000	125,800	2.48

Source: GROS Mid-Year Estimates

Shetland has stemmed its pre-2001 population reduction. Its population fell by 2.4% between 1991 and 2001 and by 1.1% in the previous decade after having grown by around a third between 1971 and 1981 when the Sullom Voe oil terminal was built. Some 31% of Shetland's population lived in Lerwick in 2009.

Age Structure

Table 2 shows the changing age structure of Shetland, compared to the Highlands and Islands (H&I) and Scotland from 2001 to 2008.

Table 2: Distribution of Population by Age: 2001-2008 (% of total population)

Age Group	Shetland Mid 2001	Shetland Mid 2008	H&I Mid 2008	Scotland Mid 2008
0-4	6.1	5.6	5.1	5.5
5-19	20.3	19.0	17.3	17.3
20-44	33.7	30.8	29.2	33.9
45-64	25.9	28.2	29.4	26.7
65-84	12.3	14.3	16.8	14.6
85+	1.8	2.2	2.2	1.9

Source: GROS Mid-Year Estimates

In 2008, a higher proportion of Shetland's population were aged under 20 (24.6%) than in either the Highlands and Islands (22.4%) or Scotland (22.8%). In the 20-44 age category, Shetland had a higher proportion than the Highlands and Islands (30.8% compared with 29.2%), but a lower proportion than Scotland (33.9%). This reflects out-migration for Higher Education and employment within this age group, which can be linked to the very high education attainment of Shetland's secondary school pupils (see Tables 9 and 10).

The proportion of Shetland's population in each of the three youngest age categories fell between 2001 and 2008.

Migrant Workers

Table 3 shows the number of applications for National Insurance (NI) numbers that were made by migrants in Shetland, Highlands and Islands and Scotland from the financial year 2002/03 to 2008/09. The figures for the Highlands and Islands are for the area's six main local authorities.

Table 3: Applications for NI numbers

	Total NI registrations	Registrations per 10,000 economically active
Shetland	800	678.0
Highlands & Islands	20,870	901.5
Scotland	246,110	962.1

Source: Department for Work and Pensions

The 800 NI registrations in Shetland since 2002/03 show that this source of labour has helped its economy to grow despite the limited availability of local labour as indicated by its relatively low unemployment rate. Registrations of migrant workers as a population of the labour force in Shetland were, nevertheless, 30% lower than for Scotland over the period.

Table 4: Applications for NI numbers by World region (January 2002-March 2009)

	World Area of Origin						
	EU (%)	EU Accession States (%)	Other European (%)	Africa (%)	Asia and Middle East (%)	The Americas (%)	Australasia and Oceania (%)
Shetland	14	65	4	3	8	4	4
Highlands & Islands	14	62	2	4	7	5	6
Scotland	17	44	2	7	18	5	6

Source: Department for Work and Pensions

As shown in Table 4, people from the EU Accession States have constituted the majority (65%) of migrant worker registrations in Shetland, a higher proportion than in Scotland (44%).

Unemployment

Figure 1 shows the unemployment rates for Shetland, the Highlands and Islands and Scotland from December 2006 to December 2009. The rates are based on the Claimant Count, which is a measure of people who are claiming Jobseekers Allowance.

Figure 1: Unemployment Rates: 2006-2009

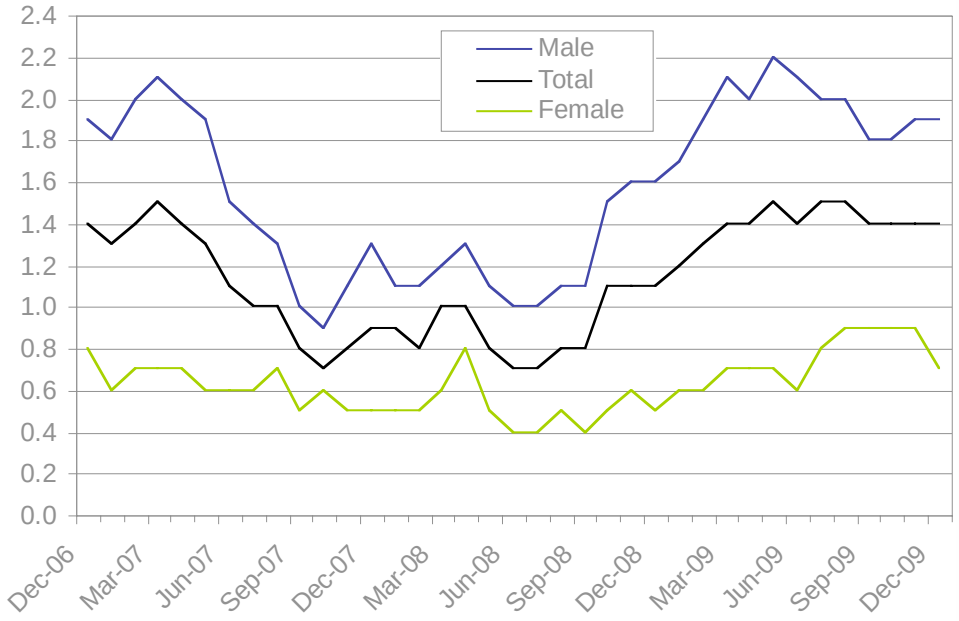
Source: NOMIS

The unemployment rate for Shetland has been consistently well below the rates for both the Highlands and Islands and Scotland over the three year period (as in earlier years). Shetland's rate of 1.4% in December 2009 compared with a rate of 2.9% for the Highlands and Islands and 4.1% for Scotland.

Unemployment by Gender

Figure 2 illustrates the male and female unemployment trends for Shetland from December 2006 to December 2009.

Figure 2: Male and Female Unemployment Rates: 2006-2009



Source: NOMIS

Female unemployment is extremely low in Shetland, having remained below 1.0% since September 2006 and fallen as low as 0.4% during 2008.

The male unemployment rate has been more than twice as high as the female rate at times over the past three years, but has stayed well below the male rate for Scotland. In December 2009, Shetland's male unemployment rate of 1.9% was less than a third of Scotland's male rate (6.0%).

Economic Activity Rate

Table 5 shows the economic activity rate for Shetland, the Highlands and Islands and Scotland between January and December 2008. These figures are based on the Annual Population Survey – a residence based labour market survey. The percentages are of all people of working age, except the unemployment rate, which is a percentage of those economically active.

Table 5: Economic Activity: January 2008-December 2008 (working age population)

	Shetland		H&I	Scotland
	Number	%	%	%
Persons				
Economic activity rate	11,800	89.2	84.3	79.6
Employment rate	11,700	88.0	81.6	75.6
% who are employees	10,100	76.2	70.4	67.5
% who are self employed	**1,600**	**11.7**	**10.5**	**7.7**
Unemployment rate	-	1.4	3.2	5.0
Males				
Economic activity rate	6,600	90.6	88.2	83.1
Employment rate	6,500	90.0	85.7	78.7
% who are employees	5,500	76.0	71.6	67.6
% who are self employed	**1,000**	**14.0**	**13.7**	**10.7**
Unemployment rate	-	-	2.8	5.3
Females				
Economic activity rate	5,300	87.4	79.9	75.9
Employment rate	5,100	85.5	77.0	72.3
% who are employees	4,600	76.5	69.0	67.4
% who are self employed	**500**	**9.0**	**7.0**	**4.5**
Unemployment rate	-	-	3.6	4.8

Source: Annual Population Survey

Shetland's economic activity rate is extremely high compared with both the Highlands and Islands and Scotland, reflecting its strong economy, which is boosted by the Sullom Voe Oil Terminal and oil and gas revenues. Its overall economic activity rate (89.2% in 2008) is almost five percentage points higher than the Highlands and Islands rate (84.3%) and ten percentage points higher than Scotland's (79.6%). The differential is particularly marked for females, whose economic activity rate is twelve percentage points higher than in Scotland.

Shetland's job density (the ratio of employment to working age population) in 2007 (1.08) was much higher than that for Scotland (0.84), indicating that a substantial number of jobs on the islands are held by people who are not resident in Shetland (e.g. in oil and gas-related employment).

As in the Highlands and Islands as a whole, self employment in Shetland (11.7% of those economically active) is much more prevalent than in Scotland (7.7%), with male self employment (14.0% of economically active males) particularly high.

Income

Table 6: Median Gross Weekly Earnings (£): 2009

	H&I	Scotland	H&I as a proportion of Scotland
Median gross weekly pay for all employee jobs	£350.0	£385.4	90.8%

Source: Annual Survey of Hours and Earnings (work place based)

In 2009 the average weekly pay for all employee jobs in Highlands and Islands was around 9% lower than the equivalent for Scotland. The data is based on the Annual Survey of Hours

and Earnings and should be used with a degree of caution due to the low sample sizes for smaller geographies.

No accurate data is available for income at the Shetland geography, however, given what is known about the local economy inferences can be made about the probable nature of income.

Average earnings in Shetland are likely to be above the Scottish and the Highlands and Islands levels due to its high share of employment in relatively high paying (if occasionally erratic) sectors notably the oil industry and fishing. A secondary benefit is that these higher wages tend to be spent and put back into the local economy.

Gross Value Added (GVA)

Gross Value Added (GVA) is a measure of the income generated by a sector from the production of goods and services after the deduction of costs incurred in the production process (excluding wages and capital investment costs). It provides an indication of an area's productivity.

Table 7 shows the GVA per full-time employee (FTE) for Shetland, the Highlands and Islands and Scotland in 2007. The Highlands and Islands figures are weighted averages of the GVAs per sector for the six local authority areas that broadly comprise the region.

Table 7: GVA per FTE (£): 2007

	Manufacturing	Construction	Services
Shetland	47,349	48,932	21,901
Highlands and Islands	63,173	38,000	26,685
Scotland	62,030	47,762	35,582

Source: Scottish Executive, Scottish Annual Business Statistics, 2007
(adjusted from all employees to FTE employees)

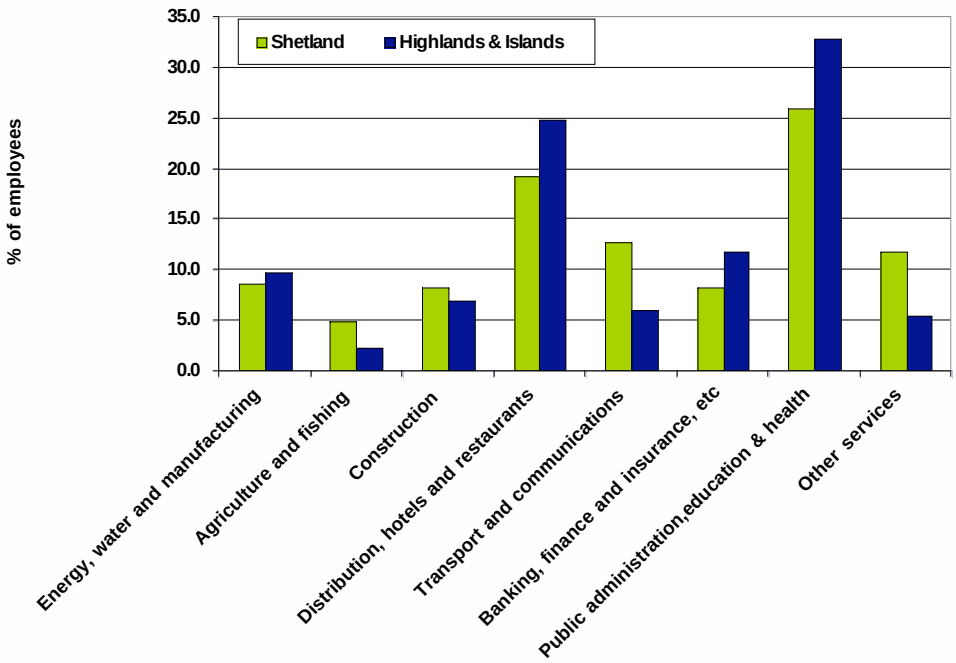
Shetland had a relatively high GVA per FTE employee in construction in 2007, which will have been due to the types of contract carried out in the area. The relatively low GVA per FTE employee for Manufacturing might not be statistically sound. The manufacturing sector in Shetland is relatively small (see further below) and includes the traditional activity of knitwear (although this is less important than in the past). The figures should be treated as indicative as there is likely to be quite a high margin for error in GVA statistics as suggested by large year-to-year fluctuations.

Employment

Employment by Sector

Figure 3 illustrates the distribution of employment by sector in Shetland and the Highlands and Islands in 2008. The figures are based on the SIC 2003 and provide a broad picture of industry categories in the area.

Figure 3: Employment by Sector: 2008



Source: Annual Business Inquiry (NOMIS)
Note: These figures exclude the self-employed. Actual employment will be higher, particularly in primary industries and tourism.

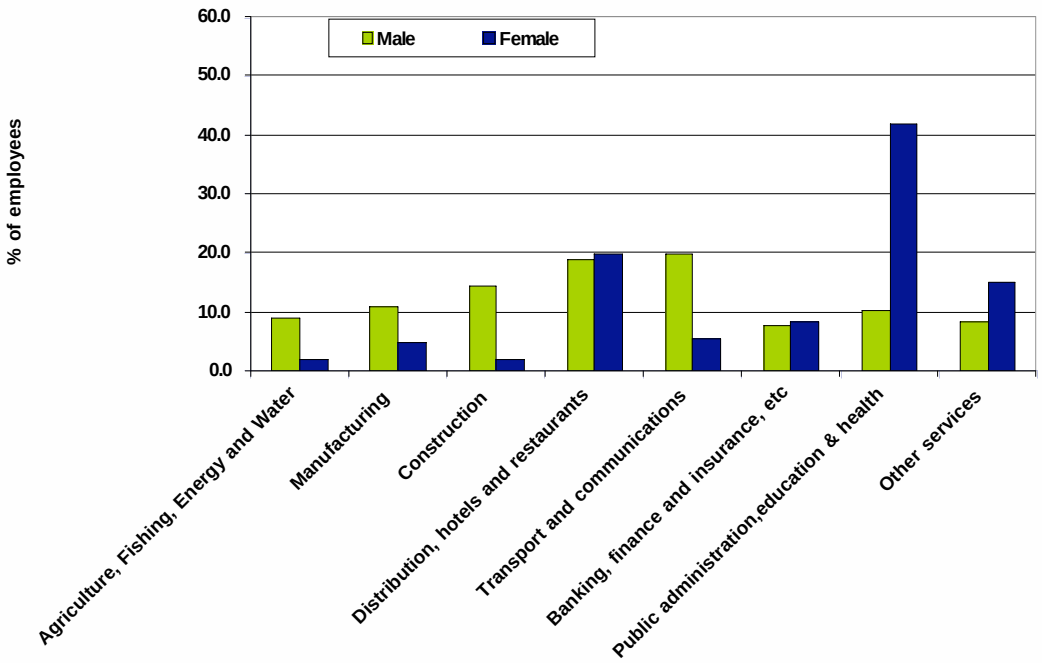
The service sector is very important to Shetland, especially public administration, education and health (which represents 26.0% of its employment), although the distribution, hotels and restaurants sector contributes less to its economy (19.4% of employment) than in the Highlands and Islands (24.9% of employment). As in the Highlands and Islands as a whole, there is a relatively low proportion of employment in financial and business services in Shetland. This is a relatively well paying sector elsewhere, although it has been particularly severely affected by the recession.

Transport and communications accounted for 12.7% of Shetland's employment in 2008, compared with 6.1% in the Highlands and Islands and 5.1% in Scotland. The construction and agriculture and fishing sectors also had higher employment rates in Shetland than Highlands and Islands in 2008.

Employment by Gender

Figure 4 shows the percentage of male and female employees by sector in Shetland in 2008.

Figure 4: Employment by Gender and Sector: 2008



Source: Annual Business Inquiry (NOMIS)
Note: These figures exclude the self-employed. Actual employment is likely to be higher particularly in primary industries and tourism.

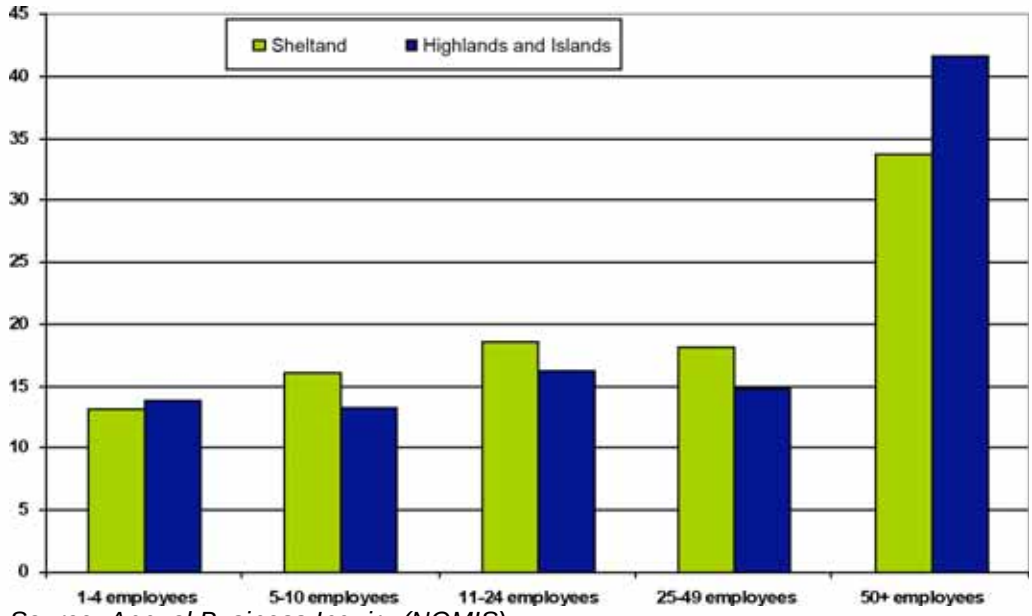
The sectors that are particularly important relatively for male employment in Shetland are Transport and communications (19.9% of its male employment compared with 9.6% in the Highlands and Islands), Distribution, hotels and restaurants (18.8%) and Construction (14.5%).

For female employment, Public administration, education and health is dominant (42.1%) with Distribution, hotels and restaurants (19.9%) and Other services (15.2%) also important.

Employment by Company Size

Figure 5 shows employment by company size in Shetland compared to the Highlands and Islands in 2008 (excluding self-employment).

Figure 5: Employment by Sizeband: 2008



Source: Annual Business Inquiry (NOMIS)

Shetland's employment by size of business is fairly similar to the pattern in the Highlands and Islands, although its proportion of employees in businesses employing 50 or more people (33.8%) is approximately 19% lower than in the Highlands and Islands (41.7%).

Business Starts

Table 8 shows the number and rate of new business start-ups per 1,000 population in Shetland, the Highlands and Islands and Scotland in 2008.

Table 8: New Business Start-ups by Area in 2008

Area	Start-ups	Start-ups per 1,000 population
Shetland	84	3.8
Highlands and Islands	1,795	4.0
Scotland	20,028	3.9

Source: Committee of Scottish Clearing Bankers
Note: population base is taken from the 2007 Mid-Year Estimates (GROS)

New business starts in Shetland were proportionately similar to starts in Scotland and the Highlands and Islands in 2008.

Business start-ups for the first three quarters of 2009 in Shetland were 36.5% lower than its 2008 quarterly average, a sharper fall than experienced in Scotland (-17.4%) or the Highlands and Islands (-14.7%).

Educational Attainment

Tables 9 and 10 show SQA attainment in secondary schools at the end of S4 and S6 in 2007/08.

Table 9: % S4 roll gaining 5+ awards at Standard Grade 1-2 by the end of S4

	2007/08
Shetland	49
H&I	38
Scotland	34

Source: Scottish Government

Table 10: % S4 roll gaining 3+ awards at Higher Grade A-C by the end of S6

	2007/08
Shetland	38
H&I	33
Scotland	30

Source: Scottish Government

Attainment in Shetland schools is extremely high, with 44% proportionately more S4 pupils gaining 5 or more Level 1 or 2 Standard Grade passes than in Scotland as a whole in 2007/08, and 27% proportionately more gaining 3 or more Level A-C passes at Higher Grade.

School Leavers

Table 11 shows the destinations of 2007/08 school leavers from Shetland, the Highlands and Islands and Scotland.

Table 11: School Leaver Destinations (%): 2007/08

	Shetland	H&I	Scotland
Total Number of Leavers	328	5,762	58,791
Higher Education	33%	30%	31%
Further Education	17%	21%	25%
Training	1%	2%	5%
Employment or Voluntary	42%	36%	25%
Unemployed Seeking Work	5%	8%	11%
Unemployed Not Seeking Work	2%	2%	2%
Unknown	0%	1%	1%

Source: Scottish Government

Commensurate with the success of Shetland school pupils in their Highers, a relatively high proportion of its school leavers (33%) go on to Higher Education after leaving school – principally on the mainland of Scotland.

Also, reflecting the strong demand for labour in Shetland, a much higher proportion of its school leavers (42%) go straight into employment than in Scotland (25%), with a lower proportion entering Further Education (17% compared with 25%).

House Prices

Table 12 shows the median price of house sales and the percentage change between 2005 and 2008 for Shetland, the Highlands and Islands and Scotland.

Table 12: Median House Prices (£): 2005-2008

	2005	2006	2007	2008	Change (2005-08)	% Change (2005-08)
Shetland	58,000	73,089	89,000	91,250	33,250	57.3
H&I	87,250	96,888	120,000	117,750	30,500	35.0
Scotland	87,000	100,000	118,000	114,500	27,500	31.6

Source: Scottish Government Communities Analytical Services Division

The median Shetland house price in 2008 (£91,250) was 20% lower than the average Scotland house price and 23% lower than the average price of a house in the Highlands and Islands, although Shetland's increase between 2005 and 2008 (+57.3%) was very steep.

According to Registers of Scotland data, the average house price in Shetland fell by 1.2% between the year ending August 2009 and the previous year compared with a 4.5% reduction in Scotland, reflecting the lesser severity of the recession in Shetland.

Quality of Life

Table 13 compares Shetland to the Highlands and Islands and Scotland on selected quality of life indicators.

Table 13: Quality of Life

	Source	Shetland	H&I	Scotland
% of population rating local authority area as a very good place to live	Scottish Household Survey (2005/06)	73	69	52
% of population perceiving vandalism/graffiti/damage to property as a problem	Scottish Household Survey (2005/06)	3	9	16
Crime rate per 10,000 population	Scottish Government (2007/08)	344	575	749
% of population living in most deprived 20% of data zones in Scotland	Scottish Index of Multiple Deprivation (2006)	0.0	4.3	19.7
Pupils per primary class	Scottish Government (2008)	16.6	19.4	23.2

On all of these indicators, Shetland rates very highly. Indeed, a 2008 Bank of Scotland research paper ranked residents of Shetland as having the highest quality of life in Scotland.

Summary

Shetland has a strong economy, with a very high employment level, relatively high earnings and low unemployment. The main employment sector is public administration, education and health, in which female employees outnumber male employees. The construction and transport and communications sectors are important employers relative to the Highlands and Islands average. The majority of employees work in small businesses. House prices in Shetland have been increasing relatively rapidly in recent years but remain below the Highlands and Islands and Scotland levels. Educational attainment is high.

Contact Information

If you have any queries about the information contained in this document, or any other economic issues, please contact HIE:

Heather Smith – Research Assistant heather.smith@hient.co.uk Tel: (01463) 244320
Kateryna McKinnon – Economist kateryna.mckinnon@hient.uk Tel: (01463)244258
Claire McDonald – Senior Economist claire.mcdonald@hient.co.uk Tel: (01463) 244228