

## General Facts and Statistics Data on Living Standards and Population Incomes in Sakhalin Region.

**Country:** Sakhalin Island, Russia  
**Post of Origin:** Yuzhno-Sakhalinsk, Russia  
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### *Summary*

The following report contains data on average prices on Sakhalin, availability of services for the general population, data on minimum living wages (minimal cost of living) for the past several years (data taken from different sources). Since some data are taken from different sources and are published at different dates, they are used for comparative purposes to evaluate difference between RFE parts or Sakhalin region districts. Part of this report provides data available from the official Statistics Committee – please note that this data is given as an approximate picture on regional incomes, as the reality proves, the realistic income figures in industry and especially the private sector may be higher. Several years ago BISNIS noted an instance when in the “statistics column” in the local newspaper, the official data were published on an average income and then a week later the same column published data on official monthly spending, which exceeded the previously published income figure. As the Russian Deputy Minister of Finance Mr. Shatalov stated in his interview, despite all the measures taken for tax legislation optimization, about 35% of wages remain “in the shade” (as reported by *RIA Novosti*, [www.rian.ru](http://www.rian.ru)). Thus, data given in this report, from different years and different sources, are represented for comparison and for understanding of the development dynamics in local living level, which in general remains low. End summary.

### *RFE living minimum and standards*

\* *Living minimum* – the term used in official Russian statistics to indicate the minimum amount of funds necessary for one person to “survive” a month. As some sources note to the point, it can also be described as “the poverty line”. The term is officially described at the Federal Law as the “monetary appraisal of the consumer basket plus the compulsory payments and fees”, where the “consumer basket “ is – “the minimal set of food products, consumer goods and services, necessary to keep health and vital functions”.

According to some official sources, those living below the **poverty level** in the Sakhalin region is one of the lowest in the Russian Far East. The number of population with the incomes lower than the living minimum is officially registered in Chukotka at 54.9% of the total population, in Amur Region – more than 40%, in Khabarovsk Krai – 36.8%, and in **Sakhalin region – 31.8%** (29.1% according to a different source).

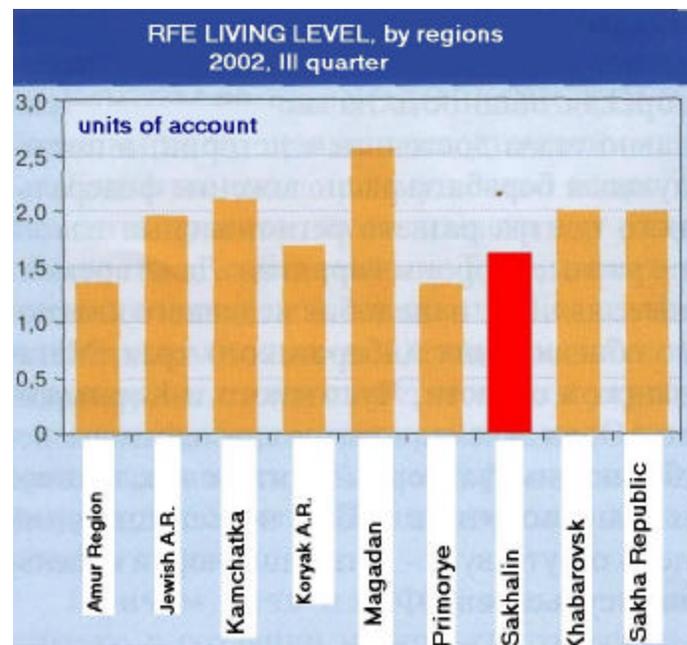
It the RFE, the maximum *living minimum* is registered, again, in Chukotka – RUR 4.2 thousand (USD 145), *Deita.ru* reports. Back in 2000, Chukotka was still the most expensive region, with RUR 2.122 (USD 70), second place was “taken” by Magadan and third – by Kamchatka. Yuzhno-Sakhalinsk was in the first five most expensive RFE cities. To compare, in 2000, in

general in Russia the price for the set of 25 *basic food products (minimal set of food products)* was calculated at RUR 577 (about USD 20).

As it was reported by the *Vostok-Media* in the beginning of 2003, four RFE territories were included into the Russia's "top five" in terms of the *minimal food products set* cost. The most expensive was Kamchatka, with RUR 1652 (USD 55). Other regions that were considered more expensive than Moscow, were – Magadan, Yakutia, and Sakhalin (with USD 46). Moscow was considered the fifth most expensive, with USD 44.5 and Tambov region- the "cheapest" in Russia with USD 28.7.

In April 2003, *Dalnevostochny Kapital Magazine* published an article on the general state of economics and living standards in the RFE. The RFE is taking the last places in the majority of forecasts made by the State authorities and the independent experts. It is a current opinion that the RFE problems and perspectives are not considered by the Federal center, but to the greater extent these evaluations are quite objective. The RFE is an integral part of the post-Soviet field, and it inherited all its inefficient management systems, low labor productivity, bad banking systems, excessive political risks, and many other factors, less two competitive factors – cheap energy and cheap labor. Price and quality of labor resources in the RFE, compared to other regions of Russia, are, unfortunately, are at a low level. One RUR in the RFE is not the same as 1 RUR in Belgorod or Stavropol'. This is why local employees are in a no-win situation. The transportation factor, low population concentration, and absence of local manufacturing all lead to an increase of prices and decrease the living standard. The lowest Far Eastern territorial living minimum level is still higher than the average all-Russian. RFE businesses have to increase salary levels and incur additional costs in order to employ a qualified workforce. If this did not happen, a natural migration of the most qualified personnel would occur. The data exists that even the increase of salaries does not completely hamper existing migration. As a result, businesses just cannot pay more money for the less qualified workforce which stays.

The difference in the RFE energy system and labor market, compared to the rest of Russia, leads to a fact that the RFE remains at the backyard of the all-Russia economic policy, which means, in one way or another, gradual introduction of value added processing of natural resources and transfer from raw materials export to processed goods export. At this time, value added processing in the FRE is in principle not expedient due to energy and labor consuming manufacturing. Value added increase to the (in fact) free natural resources leads to the general drop in production profitability (this is not true only speaking of fish resources). Wear-and-tear of the major



Graph from *Dalnevostochny Kapital Magazine*, showing comparative data on RFE regions living level as of 2002, III-rd quarter. The left scale shows units of account; the Sakhalin column is marked red.

technological resources in the RFE basic industries is at the critical level of 60-80%, on average.

At present, the Federal policy to the territories is clear – since the State budget is minimally financed, the territories cannot be subsidized properly. Plus, one Far Easterner is theoretically 10 times more expensive than the average Russian citizen. The policy towards the RFE, in the near future, will probably result in providing the minimal conditions for survival. On the other hand, as *Dal'nevostochny Kapital* states, “there is room for gray semi-tone” in this black and white picture – the level of life recently became more closer to the average Russian, certain preferences were granted to the RFE in terms of transportation and other aspects. Anyhow, the influence of neighboring Asia-Pacific countries on the economy of the RFE will be more significant than the Moscow policy of survival.

The new draft of the Russian Federal Law “On the North territories”, as it is briefly called, approved in summer of 2004 in its first reading, envisages leaving the privileges, that all Sakhaliners could count for, just for the employees of Federal agencies. The paragraph on granting the additional vacation days (which were previously available for all Sakhaliners) was crossed out of the draft. Every employee is at the moment entitled to payment for vacation tickets every two years. In the new draft this privilege is 100% granted legally to the federal budget employees, other companies and organizations are supposed to provide such privileges “at the employer’s discretion”. The Khrushchev reforms, cutting the “Northern” privileges for Sakhalin, at the time they happened, led to a notable decrease in the local population. A similar effect may be achieved in case if the Law is approved in the existing section.

Investment into the Sakhalin economy is considered to be one of the leading (if not taking the first place, as of mid-2004) in Russia. Multibillion projects are said to be the new locomotive for the economy of the region, creating new working places and improving the life of Sakhaliners. Nevertheless, despite the fact that Sakhalin-2 is in its second stage of development, Sakhalin-1 started construction in the northern part of the island and Sakhalin-4 is moving forward, it is still hard to see notable changes in the regional look. Many Sakhaliners, visiting neighbor Vladivostok and Khabarovsk, are puzzled with the fact that Khabarovsk, which does not have all the “famous” oil, is rapidly developing, compared to the ever-dirty and ill-developed Yuzhno-Sakhalinsk. The new regional Administration is pointing to the fact that all the big investment that is reportedly staying in Sakhalin region, is in fact going somewhere else – to the territories where the contractors and sub-contractors are situated. Sakhalin theoretically cannot draw all the contracts due to historically formed factors – low population, unavailability of strong technical base and others. An example is the Moliqpaq platform, which was upgraded outside Sakhalin (where all investment in the form of payment for the contract actually stayed), then brought and installed on Sakhalin, which led to official statistics showing all its cost being “in the Sakhalin region”. The way the Federal Center calculates donations to the regions leaves Sakhalin with less and less money in this situation, since the higher the investment is “on paper”, the lower are the subsidies. Being officially the region with the highest investment in Russia, to a certain extent Sakhalin has become a hostage of this prosperity, which is so far available on paper only. Several Deputies of the Sakhalin Duma are being said to try change this subsidizing situation with no luck so far on the Federal level – the problem of Sakhalin is understood, but no one wants to change the existing federal subsidy distribution formula for a single region’s needs.

Back in 1992 the regional population made up 719.8 thousand people, in 2004 – only 538.1 thousand remain and it is still decreasing. The average life span on Sakhalin is 4 years less than for the general Russian Federation. The average life span of a male is 57.3 years, which means that many people die before reaching the officially set pension age (60). The mortality is 1.5 times higher than the birth rate, *Region Newspaper* reports on July 07, 2004.

\* A crime level increase in the RFE takes the first place in Russia – in 2003 the amount of registered criminal cases per every 100.000 of population increased more than 5%. The worst situation was registered in Jewish Autonomous Region, Khabarovsk Krai, **Sakhalin Region** and Primorye.

#### *Prices for food – Sakhalin region (Yuzhno-Sakhalinsk)*

<i>Products/Goods/Services</i>	<i>Approximate price</i>	<i>Availability notes</i>
Potatoes/per kilo	Depending on a season, USD 0.4 to USD 2 per kilo	--
Tomatoes/cucumbers/per kilo	Depending on the origin, from USD 2 to USD 3.	--
Milk/per liter	Depending on origin – from USD 0.5 to USD 1.2	--
Bread/per loaf	USD 0.3 - 0.5	--
Cheese (different type, per kilo)	USD 5 - USD 8	--
Sausage (per kilo)	USD 2.5 – USD 5	
Eggs, per 10	USD 1	
Meat (pork & beef)	USD 3 – USD 10, depending on origin, quality and freshness	
Apples/per kilo	USD 2 – USD 3	
* * *		

#### *Housing situation*

In 2003, 42 thousand square meters of dwelling facilities were constructed in the region. In 1990, almost a decade ago, this level was 265.9 thousand square meters. The average wear-and-tear of the housing in the region is higher than 50%, in some districts this number reaches the critical figure of 70%.

For the past several years, Yuzhno-Sakhalinsk real estate market has gone through a maximum increase of prices. In January 2004 one square meter of housing in the center of Yuzhno-Sakhalinsk cost USD 700-750 (“Stalin” apartments), of “Khrushchev” housing – USD 600-700 and USD 750-800 - “Brezhnev” apartments. Apartments in new housing cost USD 900-1000 per square meter. The fact that the new housing is almost not constructed and the demand is increasing, leads to constant price increases. In the summer of 2004 a one-room apartment cost increased already to about USD 30 thousand (up to USD 40 thousand in newer houses). A two-

room apartment of “Brezhnev” type cost USD 40-45 thousand, the same in new housing – USD 50 thousand and higher.

Even though many local banks started to introduce mortgage services, “the average Sakhalin family will be never able to pay our loan back if the situation on the local housing market remains the same” – stated Rosbank management at a press-conference.

The average cost of public utilities paid monthly for a one-room apartment is about USD 30 in summer and USD 60 in winter.

### *Sakhalin region statistics*

According to the data available as of **2002** (source – *Regions.ru*), the highest regional level of salaries in Sakhalin region was observed in the Nogliki district. In 2002, by industries, the highest salary level was observed in the oil industry (about USD 500, by official statistics only), scientific organizations and construction (about half this figure), electric power industry, communications and transportation. The highest level of salaries after Nogliki, was registered in Kurilsk, Okha, North Kurilsk (Severo-Kuril'sk) and Yuzhno-Sakhalinsk. The lowest salary level was in Tomari, Nevelsk and Makarov. The largest by volume (cumulative) salary payment delays were observed in the Ugligorsk district, Yuzhno-Sakhalinsk, Poronaisk, Nevelsk and Dolinsk districts. The “leadership” in payment delays was observed in industry (fuel sector, especially coal mining and electric power) and in social sphere (public utilities servicing, medical sector, education). By the same source, in 2002 the Sakhalin region took the fifth place in the RFE by the level of salaries (officially reported salary – RUR 4,899, about USD 163). The Sakhalin region was also the fifth in terms of salary debts.

*Note – the oil industry workers, by all-Russia statistics, are the most highly paid industrial workers in general, data as on October 2003; Russian average oil worker salary was about \$630 in extraction and \$400 in processing)*

A year ago (summer 2003), the official “living minimum” was about \$120 a month, and this figure increased about \$25 since 2002. The figure is differentiated between working population and pensioners - \$130 and \$95 correspondingly. The increase (comparing 2002 and 2003) for both groups is about the same, the higher increase was observed for such group as children – the minimum figure increased by \$26 (approximately), the Regional Administration Press Center reported in June, 2003.

In 2003, the specific share of the population with the salary, lower than the official living level, in Sakhalin region was higher than on average in Russian Federation. According to different official sources, this figure might have been as high as 50% of the total (*Note – another source states that the level might be as low as 31.8% - see the beginning of this report*).

In the region, the amount of working population is 52% of the total, seven of ten work in industry sector, three are hired by entrepreneurs or are entrepreneurs themselves. In 2003, by official statistics, a higher salary increase was observed in IT, construction, transportation,

communications and geology. **The average salary was RUR 9331 (USD 310); men earn on average RUR 11927 (USD 400), women – RUR 7701 (USD 255).** Forty percent of Sakhalin inhabitants live on earnings from their work, 20% list their major income being pension, and ¼ of all Sakhaliners are dependants (*information of the Press-Center of the Regional Administration, as of June 2004. Please note that this data differs from the data available in the report, prepared by the Statistics Committee at the beginning of 2004. This info is listed further below*).

In the *second quarter of 2004*, the officially set average living minimum on Sakhalin was **RUR 4.292, which is about USD 148**. This figure makes up about USD 156 for working adults, USD 111 for a pensioner and USD 140 for kids. The price of *the minimal set of food products* in June 2004 was officially calculated to be **RUR 1.700 (about USD 58)**. This figure for the minimal set of food products is reportedly increasing by several percentages a month (in June 2004 this increase made up 2.1%).

*Major Social & Economic facts – Sakhalin Region, 2003 (IN MILLION). Data of the State Statistics Committee.*

	Absolute Data		In % to the corresponding period of the prev. year		FYI: 2002 to 2001, in %.
	December	January-December	December	January-December	
Construction of dwelling housing. <i>sq.m.</i>	<b>19574</b>	<b>46799</b>	77.4	109.9	111.0
Retail Trade Turnover	RUR 1832.9 <b>USD 61.1</b>	RUR 19232.3 <b>USD 641.0</b>	108.7	110.7	118.3
Catering Turnover	RUR 88.9 <b>USD 2.96</b>	RUR 916.8 <b>USD 30.56</b>	107.5	124.6	126.9
Services for population	RUR 736.1 <b>USD 24.5</b>	RUR 8033.4 <b>USD 267.78</b>	103.6	106.6	112.6
Average number of employees, approximate, <i>thousand people</i>	<b>191.8</b>	<b>193.9</b>	99.1	100.2	99.6
The number of <i>officially</i> registered unemployed, at the end of the month, <i>thousand people</i>	<b>6.4</b>	<b>X</b>	77.0	X	115.9
(Real) Populations incomes	X	X	116.1	118.0	120,3
Salary as per payroll, per one employee (approximate)	RUR 12952.2 <b>USD 431.7</b>	RUR 9284.8 <b>USD 309.5</b>	134.7	133.4	138.4
(real)	X	X	120.4	115.8	118.4

Note –

- 1) *“Average per capita income” presumably means salaries plus any social outpayments, any other possible income per every inhabitant of the region. “Nominal Wage (salary)” is thus higher than the per capita income. When the Statistics Committee calculates per capita income, they take into account spendings of the population in which they document.*
- 2) *“Real Income” means here the income minus any compulsory payments, e.g. for public utilities, with the correction by the consumer prices index. The term is usually used for comparison (looking at the statistics, this is not an absolute value), to highlight the change in real purchasing ability of salaries. Similar for “Real Salary” – which means salary divided by the index of prices change.*

**Average per capita income in 2003** was estimated to be **RUR 7038.5 (about USD 235)** (if we take the fact that 52% of the population is working (getting salaries) and do our own calculations of per capita income based on the figure of average nominal wage below,  $RUR\ 10,279.5 \times 52\% = RUR\ 5300$  This means that the difference must be coming from sources other than salaries These may be, to a lesser degree, also pensions and social payments, and may be also other, even non-official sources. The difference is over \$50 per capita.). Compared to 2002, this is 37.4% increase. As officially estimated, consumer spendings made up **RUR 4064,6 (USD 135)** a month and increased by 29.2% compared to 2002. **Real incomes (incomes minus compulsory payments, corrected by the consumer prices index) in 2003** increased 17.8% compared to 2002.

**Nominal wage** in November 2003 made up **RUR 10279.5 (USD 343)** and increased 35.6% compared to November 2002 (an average all-Russian increase made up 27.9%).

Total salary debt made up approximately USD 14.5 million (RUR 426.6 million). The debt due to unavailability of funds at companies and enterprises makes up 87.3% of this amount.

**The amount of real salary** in November of 2003 increased, compared to November of 2002 by 20.1% (the average all-Russian increase was 13.7%).

*Amount of employees and wages, official data  
November 2003 (Large and medium enterprises only). By Statistics Committee.  
(several districts of the region shown only, FYI)*

	Average amount of permanent employees	Average salary. as per accounts		
		RUR	USD	% to November 2002
<b>Total for the region</b>	<b>147509</b>	<b>10808.5</b>	<b>360.2</b>	<b>135.3</b>
Yuzhno-Sakhalinsk	60906	13167.4	438.9	137.4
Dolinsk	5293	7041.4	234.7	144.5
Korsakov	8891	7700.5	256.7	131.9

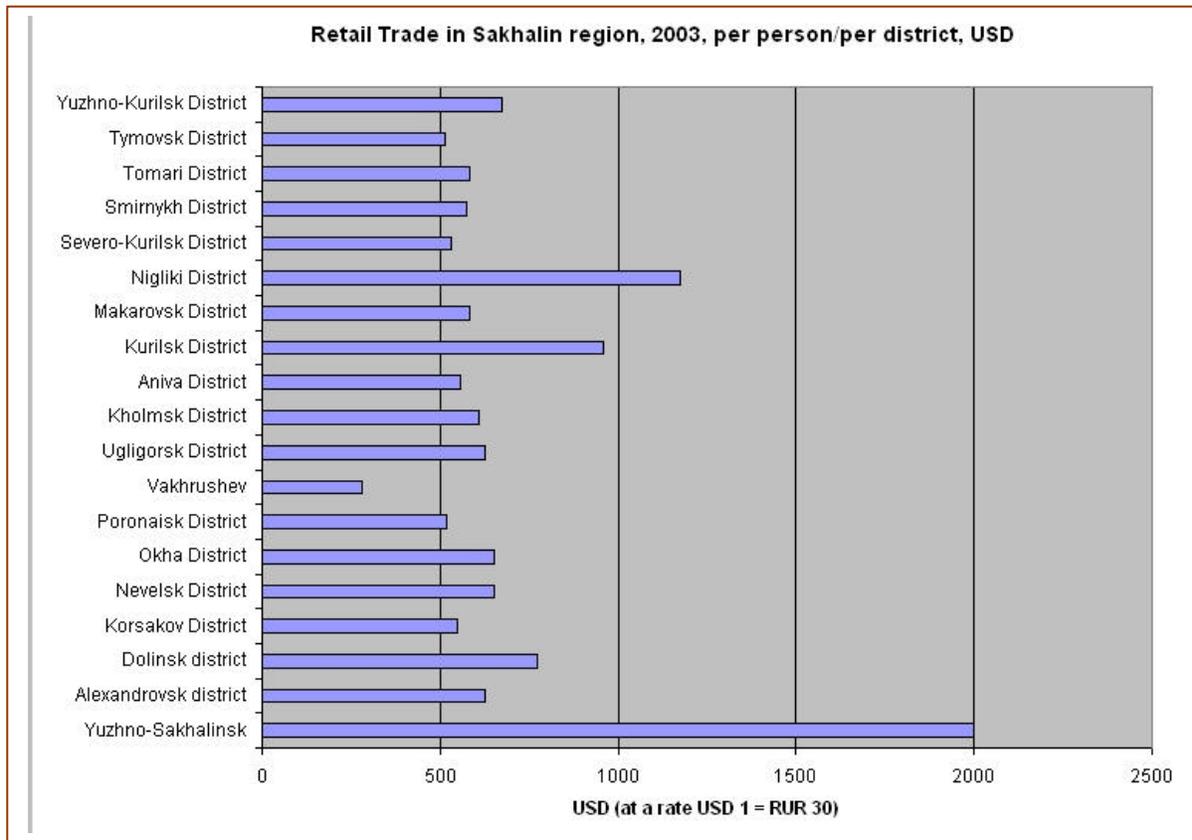
? ????????	12349	13831.8	461.0	123.5
Nogliki	5842	18408.8	631.6	130.8
Kholmsk	11306	7722.8	257.4	131.2

As seen from the table, the average salary in November, at large and medium enterprises, was RUR 10,808.5 and increased 35.3% compared to November 2002. The real increase (taking into account prices changing) made up 19.8%. The average regional increase in salaries for this group made 0.8% compared to the previous month (November 2003 to October 2003).

*Retail trade turnover in Sakhalin region, per district/per person, 2003; USD*

Yuzhno-Sakhalinsk	2000
Alexandrovsk district	628
Dolinsk district	775
Korsakov District	550
Nevelsk District	652
Okha District	652
Poronaisk District	520
Vakhrushev	281
Ugligorsk District	624
Kholmsk District	610
Aniva District	558
Kurilsk District	959
Makarovsk District	583
Nigliki District	1173
Severo-Kurilsk District	531
Smirnykh District	575
Tomari District	583
Tymovsk District	515
Yuzhno-Kurilsk District	672

The total average turnover per person in 2003 made up **USD 1110** (which makes about **USD 92.5** per month), 52.5% were spent for food products and 47.5% - for consumer goods. Compared to 2002, the turnover increased by 11.9% (in comparable prices). For Yuzhno-Sakhalinsk, the average per month spending per person would make about **USD 167** (*all data by Statistics Committee*).



*Social and economic differentiation of population (by Statistics Committee; evaluation data)*

For the statistics purposes, the population divided into 10 groups. Group I has the lowest income. The difference in incomes between Group I and Group X is 12 times. In 2002 this difference was 10.4 times.

*Total amount of population incomes*

	<b>In per cent</b>	
	<i>2003</i>	<i>FYI 2002</i>
<b>Incomes</b>	<b>100,0</b>	<b>100,0</b>
<i>By 5 (20% each) population groups -</i>		
1 <sup>st</sup> (the lowest income)	6,2	6,7
2 <sup>nd</sup>	11,0	11,5
3 <sup>rd</sup>	15,8	16,3
4 <sup>th</sup>	22,9	23,0
5 <sup>th</sup>	44,1	42,5

*Population by the amount of average per capita incomes*

		<b>In per cent of the total population</b>	
		<i>2003</i>	<i>FYI 2002</i>
<b>All population</b>		<b>100.0</b>	<b>100.0</b>
Including: with average per capita incomes per month, RUR		Approximate, USD	
Up to 500.0	Up to 16.6	0.0	0.0
500.1 – 750.0	16.7 – 25	0.2	0.4
750.1 - 1000.0	25 – 33.3	0.5	1.0
1000.1 -1500.0	33.3 – 50	2.2	4.4
1500.1 -2000.0	50 – 66.6	4.1	7.1
2000.1 -3000.0	66.7 – 100	11.7	17.7
3000.1 - 4000.0	100 – 133.3	13.1	16.9
More than 4000.0	More than 133.3	68.2	52.5

By preliminary data only, 10% of the wealthiest population in the region had 27.8% of the total money income; 10% of the poorest had 2.3% of the total money income. The amount of the population having incomes lower than the living minimum, made up **168.3 thousand people**, or **29.1% of the total permanent population**. The amount of the **living minimum** made up **RUR 3887 (USD 130)** in the third quarter of 2003. For the working population this figure is RUR 4147 (USD 138), RUR 2922 for pensioners (USD 97.5) and RUR 3694 for kids (USD 123). Out of RUR 4147 living minimum for a working person, RUR 3726 (USD 124) were allocated for consumer basket. Consumer basket is divided into food products – RUR 1365 (USD 45.5) and consumer goods – RUR 858 (USD 28.5), services – RUR 1503 (USD 50); compulsory payments and fees – RUR 421 (USD 14).

It is difficult to say why for statistical purposes the living minimum is calculated in such a way. Current figures mean that the working adult, in order not to starve, has to live on \$1.50 a day spent on food. For Yuzhno-Sakhalinsk it is an equivalent of a kilo potatoes, loaf of bread, 1 liter of milk and 2 eggs. A dollar and a half can also buy you a kilo of cheapest fruit.

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