



Stockholm School of Economics in Riga

# FACULTY RESEARCH ACTIVITIES



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## INTRODUCTION

The Stockholm School of Economics in Riga (SSE Riga) was founded in 1994 with the mission to provide state-of-the-art education and research in business and economics that contributes to the economic and social development of the region.

Our research is about furthering knowledge and addresses our current and future challenges. Our research also brings challenges in policy and society into the limelight. Researchers at SSE Riga work with policymakers and businesses to ask questions about the economy, society and our future.

SSE Riga's research informs its teaching and has contributed to the learning of our students. Our graduates, more than 2,000 from the BSc programme and over 300 from the Executive MBA programme, use this knowledge to live up to the School's mission and actively contribute to the development and well-being of the Baltic states.

In this varied edition, we learn how our research and policy work on the shadow economy, entrepreneurship, sustainability, well-being and happiness, economic growth, and social inclusion contributes to the public debate and academia.

Our students and international faculty are faithful to the mission of SSE Riga and engage in research that extends beyond the classroom. In this brochure you can read about recent research activities by the SSE Riga faculty.



# SHADOW ECONOMY

RESEARCH:

## The Shadow Economy Index for the Baltic Countries

Tālis Putniņš, PhD,  
Assistant Professor at SSE Riga

Arnis Sauka, PhD,  
Associate Professor at SSE Riga



The Shadow Economy Index for the Baltic Countries is an annual SSE Riga study which targets entrepreneurs in the Baltic countries.

The authors of the study are Dr. Arnis Sauka, Director of the Centre for Sustainable Business at SSE Riga, and Dr. Tālis Putniņš, Assistant Professor at SSE Riga. In order to calculate the size of the shadow economy as a percentage of GDP, the index comprises calculations on the under-reporting of business income, employees and wages.

The latest results of the study show that despite economic growth in 2017, the shadow economy in Latvia has been growing. Expressed as a percentage of gross domestic product (GDP), in 2017 the shadow economy reached 22% in Latvia and 18.2% in Lithuania and Estonia. Year-on-year, the shadow economy has increased by 1.3% of GDP in Latvia, 2.8% of GDP in Estonia and 1.7% of GDP in Lithuania.

In Latvia, this increase followed a period of reduction in the shadow economy — in the years 2014 to 2016 the shadow economy decreased by approximately 1% per year. In Lithuania and Estonia, however, it has been on the rise for three years in a row.

As Dr. Sauka stresses: “Although GDP has grown by 4.5% compared to 2016 and the general budget revenue (taxes) administrated by the State Revenue Service has increased by 7.7%, **the shadow economy in Latvia is growing nevertheless.** In a situation where the economy is growing and overall tax income is increasing, such an increase in the shadow economy, instead of a reduction, is an alarming sign.”

According to Sauka, one of the main reasons for the current increase is that economic growth in Latvia is faster and the overall size of the economy is larger than what is shown by statistics: **“The size of the shadow**

**economy can increase, even if overall tax revenue is growing.”**

Another reason is problems related to the functioning of control mechanisms and the general attitude of businesses towards taxes. As Sauka explains: “With the economy growing, the share of the shadow economy decreases. If companies don’t see a reason to pay more in taxes even during an economic upturn, then policymakers should ask: why does this happen? Sure, it is possible to strengthen the control mechanisms, but before you do that it is worth remembering that **the taxpaying behaviour of businesses is often a reflection of the work of policymakers, including their trust that the money paid as taxes is spent properly.** It seems that such trust is not yet widespread among Latvian businesspeople.”



## RESEARCH:

# The Shadow Economy Index in the Construction Industry in Latvia

Arnis Sauka, PhD,  
Associate Professor at SSE Riga

This study aims to explore the amount and key determinants of the shadow economy, specifically in the construction industry in Latvia. The study evaluates various policy initiatives and offers further suggestions to combat the shadow economy and to increase competitiveness within the industry.

The study draws on a survey of approximately 250 managers of construction companies in Latvia (randomly sampled, representative, phone interviews) conducted in April 2018 and the same number of managers interviewed one year later. Additionally, the insights of five experts — owner-managers of large construction companies with considerable experience in the industry and involvement in organizations representing the industry (NGOs) — complement the study.

According to the latest findings from the survey, **the size of the shadow economy in the construction industry sector is still relatively high but has positive dynamics.** In 2015 the shadow economy in the construction sector was 40.0%, while in 2016 it was 38.5%. In 2017 it decreased by

another 3.3%, reaching 35.2% of GDP. **A decrease has been observed in the size of the shadow economy in all its components.**

Namely, the percentage of envelope wages has decreased slightly (32.1% in 2017, compared to 34.6% in 2016 and 36.3% in 2015). In 2017, compared to the previous year, underreporting of business income (profit) decreased (from 30.0% to 26.7%) as did underreporting of the number of employees (from 20.5% to 17.6%).

“Fighting the shadow economy is a very complicated task which cannot be done by any single institution alone. Best practice also shows that the results are more efficient if industries cooperate with policymakers. Through the involvement of the Latvian Partnership of Construction Companies, the study has had a significant impact by providing policymakers with better tools to make more informed decisions in fighting the shadow economy in the construction sector,” states the author of the study, Arnis Sauka.

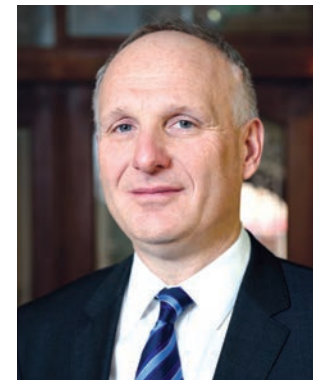


# BUSINESS ENVIRONMENT

RESEARCH:

## Global Entrepreneurship Monitor

Anders Paalzow, PhD,  
Rector of SSE Riga



Latvia has participated in the Global Entrepreneurship Monitor (GEM) project since 2006 via SSE Riga and the Baltic International Centre for Economic Policy Studies (BICEPS).

GEM is one of the world's largest cross-national collaborative social science research projects. It provides world-class data on entrepreneurship which is used to identify policies and make evidence-based recommendations to increase the level and quality of entrepreneurial activity.

The main objective of the project is to provide high quality information, comprehensive reports and real-life examples, which greatly enhance the understanding of the entrepreneurial phenomenon, through a vast, centrally coordinated and internationally executed data collection effort.

GEM is a trusted resource on entrepreneurship for key international organisations like the United Nations, the World Economic Forum, the World Bank, and the Organisation for Economic Co-operation and Development



(OECD), providing custom datasets, special reports and expert opinions.

These important bodies leverage GEM's rich data, tried-and-tested methodology and network of local experts to promote evidence-based policies on entrepreneurship around the world.

According to SSE Riga Rector Anders Paalzow, who co-authored the study, "by looking at individual behaviour and attitudes towards entrepreneurship as well as the national context, GEM provides valuable insight to Latvian policymakers. Our research has shown how Latvian entrepreneurship and entrepreneurial aspirations have changed

over time and over the business cycle. There are two interesting findings worth highlighting: compared to other countries, **Latvia does well in terms of female entrepreneurship** and, secondly, **Latvia has an untapped potential in terms of entrepreneurship** — mainly, it is fear of failure that restrains Latvians from going into entrepreneurship, despite the fact that they have good ideas. If one could reduce the negative consequences of failure and see it as a part of the entrepreneurial process, it would do wonders for Latvian entrepreneurial activity and hence Latvia's development."

#### RESEARCH:

## The Life-Cycle of Dual-Class Firms

Anete Pajuste, PhD,  
Associate Professor at SSE Riga



If you invest one euro in company shares and I invest one euro, we both get the same number of votes, right? Not always. If a company's stock is split into different categories, known as dual-class shares, the owners of one class of shares get more voting power than the owners of the other. This dual-class financing is on the rise in recent years, particularly among high-tech firms, following Google's seminal 2004 dual-class IPO structure. LinkedIn, Groupon, Zynga, Facebook and Fitbit quickly followed. Furthermore, the photo-sharing app Snap Inc. took the extreme form of dual-class financing by granting zero voting rights to investors in its IPO in March 2017. This financing choice leaves the control in the hands of entrepreneurs, giving outside investors with inferior vote shares no direct mechanism to influence the board or management. **Rather, public investors buying inferior vote shares at the IPO are betting that granting entrepreneurs such control allows them to better implement their unique vision.**

Research conducted by Anete Pajuste (SSE Riga) jointly with Martijn Cremers (University of Notre Dame) and Beni Lauterbach (Bar-Ilan University) focuses on the market valuation and the life-cycle of dual-class firms and empirically investigates the desirability of sunset provisions — specified and limited duration of dual-class structures. This project benefited from excellent research assistance from former SSE Riga students Diana Karhu, Anton Nartov, Konstantins Šeļegs, and Violeta Toncu.

The study shows that the valuation difference between dual and single-class firms varies over their life-cycle. **On average, dual-class firms have higher valuations than single-class firms. Over time, this valuation premium tends to dissipate, whereas the difference between voting and equity stakes of the controlling shareholders of dual-class firms (the "wedge") tends to increase.**





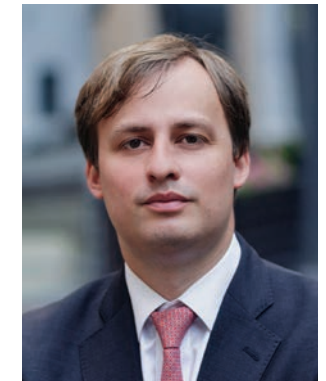
Since its first public appearance in November 2017, the paper has received attention among policymakers and industry leaders in the US, as evidenced by, for example, a speech by SEC Commissioner Robert J. Jackson, a policy document of the Council of Institutional Investors, and an open letter from BlackRock Inc., one of the largest asset management companies in the world.



#### RESEARCH:

## Grocery Retail in Latvia – Sector Study

Yuri Romanenkov, MBA,  
Executive Vice President - Development



The SSE Riga Centre for Retail, together with the Baltic International Centre for Economic Policy Studies, has conducted a study of grocery retail in Latvia. The study reviews the development of grocery retail over the course of the last 15 years, which saw a rapid expansion of modern retail. It assesses the sector's contribution to the Latvian economy, major drivers of growth and key challenges for the sector in the upcoming years. Based on this analysis, the study makes recommendations for policy measures that could better support further growth of this sector.

Grocery retail is one of the main sectors that indicates the development of the overall macroeconomy. In the period of 2000-2015, it grew largely in line with macroeconomic growth at 9% p.a. **The share of grocery retail in total consumption in Latvia is, at 34%, among the highest in the EU, consistent with GDP per capita being among the lowest.**

Our analysis demonstrates that overall (accounting for direct, indirect, and induced effects), the sector contributes approx. 9% of the GDP of Latvia. Its labour intensity means that it contributes even more in employment terms, employing 16% of the labour force and accounting for 14% of total wages. The value added of the sector is potentially significantly greater if the grey economy is accounted for. It also makes a number of important intangible contributions, such as ripple effects of the digitisation of the sector.

The sector growth outlook for 2017-2020 suggests a slowdown to growth rates in the range of zero to ~3%. We expect adverse demographic trends to significantly offset growth in per capita grocery retail spend driven by overall macroeconomic growth. We also consider a range of scenarios of evolution of per capita grocery retail spend, reflecting a potential decrease in the share of disposable income spent on groceries as



Latvian GDP per capita converges with the EU average.

We believe policymakers can help stimulate the growth of the grocery retail sector going forward through 13 potential initiatives, which fall into three categories: (1) Increasing purchasing power (e.g. through reducing VAT on a range of food categories, in line with most EU member states); (2) Driving regional development (e.g. through developing Retail

in Rural Regions programmes, leveraging the experience of sparsely populated areas in the Nordics); and (3) Ensuring fair competition (e.g. through strengthening the rules and compliance around franchise agreements and responsibilities of franchisors).

#### RESEARCH:

## Development of the Investment Climate in Latvia

Arnis Sauka, PhD,  
Associate Professor at SSE Riga



The aim of the Sentiment Index is to summarize the key concerns and suggestions of the main foreign investors in Latvia — representatives of companies that have made the decision to invest in the country and have been operating here for a considerable time period. The study draws on miniature case studies: in-depth interviews with the CEOs of key foreign investors in Latvia (42 CEOs were interviewed).

The Sentiment Index is commissioned by the Foreign Investors' Council in Latvia (FICIL) and conducted by Dr. Arnis Sauka, Director of the Centre for Sustainable Business at SSE Riga.

The results of the 2017 study suggest that the investment attractiveness of Latvia has improved slightly compared to 2016. Dr. Sauka says that **“the main reason we are talking about foreign investment is because of the impact it has on our economy — these companies do seem**

**to be more productive.”** According to the results, **demography is the most challenging topic, not only for people who do business here but also for Latvia as a whole.** “If demographic problems cannot be solved, other solutions must be found. In the field of healthcare, the government has promised progress, but we see no signals,” Sauka concludes.

The majority of the foreign investors interviewed do not see any progress with regard to the most significant areas of concern: demography, access to labour and improvements in the healthcare system. Of the 42 interviewed investors 30 or more answered that over the past 12 months no progress had been achieved in any of these areas.

Access to labour and improvements in the healthcare system are areas where policy-makers should invest more to achieve results in the short term.



## OVERVIEW OF ACTIVITIES:

## Building Entrepreneurship Capacity in the Baltics

Aivars Timofejevs, MSc,  
SSE Riga Research Associate



SSE Riga is one of the leaders in accelerating entrepreneurial capacity in the Baltics; however, this process needs constant improvement, which is achieved by a wide range of capacity-building activities conducted by SSE Riga.

Entrepreneurship is key to economic and social development; both entrepreneurial activities and business creation lead to growth in productivity and job creation, as acknowledged by the EU's Entrepreneurship 2020 plan (2011-). The EU continues to invest in entrepreneurship to unleash Europe's entrepreneurial potential through entrepreneurial education, training and support. **The plan hopes to reignite the culture of entrepreneurship in Europe and nurture the new generation of entrepreneurs.**

Research conducted by SSE Riga faculty shows that entrepreneurship contributes to the development of the Baltic region.

The Latvia Competitiveness Report (2012) highlights that “entrepreneurship and innovation [...] are [...] drivers of future prosperity and in many cases have a direct impact on productivity”. The Global Entrepreneurship Report (2015) emphasizes that **Latvia has already achieved a high early stage entrepreneurial activity rate.** Investment in education and training has strengthened in the Baltics during the past decade. The result is increased competence and education of entrepreneurs.

Since SSE Riga's establishment in 1994, the School has been a leader in fostering entrepreneurship in the Baltics through education, capacity building, and research and policy. The capacity-building activities have involved and benefited alumni and the wider community. Recently, StartUp Passion also involved Scandinavian participants. There are two capacity-building initiatives run by Connect Latvia: regional training programmes and the Cambridge-Riga Venture Camp.



SSE Riga participates in these programmes in varying degrees. EU/Interreg-funded capacity-building programmes, such as StartUp Passion or Best Agers, allow SSE Riga to work with partners on large international projects.

In the past 5-6 years at least 600 participants took part in SSE Riga capacity-building events. This is a significant contribution to the Baltics' human capital development. SSE Riga has created a unique network in the Baltics, which includes SSE Riga alumni, delivery partners, sponsors and participants in various SSE Riga entrepreneurship projects. Some of the capacity-building pro-

grammes were run by SSE Riga, while for others the School cooperated with its delivery partners, Connect Latvia, Riga State Gymnasium No. 2 and the SSE Riga Mentor Club being the largest. In terms of capacity building, SSE Riga mainly offers programmes in the Ideation phase. All activities conducted are having a significant impact on the development of entrepreneurial spirit in the Baltics and Europe in general.

## RESEARCH:

## Evaluation of the Misallocation of Resources in Latvia

Konstantīns Beņkovskis, PhD,  
Associate Professor at SSE Riga



The rapid growth of Latvia's productivity in the 1990s and early 2000s was driven by unique factors: initial convergence due to the transformation of the economy and the credit boom led by foreign banks. As these factors are not likely to reappear in the foreseeable future, other ways to stimulate growth in Latvia ought to be looked for.

The aggregate productivity and income of a country can be boosted in two ways. One way is to increase the productivity of individual enterprises, which is closely related to innovations and education reforms. Alternatively, the redistribution of labour and capital from less productive to more productive firms improves the so-called allocation of resources. Productive firms will make better use of production factors and generate larger aggregate output.

The aim of this study, conducted by Associate Professor Konstantīns Beņkovskis at the Bank of Latvia, is to evaluate the misalloca-

tion of resources in Latvia and find the determinants of misallocation.

Reallocation of resources (labour and capital) is a largely overlooked opportunity to boost Latvia's productivity and total income. Konstantīns Beņkovskis states that "potential output gains from reallocation came to 32% in Latvia in 2014".

**According to the results of the study, misallocation of resources in Latvia is to a large extent driven by the different competition levels in domestic and foreign markets: export-oriented (and more productive) companies face much tighter competition on external markets, which precludes them from further growth.** Thus, there is still some room for improving the allocation of resources in Latvia by stimulating further competition on the domestic market and ensuring better access to financial capital for export-oriented enterprises.





# ECONOMIC GROWTH AND SOCIAL INCLUSION

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PARTICIPATION IN AN ORGANIZATION:

## **The Fiscal Discipline Council of Latvia**

**Morten Hansen, MSc,**  
Head of the Economics Department  
at SSE Riga



The Fiscal Discipline Council of Latvia is an independent body established to monitor compliance with the rules of fiscal discipline (i.e. government budget balance and debt) as stipulated by the Latvian Fiscal Discipline Law as well as the EU's Growth and Stability Pact and Fiscal Compact.

The Council started its operations on 1 January 2014 and consists of six persons, one of whom is the Head of SSE Riga's Economics Department, Morten Hansen.

He was re-elected to the Council for a second term in December 2016 by the Latvian parliament, a term that will last through 2022. Together with Ülo Kaasik, Vice-President of the Bank of Estonia, he is one of two foreigners on the Council.

By monitoring Latvian budget policy via the country's yearly Stability Programme as well as through the budget process, the Fiscal Discipline Council assists in providing fiscal policy that is sustainable for short-term as well as long-term development of the Latvian



economy. More information can be obtained from [www.fdp.gov.lv](http://www.fdp.gov.lv).

In addition, Morten Hansen adds to the economic-political debate in Latvia through his columns at the independent Latvian newspaper IR (more information at [irir.lv](http://irir.lv)) as well as through numerous presentations at various Latvian and international institutions.

## RESEARCH:

## Demographic Change in the Baltic Countries

Zane Vārpiņa, PhD,  
Assistant Professor at SSE Riga



This project studies the demographic situation in Estonia, Latvia and Lithuania and examines economic and societal implications of demographic change. The research aims to describe the situation, causes and implications of such change and indicate the areas of action and available tools for mitigating the effects of shrinking and ageing populations, with healthy life expectancy, regional impact analysis, demographic transition, a second demographic dividend and remigration being areas of exploration.

**Shrinking and ageing populations pose immense challenges to the economies of European countries. The economies of the Baltic countries are particularly affected because of the high pace of changes compared to Western Europe.**

Given the limited historical evidence, the precise size of the impact is impossible to predict; however, the main areas are known to be: (1) lower competitiveness via shortages in the labour market, (2) a dampening effect

on economic growth, (3) pressure on public finances and (4) changing patterns of consumption. In addition, at least two sectors — education and health — will experience radical changes due to shifting demographics.

Despite awareness of demographic decline and changes in age structure, there is little decisive action on the political stage.

The findings show that the most powerful instruments are those that affect the labour market: improvement in productivity, an increase in labour participation and working beyond the current retirement age. The latter two are feasible only through educating and re-educating the workforce and improving the population's overall health.

The emigrant population holds a potential that needs to be unlocked, but it is equally important that policies aimed at migration should not be limited to calling for the return of emigrated nationals, but should also





include improvement of critical institutions: government trust, efficiency and transparency, legislation, the court system, protection of rights, etc.

The research has been undertaken by SSE Riga in cooperation with Re:Baltica and the Friedrich-Ebert-Stiftung (FES). The research and analysis was conducted by Zane Vārpiņa, SSE Riga Assistant Professor, while Inga Sprīģe (Re:Baltica) published several articles making the aspects of the topic available to a wider audience. FES supported the analysis and carried out further dissemination.

The research topic is receiving increasing attention, especially in light of upcoming elections. The implications of demographic change have been discussed in the AmCham Outlook Series together with the Minister of Economics A. Ašeradens and other experts. Articles in the magazine 'Ir' and a series of TV and radio broadcasts in Latvia and abroad have activated the awareness of the need for targeted demographic policy actions.

#### RESEARCH:

## Political Wages

Nicolas Gavaille, PhD,  
Assistant Professor at SSE Riga



To recruit a new employee, a company can decide to propose a higher wage than the market salary in order to attract applicants with higher skills, but also to increase their willingness to obtain (and keep) the job, implying better performance. Does this mechanism also apply to the political labour market, where voters (the recruiters) have to select politicians (the employees) to run political offices?

For instance, in 1994 Singapore adopted a salary scheme proposing relatively large remuneration for its elected officials and civil servants, with the explicit aim to attract the most competent candidates. The Singaporean Prime Minister tops the list of the highest-paid politicians in the world. On the other hand, the remuneration of New Hampshire legislators is kept at \$100 a year, based on the idea that wage should not be a motivation, so that only 'public-spirited' politicians run for election. Whether politicians' pay affects their behaviour and willingness to run for

office and how it might do so remains an open question.

To address this issue, Assistant Professor Nicolas Gavaille exploits, in a new work-in-progress project, a specific feature of French local institutions: the wage of the mayor is about 2500 EUR per month in municipalities with less than 20,000 inhabitants, while it switches to 3500 EUR if the population count crosses the threshold. As personal investment is the main financial resource of candidates in municipal elections, the project examines whether their investment is affected by this sharp wage increase.

**The answer is surprising: yes, there is a significant difference in the average amount invested by candidates just below and just above the 20,000-inhabitant threshold, showing that politicians' wage does play a role in the behaviour of candidates.** But the effect is negative: candidates running for a higher



wage actually invest less. Does this mean that a higher wage attracts candidates with lower financial resources? Or that it leads to a higher level of political competition, candidates being more reluctant to invest in a more uncertain race? Or perhaps it attracts more competent candidates who use their campaign resources more efficiently? Determining the drivers of this phenomenon is the next logical step of this project. Does politicians' pay affect their behaviour and willingness to run for office?

- In France, the wage of the mayor increases by 40% if the municipality's population crosses the 20,000 threshold
- Most campaign resources come from candidates' personal investment
- Wage significantly affects the amount invested: candidates running in municipalities just above the threshold invest less than those running in municipalities just below

Under certain conditions, increasing the wage can favour the emergence of more competent politicians.

#### RESEARCH:

## Remigration and Brain Gain

Kata Fredheim, PhD,  
Assistant Professor at SSE Riga

Zane Vārpiņa, PhD,  
Assistant Professor at SSE Riga



Latvia has exhibited the fastest depopulation rate in the world; since 2000, the Latvian population has shrunk by 18% to around 1.9 million people due to a combination of low birth rates and emigration. With an estimated 259 000 people who emigrated from 2000-2013 and have not returned, it should be no surprise that remigration has emerged as a topic of national interest – in particular in the aftermath of the financial crisis. Lithuania is experiencing similar trends, while Estonia only recently reversed the trend to positive net migration. The increased focus on remigration is not unique to the Baltics. After Central and Eastern European countries' accession to the EU and the financial crisis that motivated people to leave their countries for work or educational reasons, their return has been identified as a way to reverse brain drain and turn migration into a source of brain gain.

When migrants return, the skills, experiences and networks they bring back constitute

net human capital gains, often described as brain gain. **The assets that return migrants carry include work and study experience in a different environment, languages, innovations, advanced technology skills, foreign contacts, entrepreneurial aspirations, and financial resources to be invested in business ventures.**

The research team at SSE Riga is working on a three-year project on the 'brain drain – brain gain' process for the Baltics, in particular Latvia, by studying human capital gain and loss resulting from mobility. The research has a dual approach; it simultaneously looks at the present and the future:

- A forward-looking approach with respect to migration focuses on studying the youth population after secondary education. The largest Latvian survey of high school graduates asks soon-to-be graduates about their plans and expectations about career and mobility



and follows their journey in the years after graduation.

- To learn more about those who returned to Latvia, the project's scientific team studies individuals' engagement in employment and entrepreneurial activities. A pan-Baltic survey, a survey of Latvia and in-depth interviews reveal not only how return migrants think and what they do, but also how managers perceive return migrants and individuals with foreign education as employees. This holistic study will shed light on returnees' foreign experience, the costs and benefits for employers hiring return migrants, the challenges and opportunities return migrants have faced in their jobs or as entrepreneurs, the impact of foreign experience on entrepreneurial involvement in terms of employment creation, and the skills return migrants think they bring to a new enterprise or a business.

Working with policymakers and the business community, the research team will explore how to create a sustainable and welcoming environment that allows businesses to successfully utilize the skills and knowledge of return migrants and to build a supportive environment for return migrants seeking employment opportunities or hoping to start their own ventures. The study will also inform policymakers and higher education practitioners about the younger generation's expectations to facilitate the reshaping of education opportunities in Latvia.

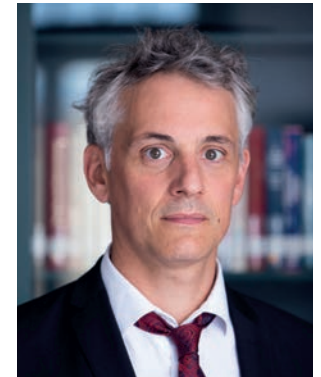


# SUSTAINABILITY

CONFERENCE:

## Climate Change and Sustainability

Xavier Landes, PhD,  
Assistant Professor at SSE Riga



Climate change and sustainability are among the most pressing global issues. In spring 2018, SSE Riga, with the support of partners, organized the conference “The Economics, Politics and Ethics of Climate Change and Sustainability”. The goal was to reinforce SSE Riga’s commitment to this topical subject — to organize a high-quality workshop for selected academics and, more importantly, to reach out to people beyond SSE Riga’s walls by organizing diverse activities.

Climate change represents a profound challenge to humanity. It falls in the category of “civilizational challenges” that threaten social organizations, human cooperation and economic structures. The challenge is global, and this is part of the difficulty since addressing climate change in an effective manner requires coordination of the actions of all states, NGOs, citizens and international organizations.

However, citizens should not expect the whole solution to come from public institutions.



It will require everyone's involvement to change consumption habits and adapt to a changing world. Therefore, it is imperative for the wider public to benefit from an adequate level of information and, more importantly, to be part of the debate on how to reform our society.

In addition to the academic discussion on climate change, this public debate dimension was a central part of the conference.

"The fundamental issue is not whether Latvia and its inhabitants will be better off with a few more degrees, it is whether we can anticipate and adapt to a climate that will become more difficult to predict and hurt us more

and more often. **The challenge is to figure out whether we can cope with all the social, economic and political disruptions that will come along,**" maintains Assistant Professor Xavier Landes.

SSE Riga is including more content related to climate change and sustainability in its courses and side activities (such as guest lectures and a series of public events). SSE Riga engages with climate change and sustainability issues, i.e. fulfils its responsibilities as an institution of higher education and as a facilitator of public debates.



## RESEARCH:

### **Diagnostic Delay for Patients with Bipolar Disorder**

Agnes Lubloy, PhD,  
Associate Professor at SSE Riga



The aim of this study is to identify factors associated with diagnostic delay for patients with bipolar disorder. Bipolar disorder is a mental disorder that causes periods of depression and periods of abnormally elevated mood, such as mania or hypomania. In Europe, bipolar disorder has a lifetime prevalence of approximately 1 percent (Pini et al., 2015). At the same time, bipolar disorder is considered to be one of the leading causes of disability worldwide.

The authors of the study are Dr. Ágnes Lublőy, Associate Professor at SSE Riga, Dr. Judit Lilla Keresztűri, Assistant Professor at Corvinus University of Budapest, Mihalicza Péter, Senior Advisor at Methodological Development of the Hungarian Health Care System — EFOP 1.8.0 Project, and Dr. Attila Németh, Executive Medical Director at the National Institute of Psychiatry and Addictions of Hungary.

For mental health professionals, it is difficult to distinguish bipolar disorder from unipolar



depression. The delay in diagnosis might be as long as 10-15 years.

Late diagnosis of bipolar disorder has severe consequences. Bipolar disorder, if untreated or treated with antidepressants, is coupled with higher rates of self-harm and suicide. Late diagnosis contributes to drug and substance — including alcohol — abuse. Untreated bipolar disorder causes widespread role impairment, loss of ability to work, and difficulties in maintaining personal relationships, with family members, friends and colleagues. Untreated bipolar disorder is coupled with high direct and indirect healthcare costs.

“When we measured the diagnostic delay for patient groups with different pathways, **we found the delay to be the longest for patients whose care was shared between outpatient and inpatient providers. Greater continuity of care seems to be associated not only with better health outcomes, but also with earlier diagnosis,**” stresses Dr. Lublóy.

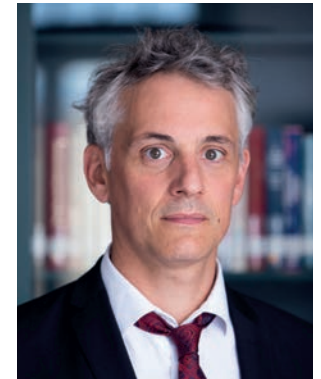
Using anonymized data on 10 327 patients, the study employs Kaplan-Meier survival analysis and the Cox proportional hazards model to examine factors associated with diagnostic delay in patients with bipolar disorder.

According to the results, diagnostic delay was significantly shorter for male patients than for female patients. Prior diagnoses of alcohol misuse and dependence, schizophrenia, disorders of adult personality and behaviour, and unipolar depression without psychotic symptoms were associated with increased diagnostic delay. Patient pathways are also associated with diagnostic delay; if patients consulted mental healthcare specialists in outpatient care first, the hazard of delayed diagnosis increased.

#### RESEARCH AND STUDY COURSE:

## Well-being and Happiness

Xavier Landes, PhD,  
Assistant Professor at SSE Riga



SSE Riga is currently developing its research and teaching competences in the field of happiness. The goal is to contribute to debates in Latvia and worldwide on quality of life and subjective well-being. In a world of scarce resources where the development of sustainable ways of life is becoming vital, it is important to consider any option for how to better use our resources in order to secure citizens' well-being.

Happiness research offers various tools, e.g. indicators, in order to monitor the well-being of a given population or specific social groups. It is part of the stream of work initiated by Robert Putnam and the social capital movement. The idea is to identify the factors that contribute to a “healthy” society, i.e. a society where citizens trust each other and their institutions, display high levels of social cohesion, etc. It is about the quality of social and political relations.

Therefore, happiness is relevant for Latvia, since the country, while having drastically improved its situation in terms of happiness over the last 10 years (World Happiness Report, 2018), still struggles to sustain a cohesive and trustful society.

**“People often misunderstand what happiness research is about. They imagine smileys, feeling good all the time, i.e. something quite superficial, while happiness research is about what really matters in life: positive feelings, yes, but also functioning well, life satisfaction, quality of life, absence of suffering, individual flourishing. All the ‘things’ we want our governments not to achieve for us, but to help us to realize on our own,”** says Assistant Professor Xavier Landes.

SSE Riga offers a course on happiness and public policy. The objective of the course is to educate students on happiness research and its direct uses for policymakers.



SSE Riga has been active in supporting public debates on the topic. It organized a round table at LAMPA in 2017 with Meik Wiking (director of the Happiness Research Institute, Copenhagen) and Ivars Ijabs (professor at the University of Latvia) about the importance of happiness research. For LAMPA 2018, SSE Riga will host a round table on social cohesion in partnership with the Danish Cultural Institute and the Danish Embassy in Scandinavia and Latvia with Christian Albrekt Larsen (Aalborg University) as the speaker.

SSE Riga's goal is to take the lead in Latvia on questions related to well-being, happiness, and quality of life and to link them with broader reflections on the nature of the

welfare state. To do so, Xavier Landes and Christopher Rieber are working on a report on Latvian happiness that will describe the current situation and the challenges faced by Latvian residents in terms of quality of life. The report will receive the support of the Happiness Research Institute in Copenhagen and will be released during the centenary of the Latvian Republic during fall 2018.



# EFFECTIVE COMMUNICATION

RESEARCH:

## Phonetic Means of Increasing Persuasiveness in Oral Communication

Elina Banzina, PhD,  
Assistant Professor at SSE Riga



Effective communication and public speaking are among the most sought-after skills in the job market, thus having a clear understanding of what persuasive communicators do and how persuasiveness is achieved in English is vitally important for professionals.

Elina Banzina's research explores the non-verbal side of effective communication and, specifically, the acoustic-phonetic adjustments that speakers make to boost their persuasiveness and credibility.

Cross-linguistic studies focused on the lesser known acoustic-phonetic tools of persuasion that are nonetheless commonly used by native English speakers, namely, greater emphasis on consonantal durations rather than vocalic durations in key words. The current study with British English speakers completed Elina Banzina's earlier investigation of the American English speaker use of this duration cue and found that both American and British native speakers consistently emphasize stressed syllable onset consonants in key words when their goal is to

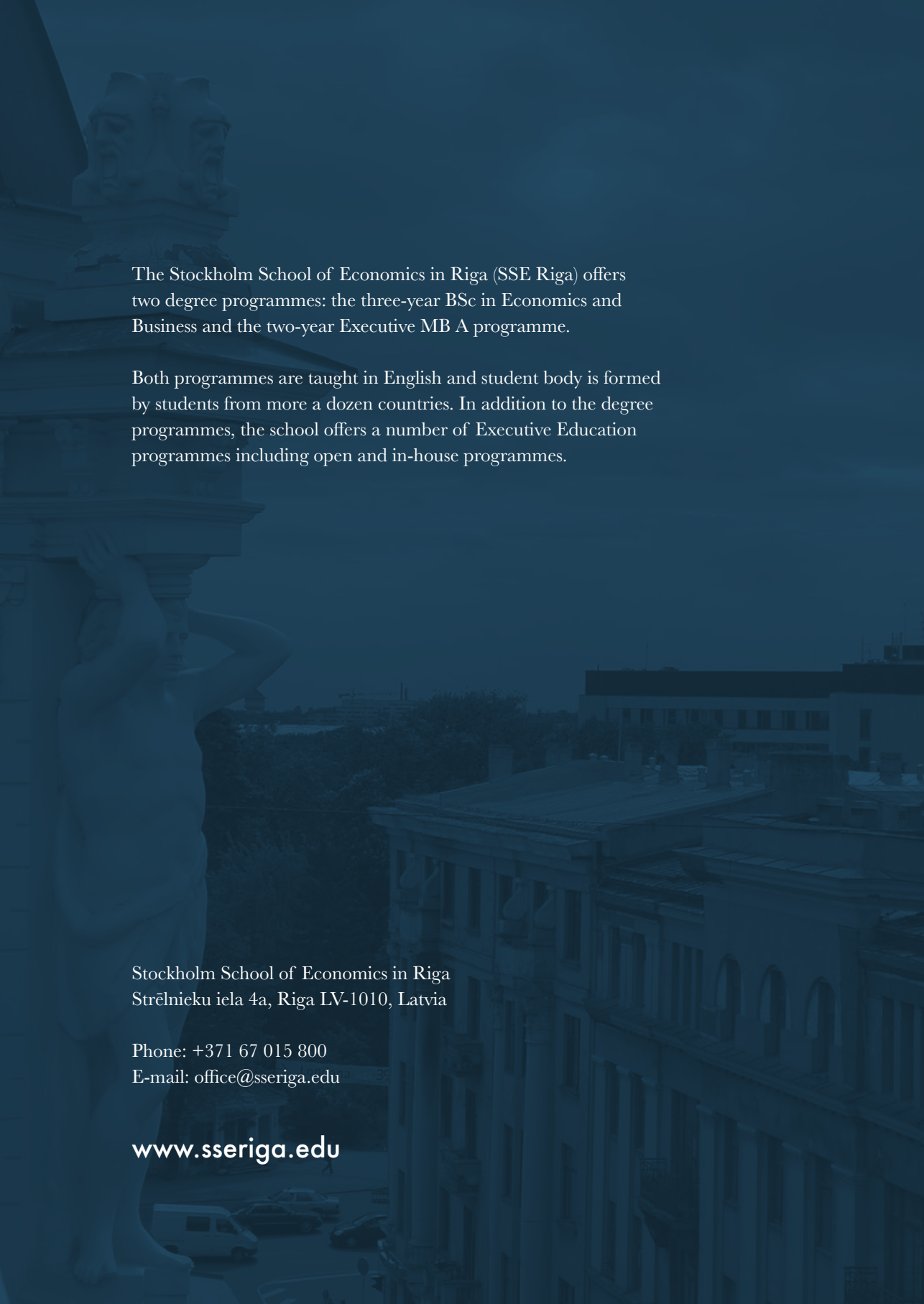


enhance listener agreement with the message. The prolonged duration of consonants goes hand in hand with greater acoustic energy to form the so-called “force accent”.

The observed intensification of consonants in persuasive English, however, was not found for speakers of other languages: **Latvian speakers of English did not exhibit consonant prolongation, suggesting that they do not view duration as a paralinguistic cue that could aid persuasiveness and may be relying on other cues instead.**

The presence of such persuasiveness cues in native speech and absence thereof in non-native English carries implications for teaching public speaking and presentation skills in English, and should stimulate more research regarding the range of tools used in persuasive oral delivery.





The Stockholm School of Economics in Riga (SSE Riga) offers two degree programmes: the three-year BSc in Economics and Business and the two-year Executive MB A programme.

Both programmes are taught in English and student body is formed by students from more a dozen countries. In addition to the degree programmes, the school offers a number of Executive Education programmes including open and in-house programmes.

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