



**Consortium of Household Panels for European Socio-Economic  
Research**

**CHER**

## **The CHER project**

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## **The CHER project**

### **Comparative Research on Household Panel Studies**

This series presents the results of research projects based on the analysis of one or more household panel studies from the CHER micro database. Papers will cover the wide range of substantive topics and investigations of the particular problems of comparative research.

The series contains in papers no. 1 – 16, among other papers, the results of all of the work being carried out as part of the CHER project, which was funded by the European Commission under within the program “Improving the Human Research potential and the Socio-Economic Knowledge Base. CHER aims to develop instruments for analyzing, programming and stimulating socio-economic policies, and for comparative research on policy issues such as labor force participation, income distribution, unpaid work, poverty, household composition change, and problems of the elderly.

Coordination of the CHER project is provided by CEPS/INSTEAD, Differdange, Luxembourg.

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## **The CHER project**

### **1. Executive summary**

#### **1.1 Policy-relevant objectives**

The Consortium of Household Panels for European Socio-economic Research (CHER) was established in 2000 to carry out a feasibility study for a data production and dissemination exercise. The database is a comparative longitudinal database of households and individuals from existing panel data, covering demography, health, education and training, employment and activity, income and expenditure, housing and household durables, subjective information and social relations.

CHER's primary objective was to develop and enhance a comparative micro database for longitudinal household studies by harmonizing and integrating micro datasets from a large variety of independent national panels and from the European Community Household Panel (ECHP). The potential of the CHER database for cross-national research is much greater than what is available from the ECHP alone. CHER makes possible East–West comparisons. It can supply information about objective as well as some selected subjective living conditions, about the process of change in various areas of life and about the links between these areas and the changes themselves. The aims of the CHER project were to set up a comparable, longitudinal multi-purpose database on household panels. A complementary database containing key information about macro data, social security and employment policies allows enhanced analysis of social policies. The CHER database has been and will be used to carry out exemplary analyses focusing on understanding the dynamics of socio-economic change in Europe. The CHER database will be offered to the European social science community under appropriate rules for confidentiality and data protection.

#### **1.2 Problems encountered in carrying out the research**

Panel data for Europe exist, but access to these data is still difficult, expensive and/or restricted. The basic obstacle for micro-analytic comparative research on European topics and issues is still the fact that the datasets of the national panels are not directly comparable to one another, nor are they comparable to the ECHP.

Cross-national research with datasets from national panels (such as the British Household Panel Survey (BHPS), German Socio Economic Panel (SOEP), Panel Socio-Economique "Liewen zu Letzebuerg" (PSELL)) is difficult. Each of the national datasets is organized in a different manner; the variables are not standardized. The situation is that there are no common formats, variable names or data structure.

In view of the strongly increasing demand for ECHP data, Eurostat has constructed an anonymized user-friendly longitudinal User Database (UDB). CHER, like other research groups, is authorized only to use the UDB for their own research. This has negative consequences for those parts of the CHER database which come out of the ECHP, for a number of reasons. Income components in the UDP have been defined at a higher level of aggregation than the detailed enumeration given in the Production Database (PDB), and consequently the information is less rich than in the corresponding national panels. For pensions, it is impossible to differentiate between public and private sector employers' payments. No distinction is possible between original values and imputed income values on the individual level. The exact nationality of foreigners living in the different EU countries is not available. Occupational and industry codes are highly aggregated in comparison to the original questionnaire. The upper end of the age variable is top coded. Information on educational attainments has been collapsed to the three-category International Standard

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Classification of Education (ISCED) level. Data distribution is delayed: for example data from 2000 became available only in June 2003.

Another obstacle for research(ers) interested in European matters is the fact that most of the existing micro-data sets (whether standardized or not) are not explicitly linked to information about national institutional regulations, nor to social, economic, demographic context data. Careful interpretation of results from cross-national research using micro data requires complementary analyses of macro and meso data, which have to be provided by the statistical and administrative agencies of the respective countries.

The lack of longitudinal data that are at the same time comparable, well documented and closely related to relevant macro and meso information and of user-friendly access, has truly regrettable consequences. The potential for a cross-national database to compare the situation in one country with those in other countries is not sufficiently used, and comparative analysis of European issues is still underdeveloped.

### **1.3 Solutions used to improve comparability**

The consortium pursued the following tasks and procedures to create a comparable longitudinal database:

- develop and (re) define rules for standardization
- build up and/or enhance/reconvert the respective panel databases for comparability
- create documentation and user's guides for the resulting database
- collect and prepare key information taken from macro, meso and institutional data and documentation
- improve information on and access to original country panel data
- enhance the ECHP disposable data for scientific use
- enhance the data processing techniques for using panel data
- set-up of an internet information system on household panel studies
- create a bibliographical database
- run exemplary panel analyses in different research fields

The integration of all panel components into the CHER database format has been realized by applying two construction principles. Firstly, relevant subsets of variables for selected topics from original panel data were included, and these variables were made comparable by taking care to use standard classifications (for example International Standard Classification of Occupation (ISCO), International Standard Industrial Classification of all economic activities (ISIC)) where possible, not to collapse values (for example for nationality and professions), not to top code variables (for example age or income values), and by making a clear distinction between gross and net income components and between original values and imputed values (for example concerning income), as well as by standardizing missing codes and imputation flags.

Secondly, a relational database structure was prepared to support the analysis of the data, by naming the variables in a consistent manner (appropriate for panel analyses), creating a set of link variables (for example links to spouse, father and mother) assuring the links to the original datasets, ordering variables according to analysis requirements, reducing unnecessary complexities in the original panel files, providing information on household and individual level and guaranteeing a user-friendly organization in file structures.

The approach chosen for CHER, using highly standardised variables and files, facilitates the analysis of cross-national panel data. Standardized utilities will enable the user to retrieve and

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match the database files more easily. The database structure will allow the writing of global analysis programs. Standard analysis programs can be run for different countries and different periods with no need to modify the interface to programs for the statistical packages. The processing of the comparative database files is easier than analysing the original panel studies. This way, the researcher does not need to be familiarized with the data organisation of the various country panels.

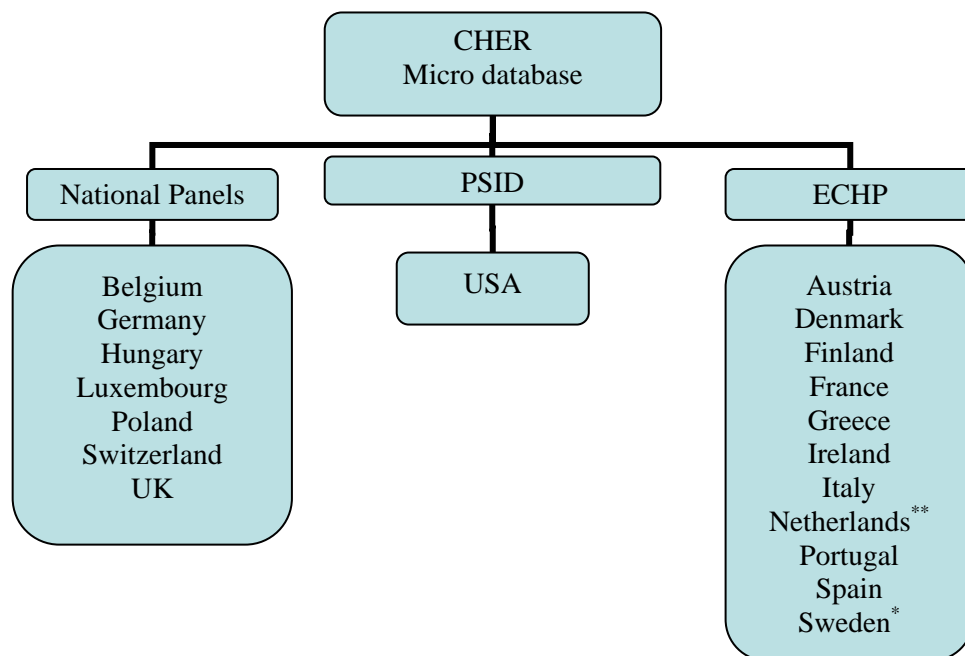
The information relating to datasets is being made comparable according to a common plan, and is built by using standardized international classifications where available. The database contains harmonized and consistent variables. The comparative database contains identical data structures for each country. Information in the CHER files is available for households and individuals on the micro level for single years and as longitudinal information. It can therefore increase the accessibility and use of panel data for research.

The comparative database thus contains harmonized and consistent variables and identical data structures for each country included. All files are held in a relational database structure. The data are stored as system files for the statistical packages SPSS, SAS and Stata. They contain identical variable names, labels, values and data structures. Each country file is adequately anonymized and can therefore be rated as a scientific use file.

### 1.4 Scientific methods for data preparing and analysis

The prerequisite for high quality cross-national research is the existence and availability of high quality micro-databases offering comparable data for the different countries under study.

**Figure 1-1: Input files for CHER database**



\* Swedish data from the ECHP is cross-sectional only

\*\* The Dutch subset will be replaced at a later stage by data drawn from the original panel

The consortium has not conducted its own surveys using standardized questionnaires and ex-ante harmonization. But the consortium created a comparative micro database from existing panel data, using ex-post harmonization (CHER), by integrating longitudinal datasets in

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Europe over as large a number of years and from as many country household panels as possible and from the available country datasets present in the ECHP. The database holds micro-data from 19 countries (15 European Union member states, plus Switzerland, Poland, Hungary and the United States). It contains a relevant subset of variables from original panel data.

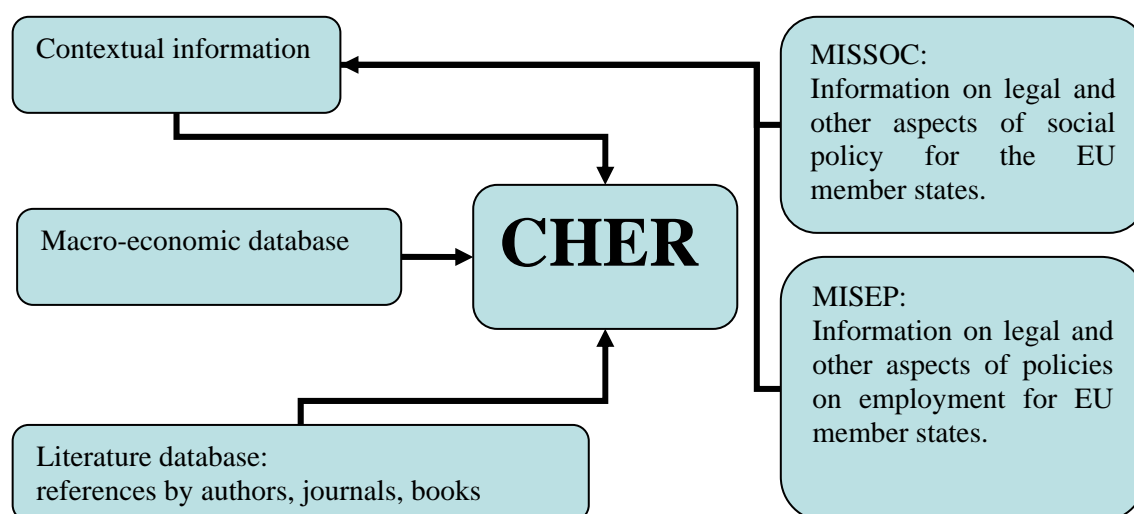
### 1.5 Data management

The advantage of longitudinal panel information compared to cross-sectional information lies in its potential for analysis of socio-economic dynamics on the micro-level. A classical example for illustrating the usefulness of panel data is given in the field of poverty analysis: before the existence of panel studies, cross-sectional data only showed a certain percentage of poverty in year one and another percentage, perhaps the same, in year two. It was impossible to know whether the 'poor' population was the same in year one and two, or how many of the 'poor' managed to exit from poverty. Panel data shed light on these movements, since they make it possible to follow individuals over a life cycle.

The added value to the ECHP from the CHER project is that the CHER dataset can serve as a gateway encouraging researchers to explore further research questions available for those country datasets for which the questionnaire is sufficiently in line with the ECHP questionnaire. CHER is an easily usable dataset. For ease of use, a table of summary variables is added to CHER which are not directly available from the ECHP. Thus CHER is perfectly suited for acting as an enticement to use the ECHP. Furthermore, CHER includes more countries than are available in the ECHP and allows East-West comparisons. Additionally, more years of data are available for selected countries than were converted into ECHP format.

Researchers can now start with a completed dataset rather than trying independently to harmonize the smaller subset of variables that is most useful for their research topic; a process that is repetitive and thus expensive and inefficient. The work already done on data harmonization considerably enhances the efficiency in using the micro data: researchers using CHER data will not have to repeat various basic activities ad hoc to standardize the data.

**Figure 1-2: Reference databases for the CHER database**



The CHER micro database – together with key information from existing macro data databases and institutional information about social security (MISSOC) and employment policies (MISEP) – can best be understood as a tool for improving (policy) relevant socio-

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economic knowledge. Advanced comparative analyses will be able to exploit differences and changes in policy rules across countries by isolating their impacts from those of other macroeconomic and social changes.

The CHER database will enable researchers to do within-country comparisons at the same time as cross-national comparisons. Therefore, it will be possible to focus on national uniqueness and cross-national contrasts, as well as on cross-national similarities.

International comparisons allow for some ranking of national results concerning, for example, questions of poverty, unemployment or labour force participation. One particularly relevant finding is the fact that advanced western-type states face socio-economic problems that are similar, while the relative importance of these problems within national economies may be quite different.

The database will help in monitoring the outcomes of concrete political decisions and measures by way of cross-national comparisons. This can be done by observing the consequences of one specific national policy intervention (which occurs in one country and not elsewhere) for a relevant subgroup in the national population. The results for this subgroup are then compared with the situation of similar subgroups in other countries, subject to the same socio-economic trend over time.

National officials and other policy actors are increasingly interested in the problems of ageing. Because demographic ageing is at different stages around the world, opportunities exist for nations to learn from the different approaches used in different countries, what works where, and what does not, and in what direction policies are moving. Many explanations can be found for the fact that some countries are doing better in solving their problems than others. The CHER database will make it possible to explore the factors involved in change, including the heterogeneity of national labour markets, the differing importance and influence of social security systems and tax systems, and variations in the socio-economic and demographic structures of the population.

The CHER micro database will be a powerful tool for monitoring the outcomes of political decisions and measures, in response to the interest being shown by political decision makers and actors, public and private, both at the level of the EU and in member states. What can be learned from the approaches adopted in the different countries? What works where and what does not, and under what conditions? Which are the different trends? CHER will help analysts to find answers to these questions.

### **1.5.1 The CHER micro database**

The CHER micro database is being made available on CD-Rom. The data are stored as system files for the statistical packages SPSS, SAS and Stata. They contain identical variable names, labels, values and data structures. Each country file has been adequately anonymized and can, therefore, be rated as a scientific use file. The consortium is setting up an internet system about household panel studies with key information from existing macro data databases and institutional information about social security and employment policies.

The longitudinal structure of CHER makes it possible to produce cross-sectional time series data, to describe the dynamics of households and individuals and to estimate transition probabilities for households and individuals.



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The availability of the CHER database is restricted due to Eurostat regulations, which at the time of writing this report does not allow CHER data coming from the ECHP to be disseminated to researchers outside the CHER consortium.

### **1.5.2 Meta database**

Interpretation from cross-national research using micro-data requires complementary analyses of macro- and meso data to be provided by the statistical and administrative agencies of the respective countries (some of these data are available at Eurostat). Furthermore institutional data are necessary to understand and to complement the empirical findings. Such information are stored in MISSOC (Mutual Information System on Social Security) and in MISEP (Mutual Information System on Employment Policies). But there were no user-friendly links to these micro datasets.

So the CHER database has been complemented by key information from existing macro databases and institutional datasets about social security from the Mutual Information System on Social Security (MISSOC) and employment policies from Mutual Information System on Employment Policies (MISEP).

The consortium has set up a small database containing key information about:

- macroeconomic information and social information
- Social Security
- Employment Policies

The macroeconomic information, social information database contains key information about demography, labour force participation, unemployment, social protection, labour costs, price indices and purchasing power parities as well as similar items. The information has been extracted from existing publications/databases such as the Eurostat-CD (yearbook), New Cronos, ESSPROS, OECD series and some already existing comparative welfare state data sets.

The data for the Social Security database have been extracted from the MISSOC publications and the data for the Employment Policies database from the MISEP/ERSEP publications.

This database is linked to the relevant variables in the CHER micro database. They help in the interpretation of results from national and cross-national research with the comparative CHER micro databases and the original datasets from the panel studies.

### **1.6 Policy-relevant findings**

The CHER database is relevant to policy in two interconnected ways: it constitutes a data management and infrastructure tool while also contributing to the knowledge base through its analytical component.

### **1.7 Testing and validation**

The consortium concentrated on harmonizing data prior to analysis and substantive research. Nevertheless, only the interaction between data production/harmonization and analysis of the data guarantees that the database production is orientated towards the research needs. Values and problems of standardizing micro data derived from original surveys can only be identified

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by performing analyses on these products. For these practical reasons, the consortium conducted exemplary analyses (mainly on labour market problems and corresponding social security transfers).

The finalized CHER micro database was used by the project partners for comparative research with panel data. Each of the partners in the consortium was responsible for dealing with specific research topics, as shown in Table 1-1. The second aim of this research is to illustrate for the user community the potential of the CHER database for cross-national research on a wide range of socio-economic issues.

**Table 1-1: Research topics by country**

Country (institution)	Topical key words for panel analysis	Countries to be covered
Belgium (UIA)	Health status, family structures, social relations, subjective variables	Belgium, Denmark, UK, Netherlands, Portugal, Spain, Greece, Italy
France (LASMAS)	Young people, itineraries, labour market trajectories, family organization, education, labour market transitions, cultural patterns, trajectories of immigrants	Austria, Spain, Belgium, Denmark, UK, France, Germany, Greece, Italy, Portugal, Luxembourg, Hungary, Netherlands, Ireland, Poland
Germany (DIW Berlin)	Income distribution, poverty, family related transfers, children	Denmark, Netherlands, Finland, Luxembourg, Belgium, UK, Germany, France, Austria, Ireland, Poland, Greece, Spain, Italy, Switzerland, Hungary, Portugal
Greece (EKKE)	Income inequality, SES differences, decomposition of inequality by population subgroups and by income components, education, impact of taxes and social security contributions, pensions	Denmark, Netherlands, Austria, UK, Germany, Luxembourg, France, Finland, Ireland, Italy, Greece, Spain, Portugal
Hungary (TARKI)	Income inequality and decomposition, income mobility, poverty and family composition, children, well-being, fertility behaviour	Poland, Hungary, Western Europe, East vs. West Germany, Hungary, Poland
Italy (CEIS)	Labour force status, retirement, ageing, non sampling problems, health	Austria, UK, Belgium, Denmark, Netherlands, Germany, Greece, Italy, Ireland, Portugal, Spain, Finland, France
Luxembourg (CEPS/I)	Early retirement, labour supply, older workers and income dynamics	Luxembourg, Germany, Netherlands, Finland, France, UK, Denmark, Austria, Italy, Ireland, Hungary, Spain, Greece Portugal, Poland,

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Netherlands (TISSER)	Income distribution and labour market dynamics	Finland, Sweden, Denmark, Netherlands, Germany, Belgium, France, Luxembourg, Austria, Italy, Greece, Portugal, Spain, Hungary, Poland, Ireland, UK
Poland (UWARS)	Income and wage inequality and mobility , poverty and social policy, cost of children, unemployment and labour force participation, patterns of saving	Poland, Luxembourg, France, Belgium, UK, Hungary; Austria, Denmark, Germany, Greece, Hungary, Ireland, Italy, Spain, Netherlands, Portugal
Spain (UIIIM)	Labour force participation, childcare, public expenditure, female labour supply, retirement decisions, demand for health	Belgium, Germany, Hungary, Italy, Netherlands, U.K., Austria, Denmark, Finland, France, Greece, Ireland, Portugal, Spain
UK (ISER)	Integration of technology into households, non-monetary poverty indices	all available countries

To conduct this research, advanced statistical methods for analyzing longitudinal data were used. The most important techniques are transition matrix-based procedures, linear models for panels, event history models and discrete choice models. These exemplary panel analyses were used to test the technical usability of the database, to improve the user friendliness where necessary, to detect and remove remaining inconsistencies and errors in the database, and to validate the database by comparing the empirical findings with external statistics.

## 1.8 Application of CHER

### 1.8.1 Income, welfare and work dynamics across Eastern and Western Europe

The empirical analyses explore how welfare and employment regimes in Europe coped with changes in the social and economic context over the 1990s and how their respective policies might have affected the economic and social performance of their systems. The empirical analyses are particularly aimed at researching the role and performance of welfare states and employment regimes in West-Europe and comparing these with the performances of East-European countries which, in the 1980s, were still socialist or communist. During the 1990s, the latter group of countries belonged to a cluster of so-called transitional economies moving towards a capitalist welfare state and who were transforming their economic and social systems to match the conditions for joining the European Union in the twenty-first century.

The innovative aspect is the combined focus on the social and economic performance of regimes over time and the comparison of mature systems of welfare state capitalism and former socialist transitional economies (economies being eventually considered as liberal, Mediterranean, conservative, social democratic and post-communists).

We tried to achieve a better understanding of the differences between East and West and of the problems and constraints which transitional economies still face after a decade of transforming and recalibrating their systems. East-West comparisons allow the exploration

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whether the trend is towards convergence or divergence over the 10-year period and whether there is scope for European interference.

The analyses have mainly two parts, one on the East-West comparison of economic and labour market performance, the other on income, poverty and deprivation. The empirical analytical parts deal primarily with dynamic and comparative analyses of welfare state and employment regime performances. They include a synthesis of the facts found and discuss lessons to be learned for European policies.

The empirical analytical part deals primarily with dynamic and comparative analyses of welfare state and employment regime performances. The comparative East-West analyses have two parts, one on the economic and labour market performance of regimes and one on the regimes' successes in tackling income, poverty and deprivation. The CHER dataset covers the 10-year period of the 1990s. The empirical analyses are aimed at using as many countries and time periods as possible. They were carried out from various disciplinary angles and perspectives, such as the micro-economic, sociological and socio-political approaches to social and economic change. The results will be critically reviewed and, where possible, lessons for European policies will be drawn.

### **1.8.2 East-West comparison of the economic and labour market performance**

The social and economic performance of the various employment regimes over time are studied. We concentrate particularly on the comparison of mature systems of welfare state capitalism with the so-called transitional economies, which are still in the process of building up their market economy. The interest is in the social and economic performance of the various employment regimes over time. One may be interested in whether it is true that liberal regimes tend to build a flexible labour market without much concern for work security. For this reason, the extent of labour market mobility from unemployment to permanent employment, from flexible jobs to permanent jobs, from part-time to full-time employment and from low-level jobs to higher level jobs in terms of wages are studied. Of particular interest to find out how the transitional economies perform in this respect. The empirical results are of interests in the perspective of the enlargement of the European Union.

The labour force behaviour of young people is another important issue for the analyses in progress. Youth and unemployment are one of the topics to be studied. Childbearing affects women's opportunities in the labour market. The costs of children in terms of impact of birth of a child (and presence of small children) on both female earnings and labour supply behaviour are to be quantified. Furthermore, it will be estimated how often young adults leaving home are forming a new household with and without a partner or living as a lone-parent family.

In recent years, policy makers and researchers have paid growing attention to older people and older workers, due to the persistence of high unemployment in many countries and the rapidly growing proportion of older people in the European population. Furthermore, early retirement schemes have been used to encourage employed workers to retire early in favour of younger employees and to guarantee unemployed individuals permanent and higher benefits while being pre-retired instead of being unemployed.

### **1.8.3 Comparisons of regime performance in tackling social exclusion**

From a policy perspective, it is important to know the extent to which overall income inequality in the EU is attributed to inequality between countries and within countries.

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Different typologies of welfare state regimes and other factors are tested to find out if differences in income inequality between countries and their contribution to overall EU inequality can be explained. In this context, the magnitude of income mobility over time is analysed. Such a novel approach makes it possible to clarify whether the rich, the poor or the middle class experience the greatest mobility and to assess their respective impact on the overall mobility level

Understanding poverty and the low social status often ascribed to living in or on the verge of poverty requires consideration of more than just the financial resources available to individuals and their households. Access to goods and facilities over time has been shown to have a significant link with levels of poverty, but this association is complex, and the dynamics of lacking basic items over time are not restricted to households struggling to make financial ends meet. Therefore, the relationship between the degree of non-monetary deprivation is explored. Non-monetary deprivation is defined here as not possessing certain household goods and living in a house that lacks facilities and presents problems that impact on quality of life and on income position.

Welfare regimes across Europe differ considerably with respect to the support given to families and households with dependent children. In striving for a harmonisation of social policy across EU-countries more insight in these cross-national differences is needed. Our research agenda is thought to add to this by concentrating on a comparison of some selected monetary indicators of economic well-being of children (up to 16 years of age) across Europe. This research tackles the incidence and relevance of family related public transfers. This includes also an analysis of the connections between (insufficient) family transfers and resulting child poverty. Here poverty rates, poverty gaps, sequences of poverty spells and income mobility are studied. The results may help in assessing the role of family benefits for income formation and income situation. They will give empirical evidence on how successful the different welfare regimes are in safeguarding children from poverty.

### **1.9 Conclusions: project achievements and the future of CHER**

The CHER project remains ambitious. CHER created an international comparative database that contains socio-economic cross-sectional and longitudinal micro data from both EU and non-EU countries. CHER also includes complimentary national-level institutional, social policy, and macro-economic details to facilitate analysis by the wider scientific community.

National officials and other policy actors are increasingly interested in the problems of ageing. Because demographic ageing is at different stages around the world, opportunities exist for nations to learn from the different approaches used in different countries, what works where, and what does not, and in what direction policies are moving. Many explanations can be found for the fact that some countries are doing better in solving their problems than others. The CHER database will make it possible to explore the factors involved in change, including the heterogeneity of national labour markets, the differing importance and influence of social security systems and tax systems, and variations in the socio-economic and demographic structures of the population.

The CHER micro database is a powerful tool for monitoring the outcomes of political decisions and measures, in response to the interest being shown by political decision makers and actors, public and private, both at the level of the EU and in member states. What can be learned from the approaches adopted in the different countries? What works where and what does not, and under what conditions? Which are the different trends? CHER will help analysts to find answers to these questions.