US vs Europe salaries: the honest comparison

American paychecks are bigger – typically a third bigger at purchasing power. What they must cover, and how many hours buy them, is the fine print.

Most comparisons stop at the sticker number. Walk the whole ledger and the picture gets more interesting – in both directions.

The sticker number

Start where the myth starts, because the myth is true: at purchasing power, OECD data puts average annual US wages around $80,000, above nearly every European economy. Against Germany or the Netherlands the gap is real but moderate; against Spain, Italy or central Europe it is wide. In software, finance and medicine it is not a gap but a chasm – an American senior engineer can out-earn a European one three times over.

Anyone who tells you Europeans quietly earn the same is selling something. They don't.

What the paycheck must buy

Now the deductions Europe never shows you, because its taxes already paid them. An American family's health insurance premium runs over $20,000 a year – employers pay most of it, which is to say wages pay it invisibly – plus deductibles that can add thousands before coverage truly starts. College costs that Europeans meet with fees in the hundreds. Childcare with no public backstop. A public pension thin enough that private saving is not optional.

Some of that spending stays in American pockets as choice, and for the healthy and well-paid, choice is cheap. But the tail risk is uniquely American: about 41 % of US adults carry medical debt, and roughly two-thirds of personal bankruptcies cite medical bills or illness. The European deduction block – infuriating, visible, large – is partly an insurance premium against exactly that.

The hours in the denominator

The last line of the ledger is time. Americans work about 1,800 hours a year. Germans work about 1,340 – the fewest in the OECD – and the French stay under 1,500. Add the EU's statutory minimum of four weeks' paid vacation, which the United States, uniquely among rich countries, does not guarantee at all. Per hour actually worked, much of northwestern Europe is closer to America than the annual figures suggest; the rest of the difference is leisure Europeans chose to buy.

The honest verdict

Read as a whole ledger: America pays more, especially at the top, and rewards the healthy, the skilled and the lucky better than anywhere on Earth. Europe converts a large slice of its smaller paycheck into time, security and insurance against catastrophe. Which deal is better depends on which risks you carry – and there is no shame in either answer.

The uncomfortable part for Europe is different: the gap has been widening, not because Europeans chose more leisure, but because European productivity and scale have lagged. Why the American hour produces more – that is the question with the continental answer: Why are American salaries higher?

All questions →

FREQUENTLY ASKED

How much higher are US salaries than European ones?

At purchasing power, OECD average annual wages put the US around $80,000 – roughly a quarter to a third above the big EU economies, and more against southern and eastern Europe. Tech and finance gaps are far larger.

Do Americans take home more after taxes?

Usually yes – US income taxes are lower – but the paycheck must then cover things European taxes already bought: health insurance premiums, deductibles, college savings, retirement beyond a thin public pension.

How many hours buy those salaries?

Americans work about 1,800 hours a year; Germans about 1,340, the French under 1,500. Several extra weeks of work per year are inside the American number.

What about healthcare specifically?

The average US employer family premium runs well over $20,000 a year, plus deductibles. About 41 % of American adults carry medical debt – a category that barely exists in Europe.

So who is actually better off?

A healthy, high-earning professional is better off in America; a median household with children and ordinary luck is often better off in western Europe. The honest answer depends on which risks you carry.

SOURCES

- OECD average annual wages (PPP) and average annual hours worked
- KFF: employer family premiums; KFF/Health System Tracker: 41 % of US adults with medical debt
- Consumer Bankruptcy Project: ~two-thirds of US personal bankruptcies medically linked
- Eurostat: EU statutory minimum four weeks paid leave