

ALICE ESSENTIALS INDEX 2024

MEASURING INFLATION
FOR BASIC NEEDS



ABOUT UNITED FOR ALICE AND OUR PARTNERS

[United For ALICE](#) is a national research organization driving solutions to financial hardship. Through the development of the **ALICE®** (Asset Limited, Income Constrained, Employed) measures, a comprehensive, unbiased picture of financial hardship has emerged. With a [commitment to racial and economic justice](#), ALICE partners convene, advocate, and collaborate on solutions that promote financial stability at local, state, and national levels. This grassroots ALICE movement, led by [United Way of Northern New Jersey](#), has spread to 31 states and the District of Columbia. Learn more about the ALICE movement [here](#).

To develop and update the ALICE metrics, ALICE researchers collaborate with a Methodology Advisory Committee composed of experts from across the country, drawn from the Research Advisory Committees in ALICE partner states.



This collaborative model ensures that all ALICE products and tools are based on unbiased data that is transparent, replicable, current, and sensitive to local context.

To create this Report, [our team of researchers](#) worked with an ALICE Essentials Index [Research Advisory Committee](#) composed of experts from ALICE partner states. This work is guided by our rigorous methodology, which is updated biennially with experts from the ALICE Methodology Advisory Committee.

Director and Lead Researcher: Stephanie Hoopes, Ph.D.







ALICE Research Team: Andrew Abrahamson; Ashley Anglin, Ph.D.; Catherine Connelly, D.M.H., M.A.; Max Holdsworth, M.A.; Dana Isaac

KEY TERMS

- **ALICE:** Asset Limited, Income Constrained, Employed – households that earn above the Federal Poverty Level (FPL) but cannot afford the basic cost of living in their county. Despite struggling to make ends meet, ALICE households often do not qualify for public assistance.
- **ALICE Household Survival Budget:** Reflects the minimum costs of household necessities (housing, child care, food, transportation, health care, and technology) plus taxes, adjusted for different counties and household types
- **ALICE Threshold of Financial Survival:** Derived from the Household Survival Budget, the minimum average income that a household needs to afford basic costs, calculated for all U.S. counties
- **ALICE Essentials Index:** A measure of the average change over time in the costs of essential goods and services
- **Below ALICE Threshold:** Includes households in poverty and ALICE households combined

Learn more about our methodology at UnitedForALICE.org/Methodology

ALICE Essentials Index

	Description and Sources	% of Basket	2007-2023 % Increase
Housing 	<p>Fair Market Rent (40th percentile, utilities included) for an efficiency apartment (single adult), one-bedroom apartment (two adults), or two-bedroom apartment (two adults, two children), adjusted in metro areas using the American Community Survey (ACS)</p> <p>Sources: ACS metro housing costs and U.S. Department of Housing and Urban Development</p>	34%	76%
Child Care 	<p>Cost for registered Family Child Care Homes for one preschool-age child (3-4 years), representing the midpoint of cost between infant and afterschool care</p> <p>Source: State agency responsible for child care reporting (e.g., Child Care Aware of Washington, Maryland Family Network)</p>	7%	57%
Food 	<p>USDA Thrifty Food Plan by age, with county variation from Feeding America for three household compositions (two adults, two adults and two children, and one adult 65+)</p> <p>Sources: Feeding America; U.S. Department of Agriculture (USDA)</p>	23%	37%
Transportation 	<p>Operating costs for a car (average daily miles by age, cost per mile, license, fees, and insurance) for three household types (two adults, two adults and two children, and one adult 65+)</p> <p>Sources: AAA, Federal Highway Administration, The Zebra (car); Consumer Expenditure Survey (CEX) (public transportation)</p>	17%	66%
Health Care 	<p>Health insurance premiums based on employer-sponsored plans plus out-of-pocket costs for households with \$40,000-\$69,999 annual income by age, weighted with the poor-health multiplier. For the ALICE 65+ Budget, cost of Medicare Parts A and B, out-of-pocket costs, plus average out-of-pocket spending for the top five chronic diseases as reported by CMS.</p> <p>Sources: Centers for Medicare & Medicaid Services (CMS); CEX (health); Medical Expenditure Panel Survey (MEPS)</p>	15%	75%
Technology 	<p>Basic broadband internet at home and a smartphone plan with unlimited data for each adult in a household</p> <p>Source: Consumer Reports</p>	3%	55% (2016-2023)

OVERVIEW: BASIC COSTS ARE INCREASING FASTER THAN OVERALL INFLATION

Inflation is one of the most widely utilized indicators of the health of the U.S. economy. When prices increase faster than wages, the stock market, and other sources of income, people’s purchasing power decreases and economies struggle. This is especially challenging for families on a tight budget or a fixed income, including households that are **ALICE** — **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, with income above the Federal Poverty Level (FPL) but below the cost of basics included in the **ALICE Household Survival Budget**.

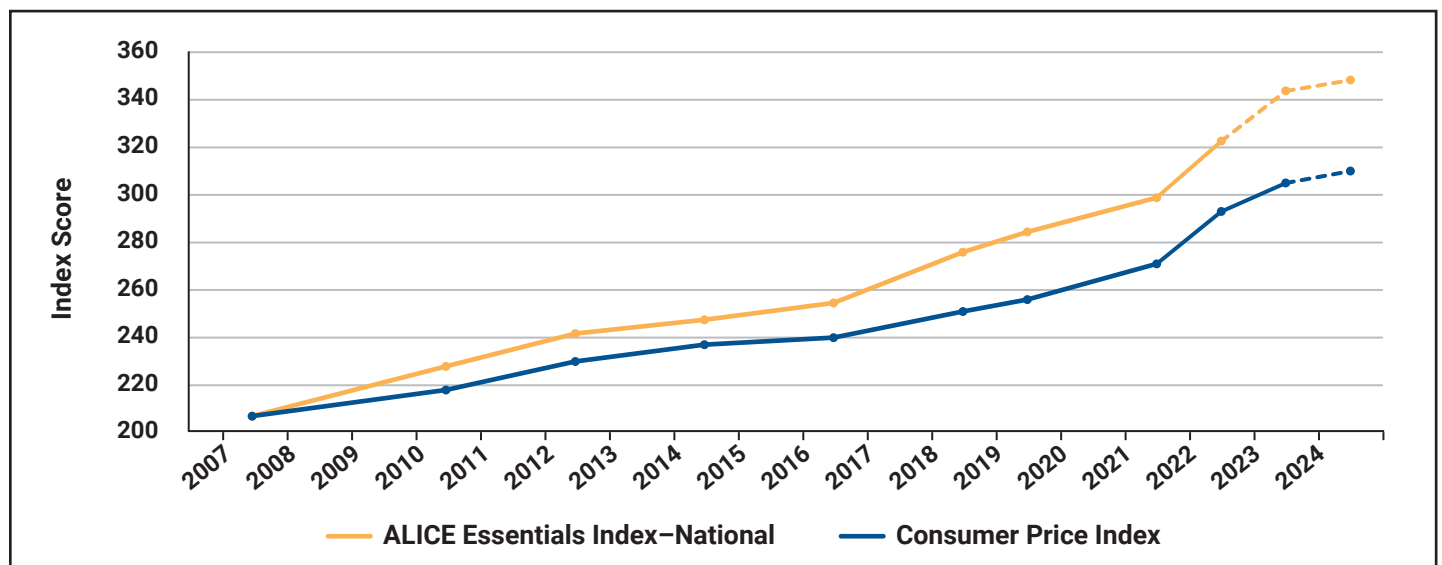
ALICE households, combined with those living in poverty, make up the population of struggling U.S. households with income **below the ALICE Threshold**. Across the U.S. in 2022, [42% of households had income below the ALICE Threshold](#): 13% were in poverty, and another 29% were ALICE.

The standard measure of inflation in the U.S., the Bureau of Labor Statistics’ **Consumer Price Index (CPI)**, tracks the retail price of [more than 200 categories](#) of goods and services purchased by consumers at all income levels in [75 urban areas](#).

The CPI is often used as the North Star to guide economic policies, including monetary policy, setting the FPL, benchmark increases for Social Security and retirement benefits (for veterans and federal civil service retirees), and determining eligibility for government assistance programs.

Yet despite being used to guide policy for low-income households, the CPI conceals the changes in prices of the smaller number of goods and services that are essential to meeting basic needs for households below the ALICE Threshold. **The ALICE Essentials Index** aims to fill this gap and bring the reality of ALICE household costs to the forefront. The Index tracks only the cost of six categories of basic goods and services essential to living and working in the current economy: housing, child care, food, transportation, health care, and basic technology. And it shows that **the rise in the cost of these household basics has consistently outpaced growth in the CPI’s larger basket of goods and services for more than a decade** (Figure 1).

Figure 1. ALICE Essentials Index and CPI, United States, 2007–2024



Note: In this figure, the ALICE Essentials Index was adjusted to the CPI base value of 207 in 2007. As shown by the dotted lines, ALICE Essentials Index rates for 2023 and 2024 are projections; for details, see Appendix. CPI 2024 is preliminary (based on data through March 2024).

Sources: ALICE Essentials Index, 2007–2024; Bureau of Labor Statistics, 2007–2024—CPI; Bureau of Labor Statistics, 2007–2023—Occupational Employment and Wage Statistics

ALICE INFLATION BY TIME PERIOD

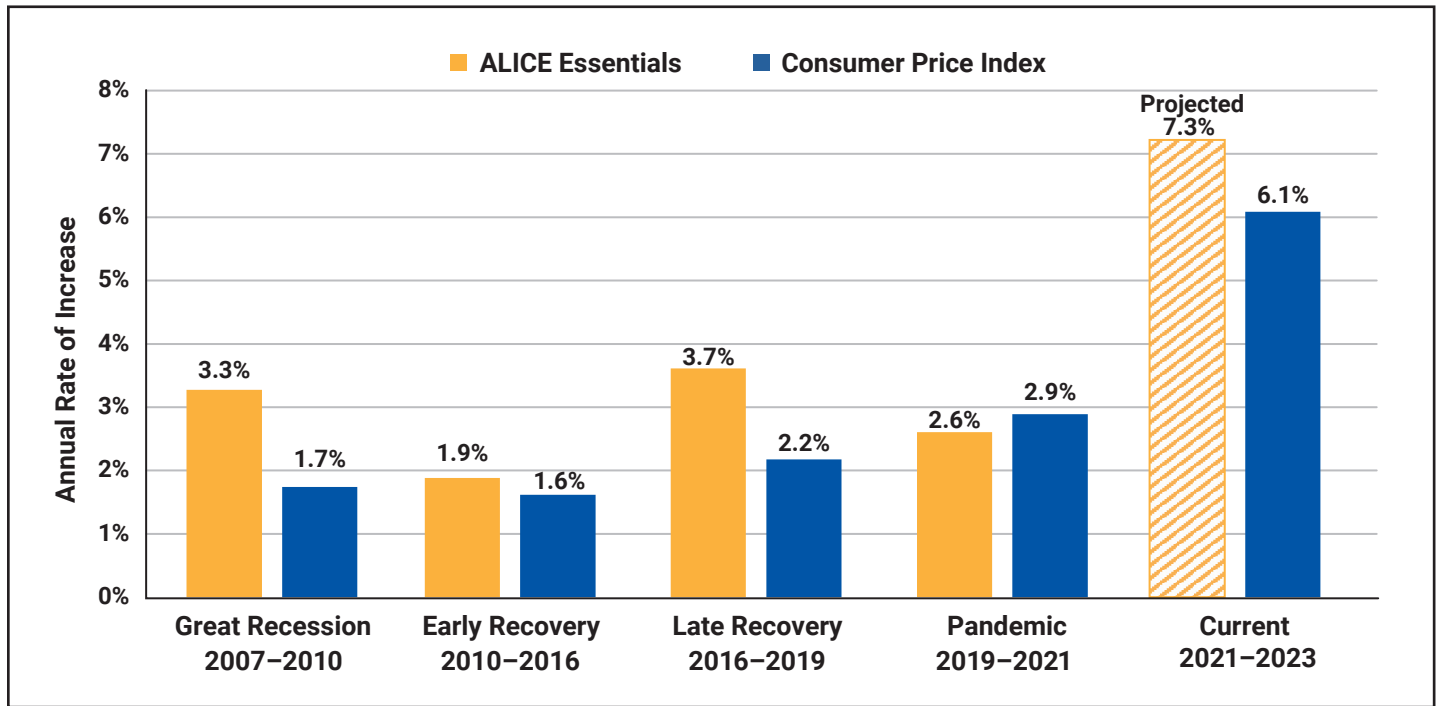
Inflation and the high cost of living have been front and center in the news over the past few years. According to a recent [Gallup Poll](#), concerns about inflation reached a new high in April 2024, with 41% of Americans naming inflation as the most important financial problem they are facing. Households across all income levels have felt the impact of inflation doubling following the pandemic. Yet the ALICE Essentials Index shows that households below the ALICE Threshold have not only seen a bigger increase recently but have been struggling with high inflation for the last decade and a half.

From 2007 through 2019, the CPI reported an annual inflation rate of roughly 2%, followed by a higher annual rate of 2.9%

during the period of 2019 to 2021, and then reaching 6.1% during the most recent period (2021 to 2023).

In comparison, the ALICE Essentials Index was nearly double the CPI during the Great Recession (3.3% annual increase from 2007 to 2010). Both measures dropped below 2% during the Early Recovery (2010 to 2016); then the ALICE Essentials Index surged past the CPI again during the Late Recovery (2016 to 2019), with an annual rate of 3.7%. During the last five years, the rate of inflation has been volatile: The ALICE Essentials Index fell to 2.6% (2019 to 2021) before jumping to an annual rate of 7.3% from 2021 to 2023 (projected) (Figure 2).

Figure 2. Annual Rate of Inflation by Time Period, United States, 2007–2023



Note: The ALICE Essentials Index rate for 2023 is a projection; for details, see Appendix. The 2024 ALICE Essentials Index is a projection based on partial data and is therefore not included in this figure.

Sources: ALICE Essentials Index, 2007–2024; Bureau of Labor Statistics, 2007–2024–CPI

There are two key explanations for the difference in inflation rates between the ALICE Essentials Index and the CPI:

The price of many non-essential goods has remained relatively unchanged for years. Mass-production and a global market over the last few decades helped keep costs low before 2020, especially for [apparel](#), [vehicles](#), and [electronics](#). This also helped keep CPI rates low; but most of these items were not included in the ALICE Essentials Index. When the pandemic hit, [supply chain disruptions](#) increased costs for a wide range of products included in both the ALICE Essentials Index and the CPI.

There are different rates of growth at different price points. Even within the categories that are common across the two indices (such as housing and food), the ALICE Essentials Index includes a narrower range of items, many of which had very different price trajectories than their higher-end counterparts. For example:

- **Housing** accounts for a similar portion of both the CPI (36%) and the ALICE Essentials Index (34%). Yet the CPI includes the [cost of high-end rental and owner accommodation](#), both of which stagnated during the housing crisis of [2008 through 2013](#). From 2007 to 2023, [CPI shelter](#) costs increased by 56%. In comparison, the cost of efficiency and one- and two-bedroom rental apartments at the 40th rent percentile in the ALICE Essentials Index has [consistently increased](#), especially during and since the COVID-19 pandemic. Housing costs in the ALICE Essentials Index increased 76% from 2007 to 2023.
- **Food** accounts for a smaller portion of the CPI (14%) than of the ALICE Essentials Index (23%). Both indices include food at home, such as breakfast cereal, milk, coffee, and chicken; the costs of those basics have increased steadily. But the [CPI also includes higher-end products](#) that would not be affordable in the Thrifty Food Plan, like wine and full-service meals and snacks away from home, and the costs of those products have increased more rapidly in recent years.



INFLATION AND WAGES

Since the end of the Great Recession, many lower-wage jobs have seen wage increases. From 2010 to 2022, the median hourly wage increased 55% for pharmacy aides, 48% for both retail salespersons and child care workers, 51% for tellers, and 53% for cashiers. Most of the growth occurred since 2019, with [historic recent wage increases](#) for low-income workers.

[Yet measures of household and consumer sentiment](#) suggest dissatisfaction with the current economy, and ALICE workers report [ongoing frustration](#) from being unable to get ahead of expenses, despite higher incomes. The following factors help explain why:

- **ALICE workers are playing catch-up.** Recent wage gains do not make up for over a decade of stagnating wages. For example, in 2010, child care workers in the U.S. earned a median wage of \$9.28 per hour (\$19,300 annually for full-time work) which was \$12,763 short of the annual Household Survival Budget for one adult and one school-age child (\$32,063). By 2022, the median wage for child care workers had increased by a substantial 48% to \$13.71 per hour (\$28,520 annually, full-time). Yet the annual Household Survival Budget for one adult and one school-age child also grew, by 46%, to \$46,932. These essential workers were \$18,412 short of basic costs in 2022 – even further behind than they were in 2010 (Figure 3).

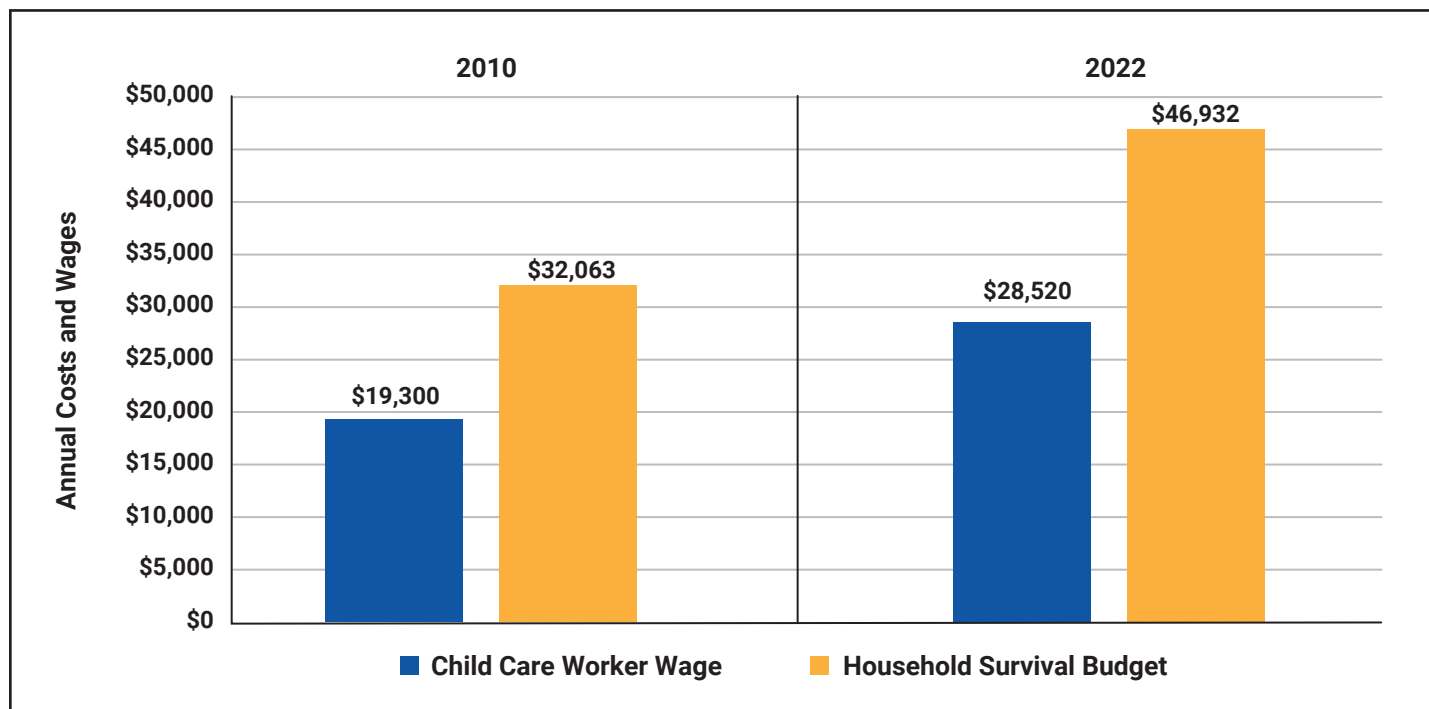
- **Wages are increasing at different rates across occupations.** Not all workers are experiencing high rates of wage growth. Of the top 20 most common occupations in the U.S. by total employment, half saw median annual wages increase from 2019 to 2022 at a rate faster than the ALICE Essentials Index: retail salespersons, personal care aides, fast food and counter workers, cashiers, laborers and movers (hand), stockers and order fillers, janitors and cleaners, waiters and waitresses, maintenance and repair workers, and miscellaneous assemblers and fabricators. (For details, see our 2024 Update, [ALICE in the Crosscurrents](#).)
- **Many workers struggle to find full-time employment.** An increase in hourly wages does not always translate to higher take-home pay every month. Nationally, about one-quarter (22%) of the population (age 16+) had the security of a full-time job with a salary in 2022. Of those in the labor force, over half (60%) were paid hourly and/or worked part time. Many jobs have fluctuating schedules and are seasonal. If workers are given fewer hours, their monthly earnings may not increase. (For labor force statistics at the state and county levels, visit [UnitedForALICE.org](#).)

THE ALICE WAGE TOOL

United For ALICE's [Wage Tool](#) provides detailed data on wages at the state and county level. Explore the interactive map that identifies the counties where a certain hourly wage can support the Household Survival Budget for a selected household type.



Figure 3. Child Care Worker Wages Compared to Household Survival Budget, United States, 2010 and 2022



Note: The Household Survival Budget is the budget for Franklin County, Ohio (which includes Columbus), roughly the median county in the U.S. for income, and shows the annual total ALICE Household Survival Budget for one adult and one school-age child.

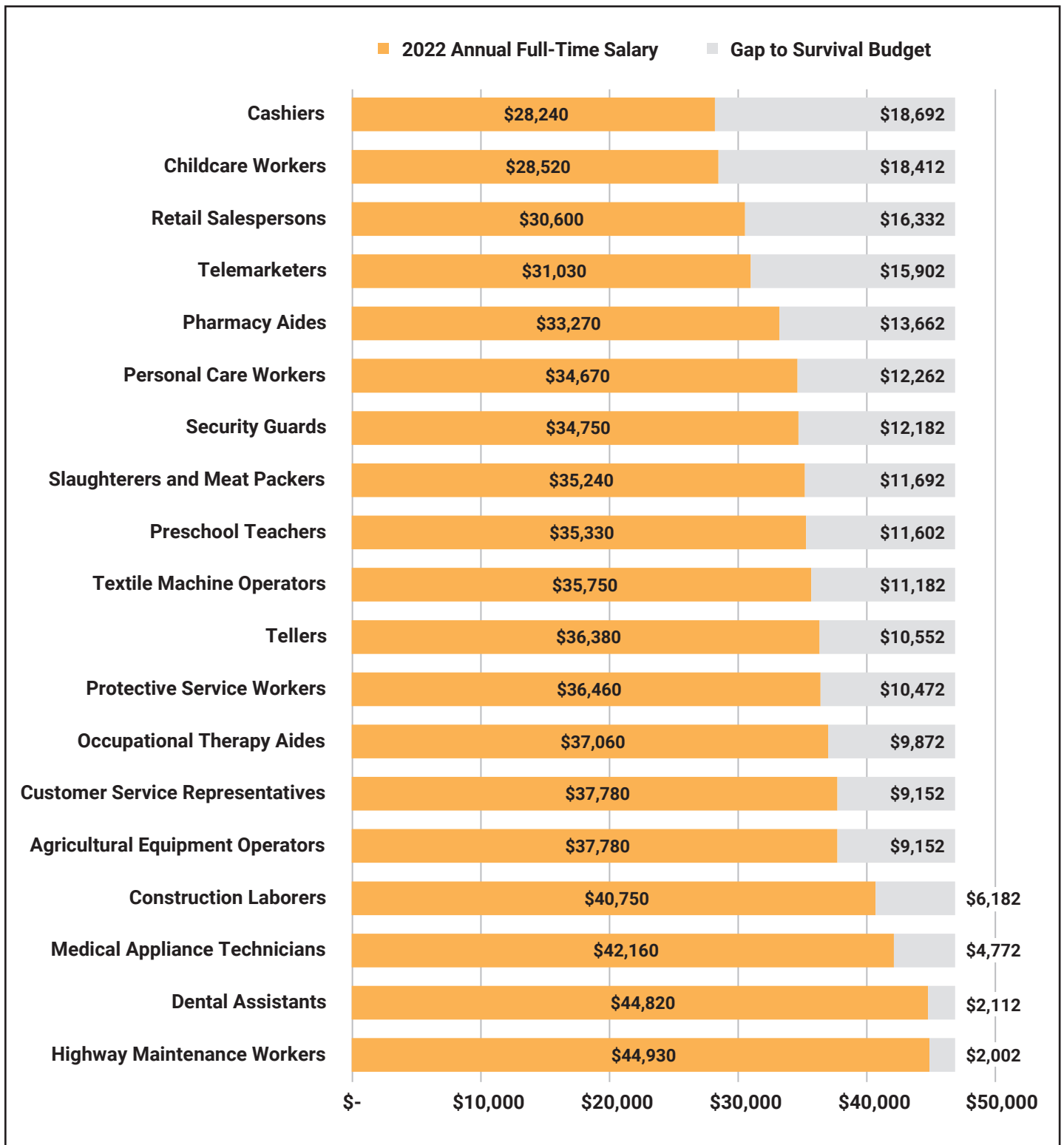
Sources: ALICE Household Survival Budget, 2010 and 2022; Bureau of Labor Statistics, 2010 and 2022—Occupational Employment and Wage Statistics

Despite substantial wage growth, no low-wage jobs caught up to basic costs from 2010 to 2022. In 2010, 240 occupations listed by the BLS had median annual wages that could not support the median Household Survival Budget for one adult and one school-age child. Yet despite wage increases in all but six of these occupations from 2010 to 2022, none of them could support the median Survival Budget in 2022 either. These jobs include farmworkers and laborers, crop, nursery, and greenhouse workers, personal care and service workers, passenger attendants, grounds maintenance workers, and counter and rental clerks, whose wages all increased by more than 60% but still couldn't support the Household Survival Budget in 2022.

Other occupations actually lost ground during this time, even though their wages grew. For example, highway maintenance workers, dental assistants, and medical appliance technicians could afford the median Household Survival Budget for one adult and one school-age child in 2010, but not in 2022.

A sample of these occupations is shown in Figure 4, comparing their wages to the ALICE Household Survival Budget.

Figure 4. Median Annual Wages of Selected Common Occupations vs. Annual ALICE Household Survival Budget, United States, 2022



Note: Annual total ALICE Household Survival Budget is for one adult and one school-age child. The latest data for the ALICE Threshold is from 2022.

Sources: ALICE Essentials Index, 2007–2022; ALICE Threshold, 2007–2022; American Community Survey, Public Use Microdata Sample (PUMS), 2007–2022; Bureau of Labor Statistics, 2007–2022—Occupational Employment and Wage Statistics

INFLATION BY GEOGRAPHY

The cost of basic household goods varies substantially by geography across the U.S. For example, in 2022, the Household Survival Budget for a family of four ranged from \$68,784 in El Paso County, TX to \$91,284 in Franklin County, OH (includes Columbus) to \$133,380 in Arlington County, VA. (For more budgets at the state and county levels, visit [UnitedForALICE.org](https://unitedforalice.org).) To better understand change over time in basic costs by location, the ALICE Essentials Index includes variations by urban and rural counties, states, and U.S. regions (see Figure 8 in the Appendix for more details).

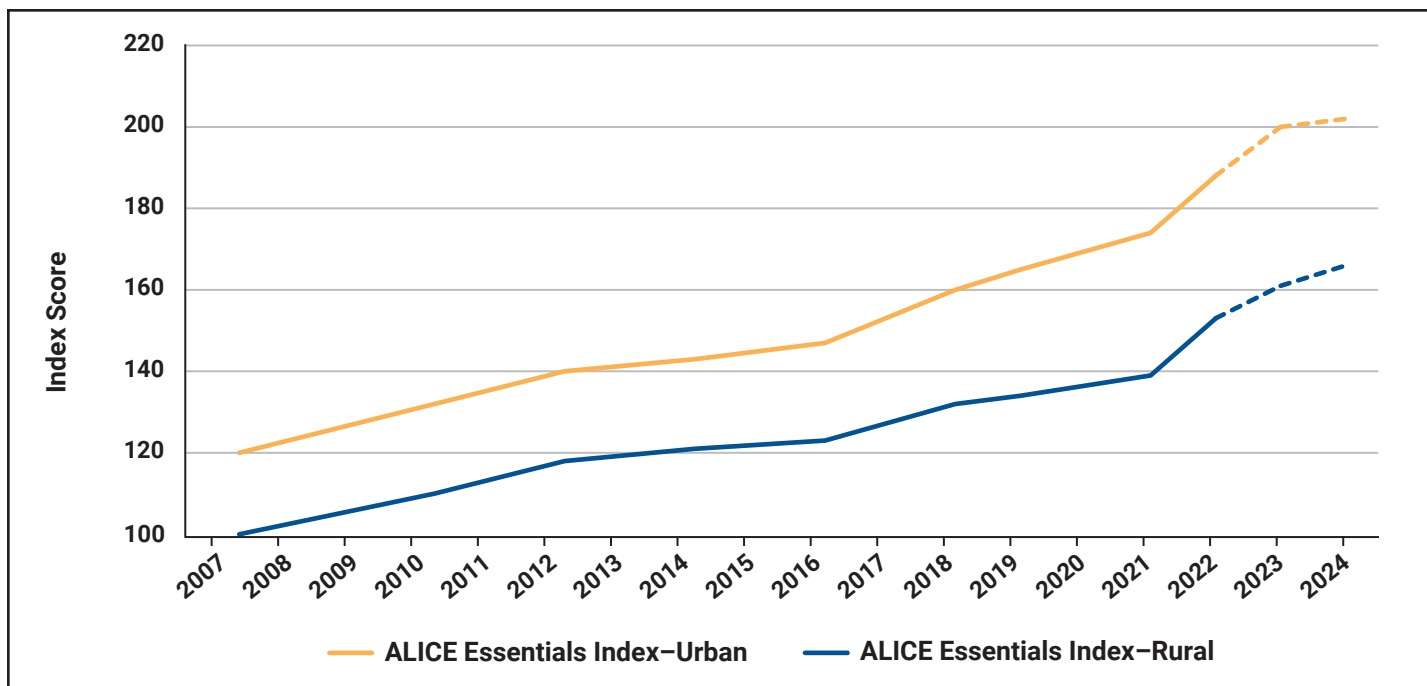
INFLATION IN URBAN AND RURAL AREAS

Most inflation indices, including the CPI, focus on urban areas. But with 20% of the U.S. population [living in rural areas](#), better measures are needed to capture the [different economic](#)

[conditions](#) in urban and rural areas — a result of differing demographic and migration patterns, industry composition, access to economic opportunities, public policy priorities, and investments in infrastructure.

The ALICE Essentials Index highlights this distinction using the U.S. Census [classifications](#) for urban and rural areas and weighting each county according to its total household population. The Index variations provide comparable measures of inflation for both urban and rural areas. Between 2007 and 2024, household essentials were 18% to 26% more expensive in urban areas than in rural areas, and costs in the two areas have increased at slightly different rates over time. They increased at similar, relatively low rates until 2016, when essentials began increasing faster in urban areas and continued on that trajectory through 2021. Rates increased substantially in both areas from 2021 to 2023, but the rate in rural areas (7.5%), was even higher than in urban areas (7.2%) (Figure 5).

Figure 5. Comparison of Urban and Rural Inflation, ALICE Essentials Index, United States, 2007–2024



Note: For ease of comparison, ALICE Essentials Index–Rural is set to start at 100. As shown by the dotted lines, ALICE Essentials Index rates for 2023 and 2024 are projections; for details, see Appendix.

Source: ALICE Essentials Index, 2007–2024

INFLATION BY U.S. REGION

Regional variations of the ALICE Essentials Index provide comparable measures of the relative difference in costs for the [four regions in the U.S.](#) as well as change over time from 2007 to 2024 (Figure 6).

Since 2007, basic household goods have been most expensive in the West and Northeast regions, less expensive in the South and least expensive in the Midwest. However, regional costs and inflation rates have varied over time. For example:

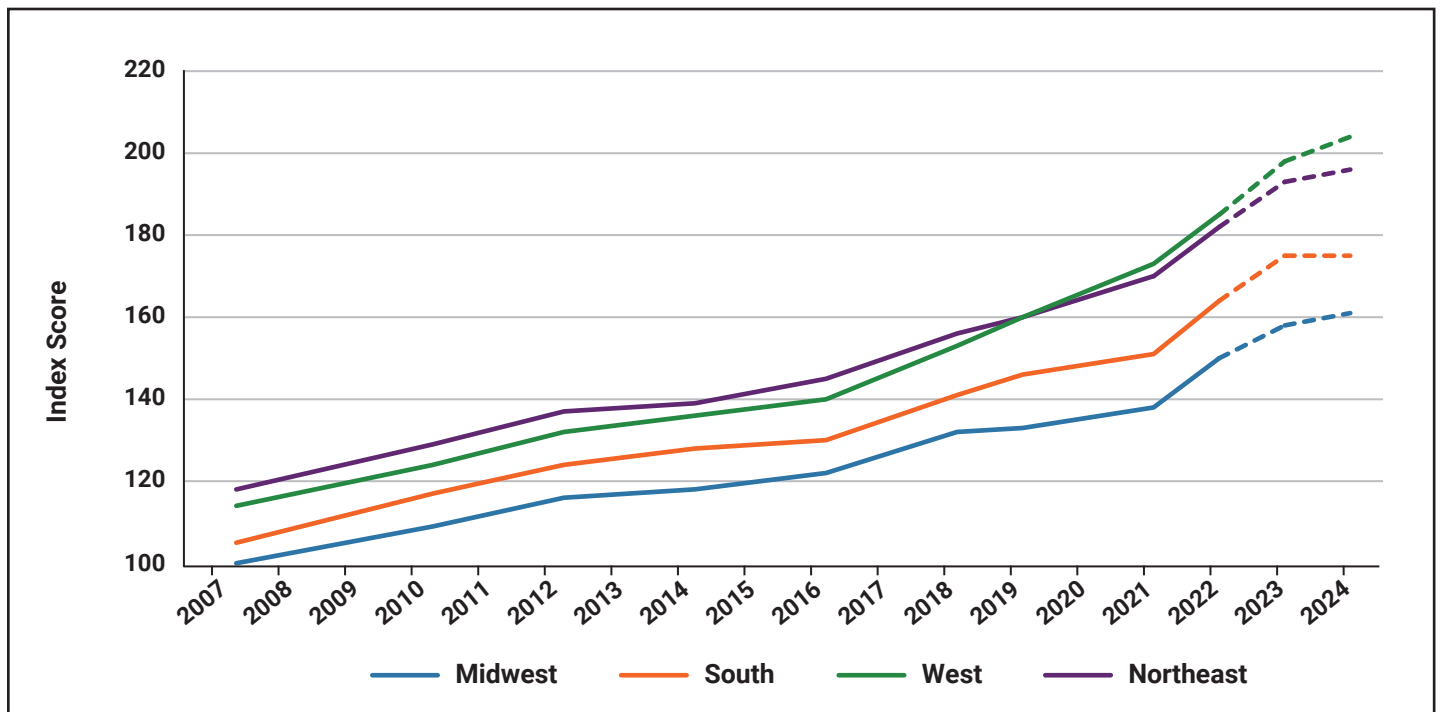
- In the West, inflation was relatively gradual from 2007 to 2016 but then began increasing at a faster rate, and eventually surpassed basic costs in the Northeast by 2019.

- In the South and Midwest, inflation rates were lower prior to the pandemic, but then jumped up again by 2021.

- In the Northeast, inflation increased gradually (except for a spike in recent years), with the highest costs of any region until 2019.

All regions experienced the most substantial increase in costs during the period of 2021 to 2023, with the ALICE Essentials Index increasing at an average annual rate of 7.1% in the Midwest, 6.5% in the Northeast, 6.9% in the West, and 7.8% in the South.

Figure 6. ALICE Essentials Index by Region, United States, 2007–2024



Note: For ease of comparison, regional ALICE Essentials Indices are set to start at 100. As shown by the dotted lines, ALICE Essentials Index rates for 2023 and 2024 are projections; for details, see Appendix.

Source: ALICE Essentials Index, 2007–2024

FOCUSING ON BASIC COSTS: POLICY IMPLICATIONS

The CPI is integrated into government policy, informing interest rates, cost-of-living increases for public assistance programs, and more. Yet it does not provide policymakers with a full picture of who is bearing the brunt of inflation, or how the effectiveness of social insurance programs is diminished as benefits continue to fall further behind the cost of basics. As a result, many government policies fall short in their efforts to support workers and reduce hardship, especially for ALICE.

Inflation policy: The Federal Reserve Bank’s [statutory mandate](#) from Congress is to promote maximum employment, stable prices, and moderate long-term interest rates. Yet the current measures of these factors conceal ALICE workers’ fragile employment (variable hours, seasonal fluctuations) and the gap between earnings and the rising costs of essential goods.

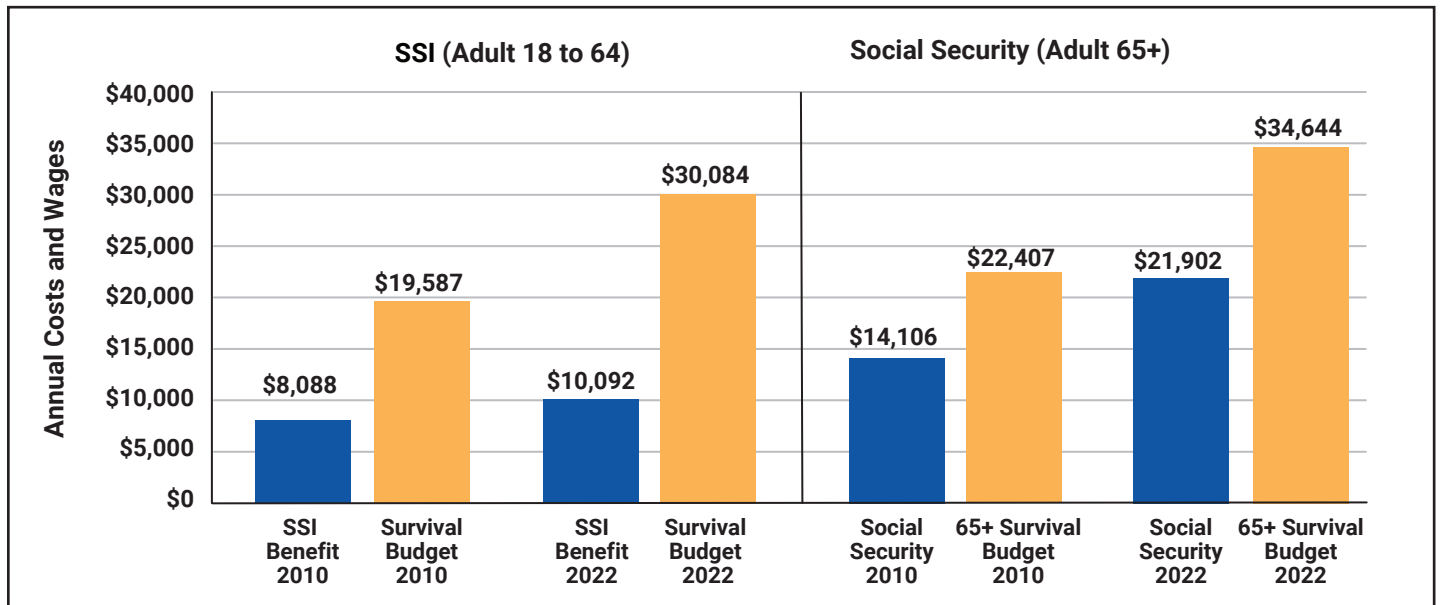
Thus, policy designed to dampen inflation by raising interest rates to slow wage growth and tamp down the labor market misses the mark for more than 40% of U.S. households. There are many causes of inflation, including supply chain

interruptions (due to factors ranging from natural disasters to wars), increases in the price of raw materials, pandemic assistance that spurred consumer demand for commodities and goods, and firms sustaining higher prices even when costs decrease.

Given these many causes, focusing on fighting inflation by dampening the labor market not only puts the brunt of the remedy on workers who are struggling, but it fails to address the other causes and to solve the overall problem. For ALICE workers, because their wages have lagged behind the cost of living for more than a decade, dampening wage growth makes it almost impossible for them ever to catch up (see Figure 3).

Social Security and Supplemental Security Income: Each year, Social Security and Supplemental Security Income (SSI) make a [Cost of Living Adjustment](#) (COLA), which is based on the CPI. But the costs of many of the essential goods and services purchased by typical households that receive these benefits increase faster than COLA.

Figure 7. ALICE Household Survival Budget vs. SSI and Social Security, United States, 2010 and 2022



Note: SSI is compared to the Household Survival Budget for a single adult in Franklin County, OH, roughly the median county in the U.S. for income; Social Security is compared to the ALICE 65+ Survival Budget for a single adult age 65+. For more details on the ALICE Household Survival Budget and the 65+ Survival Budget for your state and for any household composition, visit [UnitedForALICE.org](#).

Sources: ALICE Household Survival Budget, 2010 and 2022; Social Security Administration—Social Security Changes, [2010](#) and [2022](#); Social Security Administration—Old-Age and Survivors Insurance (OASI), Table 5A.1, [2010](#) and [2022](#)

Given the lag between Social Security benefit adjustments and actual cost increases, it is not surprising that half (51%) of all 65+ households in the U.S. live below the ALICE Threshold. For example, in 2010, the average monthly Social Security benefit for a retired worker was \$1,175.50 per month or \$14,106 annually (for full-time work), which was \$8,301 short of the annual ALICE 65+ Survival Budget for a single older adult (\$22,407). By 2022, the benefit had increased by 55% to \$1,825.14 per month (\$21,902 annually). The annual 65+ Survival Budget also grew, by 55%, to \$34,644. These older adults were \$12,742 short of basic costs in 2022 – even further behind than they had been in 2010 (Figure 7).

The gap is even wider for people with disabilities (under age 65) who receive SSI, because the benefits are lower and the rate of increase is smaller. An adult with a disability was \$11,499 short of the Household Survival Budget in 2010 and \$19,992 short in 2022.

Retirement benefits for veterans and civil servants: [Veterans'](#) and [civil servants'](#) retirement benefits are adjusted annually according to the CPI with the stated goal of protecting them from inflation. Yet these increases in benefits are not enough to cover increases in the household essentials older Americans rely on. For many state and local employees, increases to their public pensions are typically [capped at 2% or 3%](#) per year.

Federal Poverty Level: The CPI has been used to [adjust the FPL](#) since the FPL was first developed in the mid-1960s. Yet because the CPI underestimates the cost increase of the basic goods most often used by the lowest-income U.S. residents, the poverty measure today is no longer adequate. Many households that are struggling are not included under the FPL. In a clear demonstration that the measure is artificially low, eligibility for many key benefit programs is now based on multiples of it:

- **SNAP:** Use of the CPI erodes the impact of the U.S. Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP) in two ways. First, because

SNAP eligibility thresholds are based on the FPL, year after year they fall further behind the actual number of families that are struggling. States have recognized the inadequacy of the FPL and use multiples of it, ranging from [130% to 200%](#), for SNAP eligibility. Yet because annual FPL increases still rely on the CPI, the number of struggling households not eligible for SNAP benefits increases each year; in 2022, only 41% of U.S. households in poverty and 18% of ALICE households participated in SNAP. Among all eligible people, [estimated SNAP participation rates were higher](#).

Second, because the amount of the SNAP benefit is primarily increased through an [annual Cost of Living Adjustment](#) based on the CPI, the current benefit does not buy as much as it used to. For example, in 2010, the maximum monthly SNAP allotment was \$200 (\$2,400 annually) for a single person, and by 2022, the maximum allotment had increased by 25%, to \$250 a month (\$3,000 annually). Yet food costs increased more, so that even with the annual adjustments, current SNAP benefits do not go as far as they used to. In 2010, a monthly SNAP benefit of \$200 could cover 30 days of food; by 2022, a monthly benefit of \$250 could cover only 27 days.

- **CHIP or Medicaid:** Eligibility thresholds used by the U.S. Department of Health and Human Services for the Children's Health Insurance Program (CHIP) and Medicaid vary by state and range from [170% to 400% of the FPL](#). In 2022, only 37% of all households below the ALICE Threshold in the U.S. participated in CHIP or Medicaid.

Tax brackets and credits: The IRS uses the Chained Consumer Price Index (C-CPI) to adjust income tax brackets and credits like the Child Tax Credit and the Earned Income Tax Credit (EITC), with the goal of having tax brackets keep pace with inflation. But because Chained CPI grows even more slowly than the CPI and the actual cost of basics, ["bracket creep"](#) occurs: People are pushed into income tax brackets with higher tax rates, but without any increase in real income. This also impacts the value of child tax credits and EITC, in effect [diminishing their value over time](#).

CONCLUSION

As inflation has reached its highest level in decades, it has taken center stage in media and policy conversations. But for the 54 million U.S. households — 42% — who live below the ALICE Threshold, this is not news. They have been struggling with the growing cost of basic goods for years.

INFLATION HITS ALICE HOUSEHOLDS HARDER:

The cost of basics is increasing faster than the cost of non-essential goods. For example, according to the Federal Reserve Board’s [Survey of Household Economics and Decisionmaking](#), 39% of households below the ALICE Threshold in the U.S. reported in 2022 that their [rent or mortgage had increased](#) in the prior 12 months (compared to 27% of households above the Threshold). Since ALICE has already had to cut spending to necessities only, there is no room to tighten the budget if rent or mortgage costs go up. As a result, families are often forced to make difficult choices between rent and medication; food and heat; child care and work.

ALICE struggles to keep up with bills — and that struggle is increasing. According to the U.S. Census Bureau’s [Household Pulse Survey](#), in October 2023, 54% of households below the ALICE Threshold in the U.S. reported that it was somewhat or very difficult to [pay for usual items](#) such as food, rent or mortgage, car payments, and medical expenses — an even higher share than in August 2020 (50%).

Inflation is causing ALICE more stress. According to the U.S. Census Bureau’s [Household Pulse Survey](#), in November 2022, 59% of households below the ALICE Threshold in the U.S. reported that the [increase in prices in the last two months](#) was very stressful (compared to 32% of households above the Threshold).



Because the CPI does not capture the differential impact of inflation for essential versus average budgets, it is inadequate to guide economic policy for low-income households. This is especially true when determining increases to benefits for Social Security, SNAP, Medicaid and CHIP, and veterans’ and civil servants’ retirement; increases to the Federal Poverty Level; unemployment and inflation policy; and tax brackets and credits. The gaps between the CPI and the basic cost of living diminish the reach and effectiveness of social insurance programs and undermine financial stability for the most vulnerable workers. This leads to tangible hardship for the 42% of households that are below the ALICE Threshold, especially low-wage workers, retirees, rural residents, and those receiving public assistance.

The ALICE Essentials Index provides a much-needed companion to the CPI by tracking costs for the foundational basket of essential goods. With its clear insight into and presentation of the needs of low-income households, the Essentials Index should play a role in guiding monetary policy and public assistance. In addition to the Index, the ALICE Threshold provides a measure to track progress in better aligning wages and the basic cost of living. By increasing the accuracy of data on hardship, these ALICE measures are designed to propel the potential of the U.S. economy. Improving conditions for ALICE families will in turn fuel economic growth, benefiting all households, communities, and businesses.

NATIONAL COMPARISON: INFLATION AND HOUSEHOLDS BELOW THE ALICE THRESHOLD

STATE	ALICE Essentials Index			Household Income Status	
	Annual Rate of Change 2016–2019	Annual Rate of Change 2019–2021	Annual Rate of Change 2021–2023	Number of Households (2022)	% Households Below ALICE Threshold (2022)
United States	3.7%	2.6%	7.3%	128,946,680	42%
Alabama	4.3%	1.2%	7.4%	1,987,602	47%
Alaska	2.2%	1.3%	7.8%	269,282	33%
Arizona	3.8%	4.8%	10.4%	2,848,273	41%
Arkansas	3.8%	1.2%	8.2%	1,201,499	47%
California	5.0%	4.8%	5.9%	13,543,043	45%
Colorado	5.2%	1.9%	7.3%	2,357,045	37%
Connecticut	2.2%	2.8%	7.1%	1,430,904	39%
Delaware	2.4%	0.4%	7.7%	402,334	38%
DC Metro Area	2.7%	1.2%	3.6%	2,375,332	34%
Florida	3.8%	1.2%	9.4%	8,800,279	46%
Georgia	6.7%	-0.6%	9.7%	4,021,382	48%
Hawaii	2.4%	3.9%	N/A	493,567	44%
Idaho	2.1%	4.4%	9.1%	701,293	43%
Illinois	2.0%	2.0%	5.9%	5,040,533	37%
Indiana	3.8%	1.4%	8.2%	2,701,433	40%
Iowa	3.3%	0.9%	8.6%	1,307,751	37%
Kansas	3.8%	1.1%	7.0%	1,162,920	39%
Kentucky	3.2%	0.3%	8.4%	1,795,489	45%
Louisiana	3.8%	1.6%	5.6%	1,799,695	50%
Maine	3.6%	1.6%	6.9%	594,358	42%
Maryland	2.7%	1.2%	5.1%	2,367,020	39%
Massachusetts	6.0%	2.4%	5.9%	2,795,534	42%
Michigan	3.6%	1.3%	8.4%	4,056,442	41%
Minnesota	3.4%	2.6%	6.7%	2,303,607	36%
Mississippi	2.4%	3.0%	7.7%	1,128,883	52%
Missouri	4.0%	1.4%	6.2%	2,497,872	42%
Montana	2.3%	3.7%	6.8%	458,390	40%
Nebraska	3.6%	2.8%	6.7%	790,858	38%
Nevada	3.5%	4.2%	8.9%	1,194,930	44%
New Hampshire	3.8%	2.0%	7.7%	554,084	36%
New Jersey	2.3%	3.0%	4.7%	3,512,465	36%
New Mexico	2.6%	3.5%	7.0%	833,912	47%
New York	3.5%	3.6%	6.2%	7,758,644	46%
North Carolina	3.8%	4.2%	7.3%	4,252,548	43%
North Dakota	2.7%	1.7%	6.9%	324,612	34%
Ohio	2.3%	2.4%	7.4%	4,857,452	39%
Oklahoma	2.8%	2.7%	5.6%	1,552,422	45%
Oregon	5.6%	2.5%	8.1%	1,712,073	45%
Pennsylvania	2.4%	2.7%	8.2%	5,279,632	41%
Rhode Island	2.8%	2.2%	8.0%	444,870	39%
South Carolina	5.6%	-1.0%	9.4%	2,122,865	44%
South Dakota	4.1%	0.8%	7.0%	359,412	36%
Tennessee	3.6%	2.0%	8.1%	2,805,838	44%
Texas	3.8%	2.3%	7.8%	10,985,596	43%
Utah	4.2%	3.4%	8.4%	1,117,344	35%
Vermont	2.7%	2.1%	6.3%	268,646	41%
Virginia	2.3%	0.9%	7.5%	3,338,674	40%
Washington	4.2%	3.9%	7.6%	3,064,367	35%
West Virginia	3.4%	3.1%	6.9%	720,668	48%
Wisconsin	2.7%	2.8%	7.3%	2,466,060	35%
Wyoming	2.2%	1.4%	7.1%	235,308	35%

Note: ALICE Essentials Index rates for 2023 are projections; for details, see Appendix. Projected rates not currently available for Hawai'i.

APPENDIX

ALICE ESSENTIALS INDEX METHODOLOGY

The ALICE Essentials Index provides a national, standardized measure of the change over time in the cost of six categories of essential household items. In accordance with our Research Methodology, the Household Survival Budget costs are derived from the lowest cost of household basics that ALICE households need to live and work in the current economy: housing, child care, food, transportation, health care, and basic technology. To account for different combinations and sizes of households, the ALICE Essentials Index tracks these items for three of the most common household compositions: two adults; a family with two children (one in preschool, one without child care); and a single adult age 65 and over. The costs of basics for these households are added together to create the basket; there is no weighting.

Unlike the CPI, which includes only a sample of metropolitan areas, the ALICE Essentials Index tracks costs in all 3,143 U.S. counties and provides an index for all counties combined, as well as separate urban and rural inflation indices. The Household Survival Budget and this Index use publicly available, official sources to calculate the cost of household essentials, as outlined above. For further information on the Household Survival Budget, please visit UnitedForALICE.org/Methodology.

Counties for the ALICE Essentials Index are defined as rural or urban based on the [U.S. Census classification](#) and weighting each county according to its total household population.

Projections

Complete data for all items in the Household Survival Budget is available through 2022; we estimate 2023 and 2024 inflation rates with a mix of actual and extrapolated costs. For 2023,

housing, food (Mid-year, June), and transportation costs were available, approximately 75% of the ALICE Essentials Index basket. For 2024, only housing and food (March) were available, approximately 58% of the ALICE Essentials Index basket.

For 2024, the CPI is actual data for January through March.

For the remaining budget items, where 2023 and 2024 data was not available (child care, health care, and technology), the [Consumer Price Index](#) was used to inflate the budget item from the previous year. For example, the change in the CPI-U from 2022 to 2023 was 2.0%, and from March 2023 to March 2024 was 0.8%. Therefore, health care costs for 2023 reflect the 2022 costs multiplied by 1.02; for 2024, the 2023 costs were multiplied by 1.008. Because the ALICE Essentials Index has increased at the same pace as or faster than the CPI, we expect the ALICE Essentials Index projections will underestimate the actual rates of increase of included items.

COMPARISON OF INFLATION INDICES

To better understand the ALICE Essentials Index, it is helpful to see how it compares to other inflation measures. The primary measure of inflation in the U.S. since 1913 has been **the Consumer Price Index** (CPI-U). Developed by the BLS, the CPI-U tracks the retail price of select goods and services purchased by consumers in [75 urban areas](#) and is composed of [more than 200 categories](#) including food and beverages, housing, apparel, transportation, medical care, recreation, education, and communication services. The cost of all these goods purchased by urban consumers increased at an annual rate of 1.9% from 2007 to 2021.

Variations of the CPI

The BLS and the U.S. Commerce Department's Bureau of Economic Analysis have developed variations of the CPI over time. While these variations address different technical collection methods, the differences among them are minimal on an annual basis.

The Chained Consumer Price Index for All Urban Consumers (C-CPI-U) uses the same data as CPI-U but [reflects the effect of substitution](#) that consumers make across item categories in response to changes in relative prices.

The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is the predecessor to CPI-U, used from 1921 to 1978 as the primary indicator of inflation. It is based on the expenditures of households where more than one-half of income is from clerical or wage occupations, and at least one of the household's earners was employed for at least 37 weeks during the previous 12 months. The CPI-W population represents about 29% of the total U.S. population.

The Personal Consumption Expenditures Price Index (PCEPI) adds [more goods and services](#) to those covered by the Consumer Price Index for All Urban Consumers (CPI-U) and allows for changes in the basket over time, while the CPI is largely fixed.

Core inflation, or Headline Index, focuses on items that [impact long-term inflation trends](#). It is most commonly measured with CPI-U or PCEPI, less food and energy prices.

Underlying Inflation Gauge (UIG) reflects [trend inflation](#) from price series in the CPI and macroeconomic and financial variables.

The Experimental CPI for Lower and Higher Income Households by economists in the Office of Prices and Living Conditions, BLS, is a notable exception to the variations above. This analysis of inflation by [groups of respondents based on their reported income quartile](#) shows that costs for the lowest income quartile population rose faster than the index for all urban consumers. The Experimental Price Index increased at an annual rate between 2.1% and 2.3% for the lowest income quartile and between 1.8% and 2% for the highest income quartile from 2003 to 2018. This index has not been maintained over time and income quartiles are not as precise as the ALICE Threshold, but these general findings reinforce the importance of differentiating the costs of goods and services for consumers by income.

Variations of the ALICE Essentials Index

In addition to the primary ALICE Essentials Index for all U.S. counties, to better understand change over time in basic costs by location, the Index includes variations by urban and rural counties, states, and U.S. regions. And because the CPI is based on [75 urban areas](#), there is also an ALICE Essentials Index-75 Urban Areas rate to facilitate a direct comparison. (Note: The CPI metro areas are not inclusive of all Census urban counties; and most, but not all, of the counties included in the CPI metro areas are considered urban by the Census.)

Figure 8. Comparison of Inflation Indices, United States, 2016–2023

Index	Average Annual Rate of Change		
	2016–2019	2019–2021	2021–2023
ALICE Essentials Index All counties	3.7%	2.6%	7.3%
Consumer Price Index–CPI-U 75 urban areas	2.2%	2.9%	6.1%
ALICE Essentials Index–75 Urban Areas CPI-U urban areas	4.0%	2.8%	6.7%
ALICE Essentials Index–Urban Census urban counties	3.9%	2.8%	7.2%
ALICE Essentials Index–Rural Census rural counties	2.9%	1.8%	7.5%
ALICE Essentials Index–Midwest Census region	3.0%	2.0%	7.1%
ALICE Essentials Index–Northeast Census region	3.3%	3.0%	6.5%
ALICE Essentials Index–South Census region	3.9%	1.6%	7.8%
ALICE Essentials Index–West Census region	4.5%	4.2%	6.9%
ALICE Essentials Index–Arizona State with the highest rate in 2021–2023	3.8%	4.8%	10.4%
ALICE Essentials Index–Hawaii State with the lowest rate in 2021–2023	2.4%	3.9%	1.7%

Sources: ALICE Essentials Index, 2007–2024; Bureau of Labor Statistics, 2007–2024–CPI; Bureau of Labor Statistics, 2007–2023–Occupational Employment and Wage Statistics

Suggested Citation: United For ALICE. (2024). "ALICE Essentials Index: 2024 National Report."
<https://www.UnitedForALICE.org/Essentials-Index>

© Copyright 2009–2024 United Way of Northern New Jersey. All rights reserved.