

ALICE ESSENTIALS INDEX

MEASURING INFLATION FOR **BASIC NEEDS**



2023 DC Metro Area Report | unitedwaynca.org/alice



ALICE ESSENTIALS INDEX

D.C. METRO AREA*

Inflation is one of the most widely utilized indicators of economic health. When prices increase faster than wages and other sources of income, purchasing power decreases and households struggle to make ends meet. This is especially challenging for households that are **ALICE** – Asset Limited, Income Constrained, Employed, with income above the Federal Poverty Level (FPL) but below the cost of basics included in the [ALICE Household Survival Budget](#). Of the 2.4 million households in [the D.C. Metro Area](#) in 2021, 8% of households were in poverty and another 25% – more than three times as many – were ALICE, for a combined 33% of D.C. households with income **below the ALICE Threshold**.

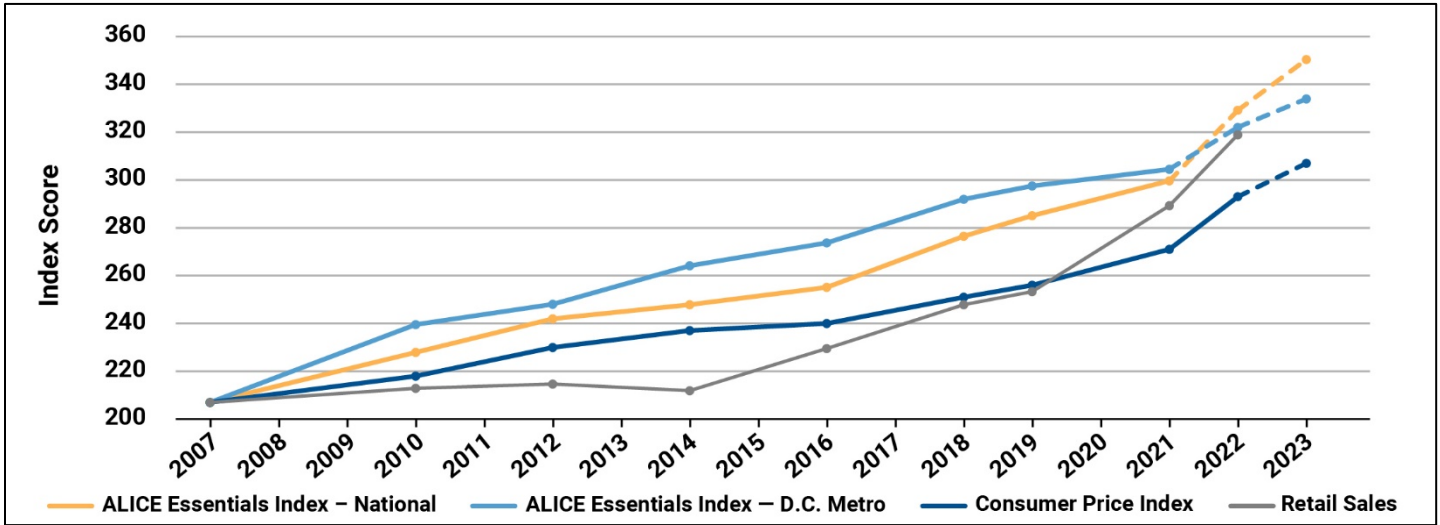
The **ALICE Essentials Index** measures change over time in the cost of the essentials that matter most to households below the ALICE Threshold: housing, child care, food, transportation, health care, and a smartphone plan. The traditional measure of inflation, the Bureau of Labor Statistics’ **Consumer Price Index** (CPI), tracks a much larger basket of goods and services ([over 200 categories](#)), concealing the change in the cost of basics. The ALICE Essentials Index in the D.C. Metro Area increased at an average rate of 3.0% annually from 2007 to 2023, outpacing the rate of increase for the national CPI (2.5% annually). For context, the median wage for a retail salesperson in Metro D.C. increased at an average rate of 2.9% annually from 2007 to 2022 (the latest data available). Retail sales wages made gains starting in 2019, but the gap equates to a loss of more than \$48,800 over 15 years for a retail salesperson – more than a full year’s earnings.

UNITED FOR ALICE

[United For ALICE](#), a U.S. research organization on financial hardship, partners with [United Way of the National Capital Area](#), local United Ways, and others across D.C. to raise awareness about ALICE, inform policy, and develop innovative and equitable solutions for financially insecure households.

Learn more about ALICE in the D.C. area at unitedwaynca.org/what-we-do/ALICE-lives-here

Figure 1. ALICE Essentials Index and CPI, with D.C. Metro Area Retail Sales Wage, 2007–2023**



**Figure Notes and Sources: The ALICE Essentials Index was adjusted to match the CPI of 207 in 2007. ALICE Essentials Index rates for 2022 and 2023 are projections. CPI is actual for 2022 and uses 2023 Q1 data. Sources include ALICE Essentials Index, 2007–2023 and Bureau of Labor Statistics, 2007–2023–CPI.

*Consumer Price Index data is compiled and published by the Bureau of Labor and Statistics, designating geographic areas at national, regional, state or Metropolitan Statistical Areas for dense urban economic areas. The DC Metro Area encompasses the Washington-Arlington-Alexandria, DC-VA-MD-WV metropolitan statistical area. This is independent of what United Way NCA defines as the National Capital Area.



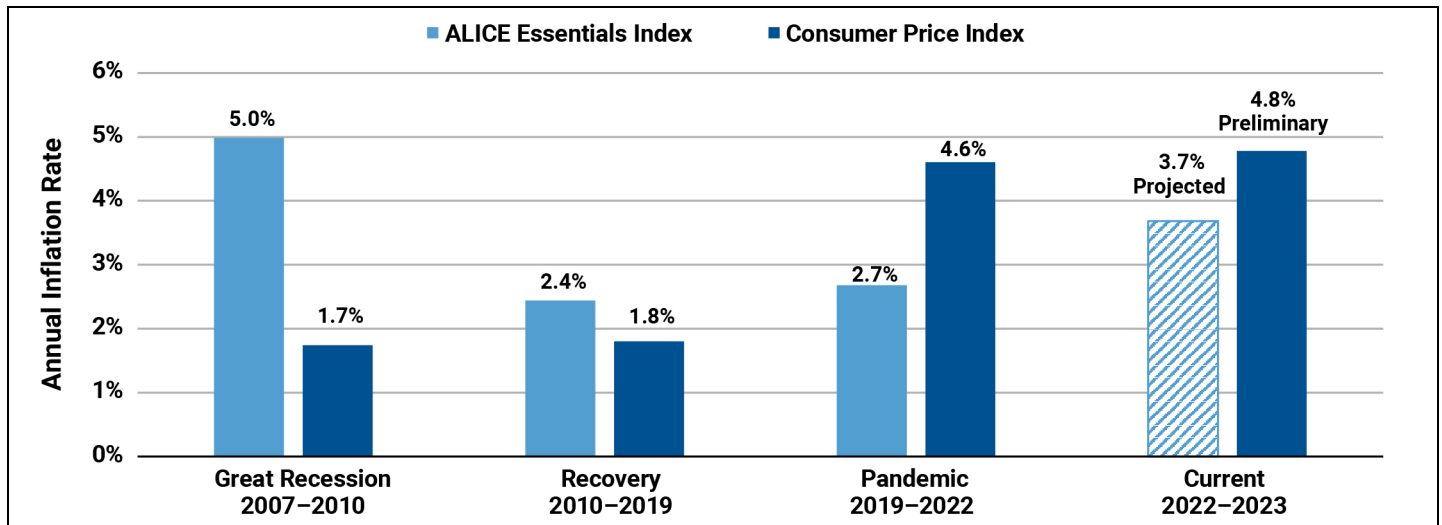
The rate of inflation has fluctuated over the last decade and a half in the D.C. Metro Area, with the ALICE Essentials Index outpacing the CPI from 2007 to 2019 (Figure 2). The largest gap was during the Recession (2007–2010), when the average annual rate of increase for the ALICE Essentials Index in the D.C. Metro Area was 5.0% compared to a 1.7% average rate for the national CPI. But even when inflation was deemed “low” during the Recovery (2010–2019), the ALICE Essentials Index was increasing at an average rate of 2.4%. The CPI surpassed the D.C. Metro Area rate during the pandemic (2019–2022) when the ALICE Essentials Index reached 2.7% while the CPI was 4.6%. And for the most recent period (2022–March 2023), the average annual rate of increase was higher for both: The preliminary estimate for the CPI was 4.8%, and the projected rate for the ALICE Essentials Index was 3.7%.

ALICE DATA ONLINE

Download the national *ALICE Essentials Index* Report and view interactive state data at UnitedForALICE.org/Essentials-Index

Explore additional interactive state and local ALICE data on financial hardship over time, ALICE demographics, household budgets, and the labor landscape at UnitedForALICE.org/District-of-Columbia

Figure 2. Annual Inflation Rate, D.C. Metro ALICE Essentials Index vs. National CPI, 2007–2023**



Policy Implications

Because the CPI forms the basis for many aspects of public policy, when it conceals actual increases in the cost of household basics, the reach and effectiveness of policy is diminished, resulting in tangible hardship for recipients of public program benefits. This is especially true for the programs most relevant to ALICE households, including inflation strategy; tax brackets and credits; the annual increase of benefits in a range of programs from Social Security to pensions for veterans and civil servants; and the annual increase of the FPL (as well as programs with eligibility based on the FPL, like SNAP and Medicaid).

Inflation in the D.C. Metro Area has long contributed to a structural economic problem: Wages for jobs essential to the running of the economy are not high enough for workers to afford the household basics they need to support their families. Yet relying on the CPI alone conceals the disproportionate increase in the cost of basics and the added stress it places on struggling households. The ALICE Essentials Index provides a tool to track this important subset of goods, and the ALICE Threshold provides a measure to track progress in better aligning wages with the basic cost of living. By increasing the accuracy of data on hardship, these ALICE measures are designed to help lift all boats: Improving conditions for ALICE families will in turn fuel economic growth, benefiting all households, communities, and businesses in the metropolitan area.