



ALICE ESSENTIALS INDEX VIRGINIA

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](#). In Virginia in 2021, 10% of households were in poverty and another 28% – more than twice as many – were ALICE, for a combined 38% of Virginia households with income **below the ALICE Threshold**.

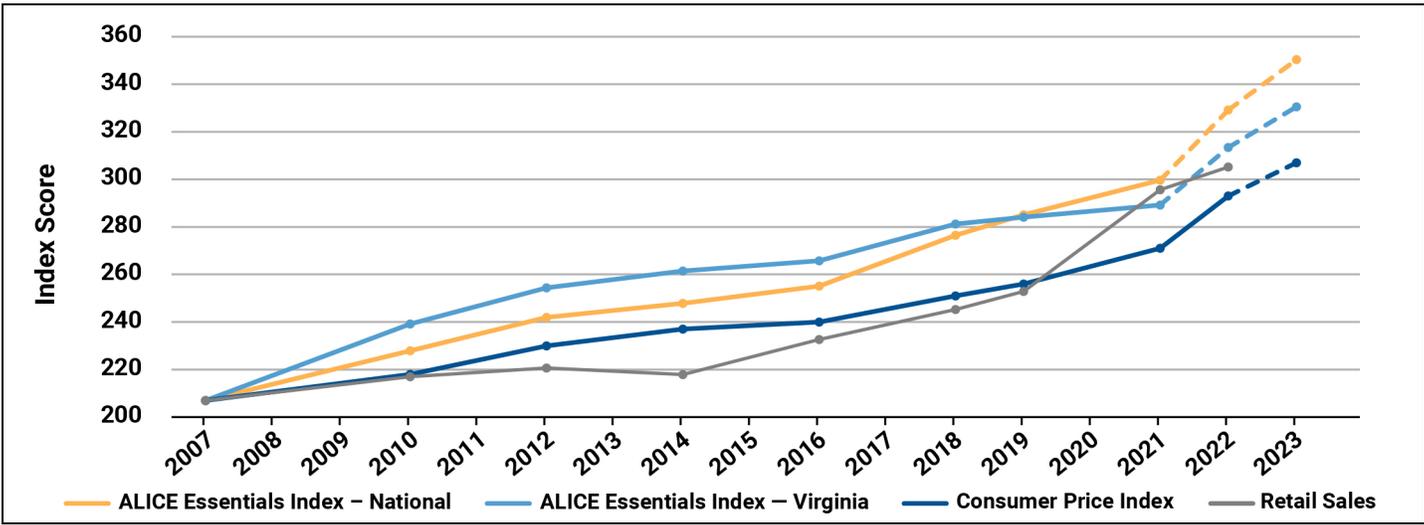
UNITED FOR ALICE

[United For ALICE](#), a U.S. research organization on financial hardship, partners with United Ways in Virginia and others across the state to raise awareness about ALICE, inform policy, and develop innovative and equitable solutions for financially insecure households.

Learn more about ALICE in Virginia at rappahannockunitedway.org/ALICE

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 Virginia (3.0% average annual increase from 2007 to 2023) outpaced the rate of increase for the national CPI (2.5% average annual increase). For context, the median wage for a retail salesperson in Virginia increased 2.6% annually from 2007 to 2022 (the latest data available). By 2021, the rate of increase for retail sales wages caught up to the rate of increase for the CPI and the state ALICE Essentials Index. Yet the sustained lag of wages behind the ALICE Essentials Index equates to a loss of more than \$35,000 over the past 15 years for a retail salesperson – more than a full year's earnings.

Figure 1. ALICE Essentials Index and CPI by Location, with State 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.





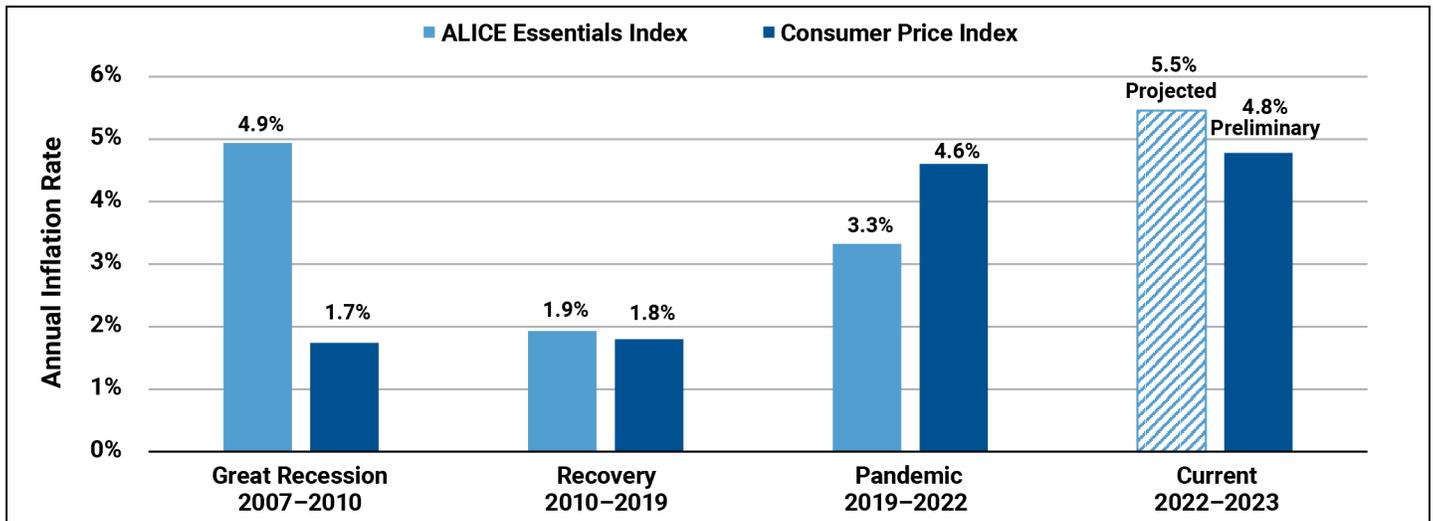
While the annual rate of inflation has fluctuated over the last decade and a half in Virginia, the ALICE Essentials Index has continued to outpace inflation during nearly every time period since the Great Recession (Figure 2). The largest gap was during the Recession (2007–2010), when the average annual rate of increase for the ALICE Essentials Index in Virginia was 4.9% compared to a 1.7% average increase for the national CPI. During the Recovery (2010–2019) the ALICE Essentials Index increased at a similar rate to the national CPI. However, during the pandemic (2019–2022), the national CPI reached 4.6% and surpassed the state ALICE Essentials Index (3.3%). For the most recent period (2022–March 2023), the increase in the cost of basics (5.5% average increase) is once again projected to outpace the national CPI (4.8% average increase).

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/Virginia

Figure 2. Annual Inflation Rate, Virginia 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 Virginia 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 state.