

ALICE ESSENTIALS INDEX

TENNESSEE

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** – **A**sset Limited, **I**ncome **C**onstrained, **E**mployed, with income above the Federal Poverty Level (FPL) but below the cost of basics included in the [Household Survival Budget](#).

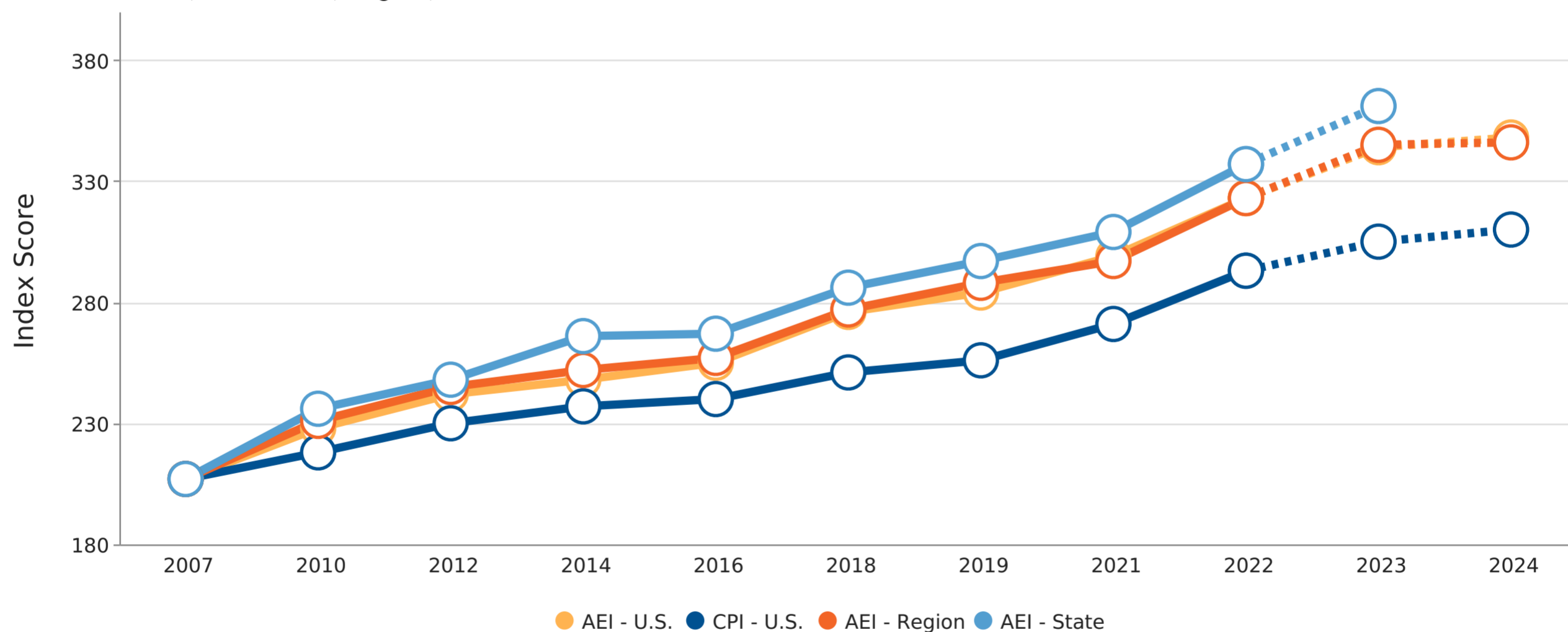
The ALICE Essentials Index measures changes over time in the costs of the household essentials that matter most to ALICE and poverty-level households: housing, child care, food, transportation, health care, and basic technology. The traditional measure of inflation, the Bureau of Labor Statistics' **Consumer Price Index (CPI)**, tracks a much larger basket of [over 200 goods and services](#) – items that financially insecure households can't afford on a regular basis, like full-service meals at restaurants, wine, major appliances, flights, and jewelry. Tracking costs over time using this larger basket alone can conceal important changes in the costs of basics.

The Cost of Household Basics is Rising

Tracking changes in the cost of basics, the ALICE Essentials Index has consistently outpaced the broader CPI nationwide since 2007. Costs for both measures increased at a faster pace following the COVID-19 pandemic, peaking between 2021 and 2023. During this period, the ALICE Essentials Index increased at an annual rate of 7.3% compared to 6.1% for CPI – both much faster than the annual rates from 2007 to 2010 (3.3% annual increase for the ALICE Essentials Index and 1.7% for CPI).

In Tennessee, the ALICE Essentials Index also tended to increase faster than CPI, as shown in the figure below. And like the national trend, costs in Tennessee increased at a faster rate following the COVID-19 pandemic (8.1% annual increase in the ALICE Essentials Index from 2021 to 2023).

Inflation Indices, Tennessee, Region, and U.S. 2007–2024*

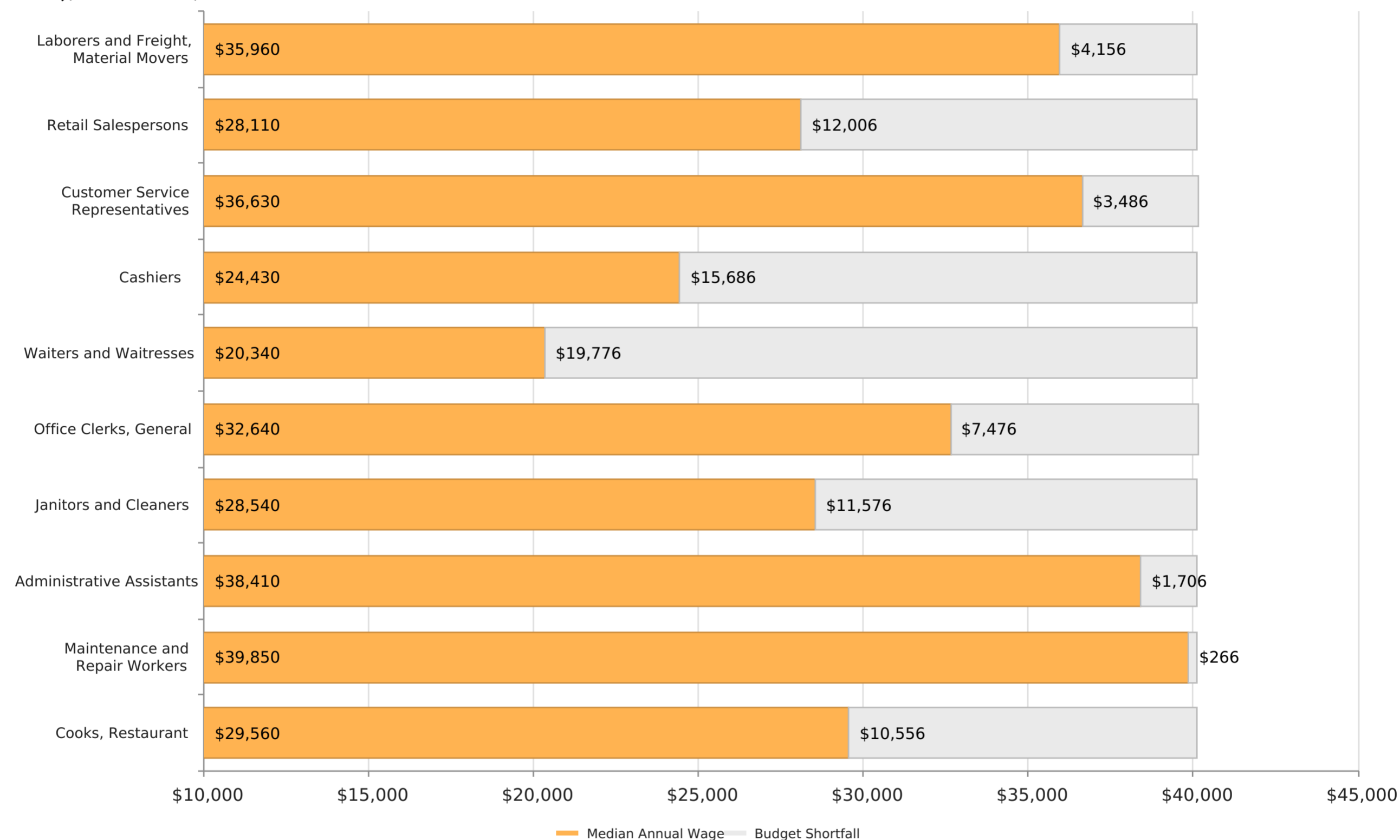


Rising Wages Still Can't Cover Essentials

While wages have risen substantially in recent years, so have costs. And even in occupations where wages are growing faster than costs, wages started from such a low level that many workers are still not able to cover household essentials.

For example, in 2010, child care workers in Tennessee earned a median wage of \$8.44 an hour (\$17,560 annually for full-time work), falling \$12,888 short of the annual Household Survival Budget for a family with one adult and one school-age child (\$30,448). By 2022 (latest cost data available), the median wage for child care workers in Tennessee increased by 34%, to \$11.30 an hour (\$23,500 annually, full-time). Yet the annual Household Survival Budget for one adult and one school-age child in Tennessee also grew (to \$40,116), leaving these essential workers \$16,616 short of basic costs – even further behind than they were in 2010.

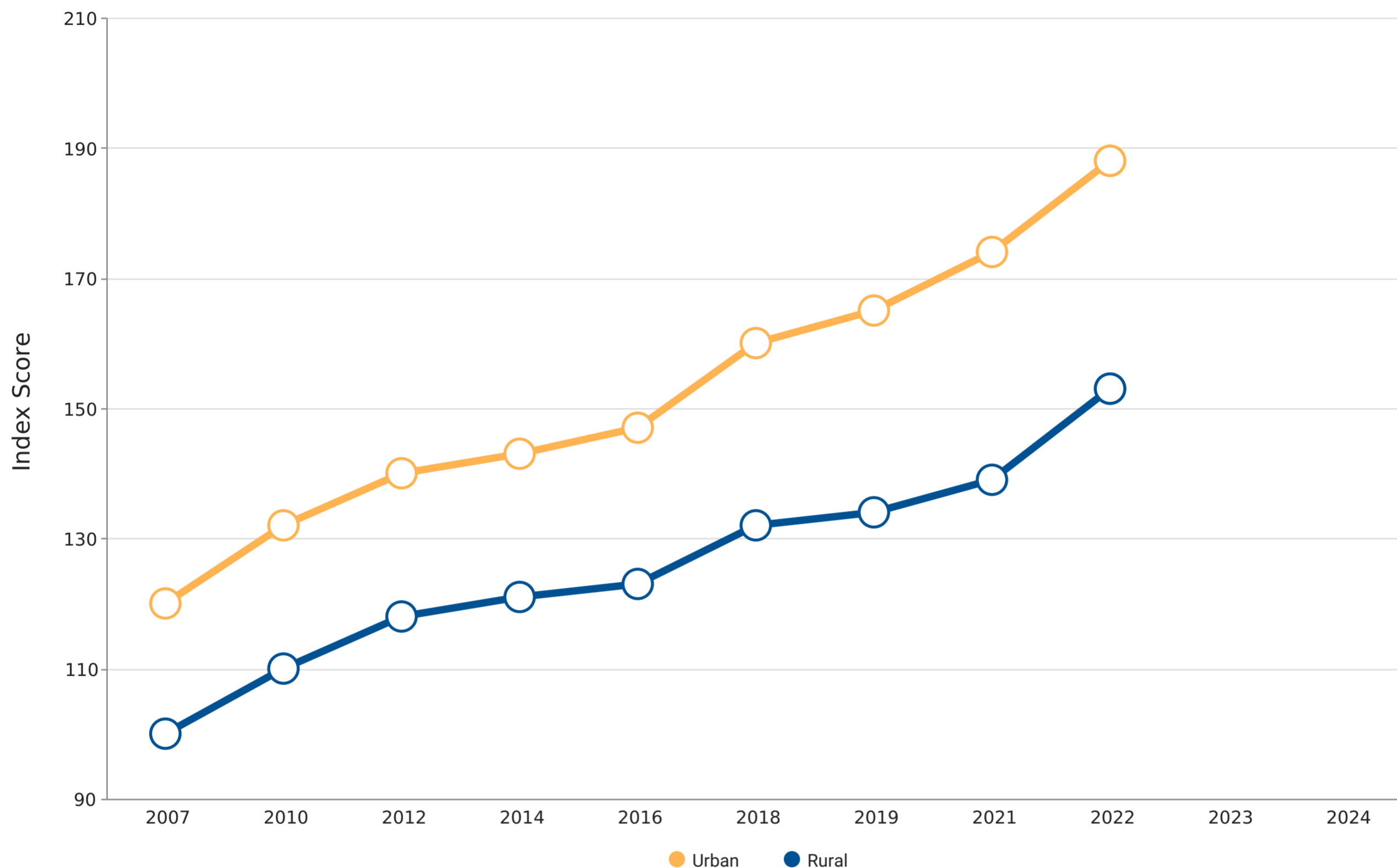
Median Annual Wages of Selected Common Occupations vs. Annual Total ALICE Household Survival Budget (1 Adult, 1 School-Age Child), Tennessee, 2022



Inflation in Basic Costs Varies by Location

Between 2007 and 2024, household essentials were 18% to 26% more expensive in urban areas than in rural areas. Costs increased at similar, relatively low rates until 2016, when the cost of 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%).

ALICE Essentials Index, Urban vs. Rural Counties, U.S., 2007–2024*

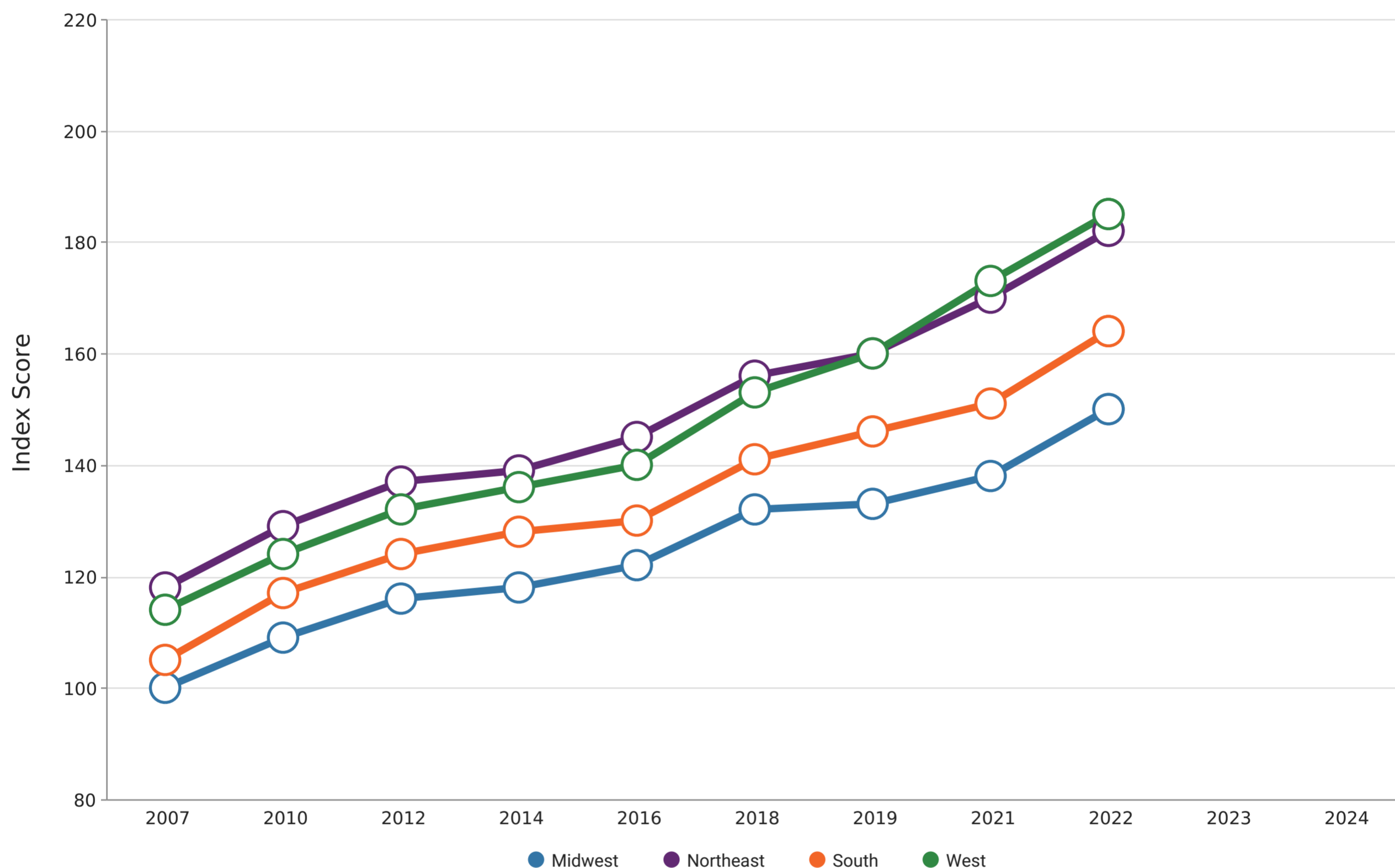


The ALICE Essentials Index provides comparable measures of inflation for the [four regions of the U.S.](#) By 2024, basic household goods were most expensive in the West and Northeast, less expensive in the South, and least expensive in the Midwest.

Over time, costs and inflation rates for household basics have varied across regions. For example, in the West, inflation was relatively gradual from 2007 to 2016 but then began increasing at a faster rate, eventually surpassing basic costs in the Northeast. In the South and Midwest, inflation had slowed down prior to the pandemic, but then sped up again by 2021.

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.

ALICE Essentials Index by Region, U.S., 2007–2024*



Policy Implications

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. 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).

Learn More and Take Action

By increasing the accuracy of data on hardship, 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 across the country.

*Note: The ALICE Essentials Index rates for 2023 and 2024 are projections. CPI 2024 is preliminary (based on data through March 2024).



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By securing racial and economic equity for ALICE we can improve life for all.

