VESTIS: AN OUTSIDE-IN CLIMATE STRESS TEST · PART 3

What heat costs a uniform supplier

BUILT FROM PUBLIC INFORMATION · NAMED COMPANY

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On our estimates, hotter summers would add about US$4 million a year to Vestis's US labour costs by the 2050s. That is small. A federal rule requiring paid heat breaks, if adopted as proposed, would add about $8 million a year by then, which is not. Restated on fiscal 2025, the two together would have taken about 18% off operating income.

Why heat is a labour cost

An industrial laundry can be a hot place to work before the weather is counted. Washers, dryers, steam tunnels and ironers run all shift, and plant floors are often not fully air-conditioned. Route drivers load and unload in the open. Research finds that on hot days workers produce less and more of them get hurt, and that runs of hot days raise absenteeism. Vestis pays for all of it through wages, overtime and workers' compensation, which it primarily self-insures.

We estimate Vestis has about 14,800 US employees: roughly 9,600 plant workers, 3,000 route drivers (assuming one per route), with the remaining employees in sales, administration and management. At average US wages (May 2023) for laundry workers and driver/sales workers, the frontline wage bill is about $456 million a year before benefits.

Step 1: Count the hot days

We placed each of the 280 US locations listed on Vestis's website (October 2026) in its county and used NOAA/Esri county projections prepared for the Fifth National Climate Assessment: a weighted ensemble of 16 CMIP6 climate models, downscaled with LOCA2 and averaged by decade, under the SSP3-7.0 scenario. Puerto Rico isn't covered, so the averages use 279 sites. The

projections give the number of days a year above set temperatures. SSP3-7.0 is the IPCC scenario that reaches about 2.1°C of warming above pre-industrial levels by mid-century. Our baseline is the dataset's average for the 1990s, 2000s and 2010s, which combines modelled history with the early years of the SSP3-7.0 runs.

AVERAGE ACROSS VESTIS'S US SITES	1990S–2010S	2030S	2050S
Days at or above 90°F (32°C)	43	59	71
Days at or above 100°F (38°C)	5	9	14

We use 90°F because OSHA's proposed heat rule sets its high-heat trigger at a heat index of 90°F. Our counts are days with an outdoor high of 90°F or more, which we use as a proxy: the heat index also depends on humidity, and conditions on a plant floor differ from outside. Dryers, steam tunnels and ironers add heat of their own, so a plant floor can be hotter than the weather.

Step 2: Cost each hot day

We used four channels, each based on published research:

- **Plant productivity.** A study of Indian factories found annual plant output falls by about 2% per °C, and that climate control largely offsets the productivity decline but not the rise in absenteeism. On garment sewing lines without climate control, moving from the coolest to the hottest days cut average daily efficiency by up to 8% (Somanathan et al., *Journal of Political Economy*, 2021). We assumed 4% lower output on hot days for the three-quarters of plant floor time we assume isn't effectively cooled, made up with overtime.
- **Route drivers.** In high-risk industries, including transportation and utilities, US workers cut time at work by up to about one hour a day on hot days, and by 59 minutes on days above 100°F (37.8°C) compared with 76–80°F (Graff Zivin and Neidell, *Journal of Labor Economics*, 2014). We assumed half an hour lost on 90°F days and an hour on 100°F days, made up with overtime.
- **Absence.** The same Indian study found that each additional day above 35°C (95°F) in the preceding six days raised the probability of missing work by 0.005 (half a percentage point; weaving workers), and that absenteeism rose even in climate-controlled plants. We applied the 0.005 to the six days after each day above 95°F. Absent shifts are covered with overtime.
- **Injuries.** California workers' compensation data show that days with highs of 85–90°F (29.4–32.2°C) raise same-day injury risk by 5–7%, and days above 100°F (37.8°C) by 10–15%, relative to a day in the 60s°F. The effects also appear indoors, in manufacturing and warehousing (Park, Pankratz and Behrer, IZA Discussion Paper 14560, 2021). We applied the midpoints (6% and 12.5%), using the 85–90°F figure for every day from 85°F to 99°F, which probably understates the hotter of those days. Because Vestis primarily self-insures, most of those claims are its own cost.

Step 3: The result

$ MILLIONS A YEAR, US OPERATIONS	TODAY'S CLIMATE	2030S	2050S	NEW COST BY THE 2050S
Plant productivity	1.8	2.5	3.0	1.2
Route drivers	2.1	3.0	3.7	1.6
Absence	0.8	1.2	1.6	0.9
Injuries (workers' compensation)	0.3	0.4	0.5	0.1
Heat alone	**5.0**	**7.0**	**8.8**	**3.7**
Federal heat-break rule, if adopted (not in today's costs)	4.7	6.4	7.8	7.8
Total new cost				**11.5**

Our estimates. On our model, the heat rows for today's climate are already in Vestis's reported costs; the rule is not. Totals may not add because of rounding.

On our model, today's heat cost, about $5.0 million a year, is already reflected in Vestis's reported costs. Using climate projections for each Vestis location, we model how the number of hot days changes, and costs rise with it. By the 2050s, that increase is about $3.7 million a year, or 6% of fiscal 2025 operating income.

OSHA's proposed heat rule is not in force, so all of its cost would be new. Under the proposal OSHA published in August 2024, once the heat index reaches the high-heat trigger of 90°F (32.2°C), employers would have to give workers a paid rest break of at least 15 minutes at least every two hours. A meal break can count as one of those breaks even if it is unpaid, so the added time is less than the gross 15 minutes every two hours. Allowing for the breaks workers already take, we assumed it adds half an hour of rest to a shift on those days, made up with overtime. In today's climate that costs about $4.7 million a year. By the 2050s, with more hot days, it is about $7.8 million.

The rule's future is uncertain. OSHA's latest regulatory agenda (Spring 2026) lists a supplemental proposal for December 2026 and a final rule for October 2027; these are planning dates. H.R. 6213, the Heat Workforce Standards Act of 2025, would bar the Department of Labor from finalising, implementing or enforcing the proposed standard. The House Education and Workforce Committee approved it on 21 July 2026, by 18 votes to 15; the full House has not voted on it. California already has its own indoor heat standard, in force since 23 July 2024. It applies to indoor workplaces at 82°F (27.8°C) or above, requiring water, cool-down areas, acclimatization and training. At 87°F (30.6°C) temperature or heat index, or at 82°F where workers wear restrictive clothing or work near high radiant heat, employers must measure and record conditions and use engineering controls, then administrative controls and protective equipment. Its outdoor standard (8 CCR §3395) already covers route work. So part of this cost may already be in Vestis's California numbers.

With both the warming and the heat-break rule, fiscal 2025 would have looked like this:

$ MILLIONS	AS REPORTED	OUR ESTIMATE, WITH 2050S HEAT AND THE RULE
Operating income	64.4	52.8
Net loss	(40.2)	(48.9)

This restates fiscal 2025 with the 2050s costs added; it is not a forecast of Vestis's results.

Texas carries the largest share of the new cost (about $1.6 million a year by the 2050s), followed by California ($1.4 million), Illinois ($0.8 million), Florida ($0.7 million), and Missouri and Georgia (about $0.55 million each). Sites in Brawley (California's Imperial Valley), Phoenix, Tucson and Harlingen, Texas, averaged 140 or more days a year above 90°F in our 1990s–2010s baseline. The biggest increases are in Florida, where eight of Vestis's nine sites gain about 45–57 hot days a year by the 2050s.

The surprise: workers' compensation barely moves

We expected self-insurance to make heat a balance sheet problem. It doesn't, at least on the evidence. Vestis's self-insured liabilities were $53 million at the end of fiscal 2025, covering workers' compensation, auto and general liability. Vestis reported $25.6 million of workers' compensation expense in fiscal 2025, across all its operations. If the US share falls entirely on frontline workers, that is about 5% of their wages. That is our calibration, not a reported rate, and it probably overstates the frontline rate, because some claims come from sales and office staff. Even at that level, more hot days add only about $0.1 million a year to claims by the 2050s, and the reserve grows by about $0.2 million. If the claims cost were half as high again, the total would move by less than $0.1 million.

The research measures injuries, not their severity. A few serious heat illness claims could change that picture. But on the published evidence, heat is an operating cost, not a balance sheet one.

Key assumptions

- **The rule.** Whether OSHA's heat rule is adopted matters more than the warming itself: about $8 million a year by the 2050s, against $4 million.
- **Cooling.** We assumed three-quarters of plant floor time isn't effectively cooled. Better cooling and ventilation would cut the productivity cost, but not the absence or the rule.
- **The research.** The productivity and absence figures come from Indian factories. US laundries may be better or worse cooled, so treat these as estimates, not measurements. A later study by the same US authors found the drop in hours in growth years but not during the 2008–2014 recession.
- **Wages and sites.** We used national average wages and spread the workforce equally across sites. California pays more, and Vestis doesn't say which sites are plants.

- **The scenario.** SSP3-7.0 is a higher-emissions path. By the 2030s, scenarios differ little. By the 2050s, this one sits toward the upper-middle of the range.

Next week: floods and water. Why flood risk looks small on average and large at the wrong site, and why a third of Vestis's US sites are already in areas of high or extremely high water stress.

Sources: Vestis Corporation, Form 10-K for the fiscal year ended 3 October 2025; Vestis website location pages (October 2026); NOAA/Esri county projections for the Fifth National Climate Assessment (weighted ensemble of 16 CMIP6 projections, LOCA2 downscaling, SSP3-7.0, decadal averages); IPCC AR6 Working Group I, Summary for Policymakers (2021), Table SPM.1; Somanathan, Somanathan, Sudarshan and Tewari, "The Impact of Temperature on Productivity and Labor Supply", Journal of Political Economy (2021); Graff Zivin and Neidell, "Temperature and the Allocation of Time", Journal of Labor Economics (2014); Neidell, Graff Zivin et al., "Temperature and work: Time allocated to work under varying climate and labor market conditions", PLOS ONE (2021); Park, Pankratz and Behrer, "Temperature, Workplace Safety, and Labor Market Inequality", IZA Discussion Paper No. 14560 (2021); OSHA, Heat Injury and Illness Prevention in Outdoor and Indoor Work Settings, proposed rule, 89 Fed. Reg. 70698 (30 August 2024), proposed 29 CFR 1910.148(f)(2), and OSHA fact sheet; Unified Agenda, Spring 2026, RIN 1218-AD39; H.R. 6213 (119th Congress), bill text as introduced and Congress.gov actions; Cal/OSHA, 8 CCR §3396 (in force 23 July 2024) and §3395; US Bureau of Labor Statistics, Occupational Employment and Wage Statistics (May 2023) and Employer Costs for Employee Compensation (June 2026). Method and assumptions are set out in the appendix to the full report.

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