How Wall Street and the Teamsters bureaucracy paved the way for the Yellow freight bankruptcy

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The bankruptcy of freight company Yellow and the elimination of 30,000 jobs is a major assault on the working class. It is the largest layoff this year and the largest industrial mass firing since 2009, when General Motors laid off 47,000 employees.

Yellow's bankruptcy carries significant lessons for the working class. A nearly 100-year-old company which has served an important role in the country's transportation infrastructure is being cannibalized by Wall Street, which will make money out of Yellow's destruction and the loss of tens of thousands of jobs. Their ability to do this hinges upon the suppression of opposition from the working class by the Teamsters bureaucracy.

The liquidation of Yellow will be a financial bonanza for Wall Street. Yellow has over $2 billion in assets that can be sold off to satisfy its debt payments. Lead investor Apollo Global Management is in pole position to take control through a debtor-in-possession plan (DIP) that will make it first in line to be paid.

Other investors are aiming for first place, however. Boston-based hedge fund MFN bought 40 percent of Yellow's stock before the bankruptcy to offset any losses should Yellow recover from its collapse, reducing the value of its investments in Yellow's competitor XPO.

Yellow's liquidation appears almost certain, though, and common stock holders would be in last place to receive payouts from the sale of assets. In order to counter potential losses, MFN is reportedly putting together a bid to take over Apollo's position in a DIP program with "much more favorable" terms, according to Yellow attorney Pat Nash.

Regardless of the outcome, 30,000 employees have been made to pay the price for Yellow's mismanagement and to maintain profit margins of some of Wall Street's biggest firms.

The Yellow bankruptcy is a warning to workers everywhere. The collapse of Yellow is in line with the policy of Wall Street and the Biden administration to force workers to pay for corporate profits and suppress wage growth.

For the past year the Federal Reserve has raised interest rates with the explicit goal of keeping down wages by triggering a rise in unemployment. The federal government, which is one of Yellow's major creditors since it bailed out the company with $700 million in 2020, has spent trillions to save the banks, corporations and major investment firms but has not lifted a finger to prevent the destruction of 30,000 jobs.

Not only is there potentially $2 billion to be made from Yellow's demise, but the sudden surge of 30,000 people looking for work will act as downward pressure on wages across the industry.

Behind Yellow's debt

Yellow's $1.6 billion in debt has been building for nearly 20 years. In the early 2000s, Yellow purchased rivals Roadway and USF, taking on billions of dollars of debt in order to expand its market share. But the financial crash in 2008 triggered a collapse of the freight market. Yellow began rapidly running out of money, losing hundreds of millions of dollars a year in the aftermath of the crash.

Over the next ten years Yellow would continuously take on debt and, through the assistance of the Teamsters bureaucracy, enforce massive concessions from workers to pay its bills.

In 2009, Yellow was forced to file for bankruptcy. To remain in business it agreed to a debt-for-equity swap with investors worth $470 million. Debt-for-equity swaps are an arrangement for creditors to trade company debt for shares of the company. Yellow issued a massive number of shares that wiped out the holdings of existing shareholders, including employee share holders, and gave creditors control of 94 percent of Yellow's common stock.

This became a way of life for Yellow management. It swapped another $400 million for equity in 2011 and a further $300 million in 2014, as part of a restructuring on $1.1 billion in debt. Still crippled by debt, Yellow would take on a $500 million loan from Apollo in 2019, which then used its connections with the Trump administration to secure a $700 million dollar loan from the United States Treasury.

Despite all of the loans and equity swaps, Yellow still remained highly indebted. By 2023, investors were becoming impatient with Yellow and insisted that the company must rapidly force through its One Yellow restructuring, which would eliminate facilities and force drivers to work the docks, before they would loan the company anymore money.

Unable to extract enough value from workers quickly enough, Yellow rapidly ran out of cash before it could secure additional funding.

Teamsters bureaucracy sacrifices members' wages and jobs

Throughout this process the Teamsters bureaucracy played a critical role in selling workers out to Wall Street and isolating the struggle of Yellow workers.

Prior to the restructuring in 2009, the Teamsters conceded a 15 percent wage cut and an 18 month waiver on pension obligations in order to save the company $350 million a year. In exchange, Yellow workers were given equity in the company, but when Yellow carried out its debt for equity swaps, workers shares were diluted to almost nothing.

In 2010, the scam was repeated. The union extended the wage cuts through 2015, and later again to 2019. In the Teamsters-run Central States

Pension Fund it allowed Yellow to reduce pension contributions to a quarter of what they had paid in 2009. In other parts of the country, defined benefit pensions were eliminated entirely and replaced with 401(k)s. In exchange, the Teamsters received a second board seat for the union and a 25 percent stake in the company.

By 2011, another round of debt-equity swaps had reduced workers' share of the company to almost nothing. Under the 2011 swap, common stock holders were reduced to just 2.5 percent of the company. Industry outlet DC Velocity reported at the time that the Teamsters union itself was encouraging more debt-for-equity swaps to reduce the total debt of the company, despite its annihilation of the valuation of workers' and union shares.

Yellow's 2019 contract contained an 18 percent raise over five years and increased funding to health and welfare benefits. In exchange, however, Yellow would remain at a quarter of 2009 contributions to pensions, and added flexibility to job classifications and work rules for part-timers. This was a prelude to the sweeping restructuring later intended under One Yellow. Overall, wages and benefits remained considerably lower than they were a decade earlier, and the meager wage increases were more than wiped out by record inflation.

In 2023, Yellow attempted to renegotiate the contract to allow the company to force drivers to work on both the road and the docks whenever demanded. Workers despised this proposal, which would have given Yellow the ability to make drivers work two jobs whenever it desired. Contract negotiations were moved up by a year to address this, but negotiations stalled. The Teamsters were not opposed to the changes themselves, but insisted that it be done with the input of the bureaucracy.

The Teamsters did nothing to stop the layoffs at Yellow. When Yellow announced it was shuttering operations, General President Sean O'Brien had little to say except that it was "unfortunate but not surprising." Worse, they canceled a strike at the last minute in July after Yellow failed to pay its pension obligations. After calling off the strike, the union claimed that they had reached a deal to give the company more time to pay into workers' pensions. Instead, the company predictably used the time which the bureaucracy bought it to declare bankruptcy.

The Teamsters deliberately sacrificed 22,000 union jobs at Yellow because a struggle there would have emboldened 340,000 workers at UPS, where a contract expired the following week. In a bid to get out in front of rank-and-file anger, O'Brien, a career bureaucrat falsely re-cast as a militant "reformer" with the help of pseudo-left groups like Teamsters for a Democratic Union, threatened for months to strike UPS by August 1 without a deal in place by then. This was exposed as a sham when the Teamsters, only a few days after they called off the strike at Yellow, announced a deal at UPS which met none of workers' demands.

The Teamsters also isolated Yellow workers from freight drivers at rival company ABF, where it rammed through a contract in June. While the union claimed it had passed "overwhelmingly," there was substantial opposition in many areas of the country, raising questions about the legitimacy of the vote.

The way forward for workers

Workers around the world must draw the lessons from the collapse of Yellow. Approximately $5 billion in concessions across multiple contracts, which the union and management claimed to be necessary to "save" jobs, have amounted to nothing.

In the final months before the bankruptcy, O'Brien and the new Teamsters administration tried to strike a militant pose by refusing to negotiate further cuts at the company. In reality it simply allowed the company to go bankrupt. It presented workers with a false choice: either take the company's unacceptable demands for concessions, or lose their jobs entirely. O'Brien even openly suggested that the best option was for members to find jobs elsewhere.

This was the culmination, not a reversal, of the decades of concessions which the Teamsters forced upon Yellow workers. By rubber stamping mass job cuts, the bureaucracy was continuing its role as a labor police force for corporate America, which wants to use unemployment as a weapon against rising militancy in the working class.

A real struggle is impossible as long as it remains in the hands of the union bureaucracy. No matter whether the current top officials brand themselves as "reformist," they are hostile to workers and joined at the hip with management. Instead, workers have to break the control of the corrupt union bureaucracy over the working class through the building of rank-and-file committees.

Such alternative structures, controlled democratically by workers themselves, would fight to transfer power from the apparatus to the shop floor. Workers at UPS, in the auto industry, the railroads and in other critical industries are organizing rank-and-file committees at their own workplaces. They must take up the struggle of Yellow's 30,000 workers and demand that they be made whole.

The "choice" which the Teamsters presented Yellow workers is utterly false, and takes as its starting point the "right" of Yellow and its creditors to a profit. In reality, the crisis at Yellow points to the need for workers to organize themselves on the basis of a new strategy, that fights against the subordination of all social decision-making to the profit interests of a narrow elite. In a word, Yellow workers are not fighting against incompetent or criminal management in a single company, but the capitalist system.

As long as Yellow's assets remained in control of Wall Street, the only possible outcome was to utilize the crisis in order to drive down working conditions, either through concessions or through mass layoffs. The answer to this must be a fight in the working class for public ownership of the banks and major corporations, so that their assets can be used to meet human need.