

Bending the Algorithm: The Unintended Consequences of Creative Compliance in The Gig Economy

ABSTRACT

This paper examines how digital labor platforms employ creative compliance—substantive organizational changes that adhere to the letter of regulations while subverting their intent—and why such strategies might result in unintended outcomes. Drawing on a revelatory case study of Glovo, Spain’s leading digital labor platform, I analyze the firm’s response to the Rider Law, which presumes an employment relationship between platforms and gig workers. Findings reveal that “bending the algorithm” through eliminating prescheduled work slots, allowing riders to set their own rates, and reducing algorithmic oversight nominally satisfied legal definitions of “independent” work. However, these changes also increased labor competition, undermined earnings stability, and provoked stakeholder backlash, ultimately leading to intensified regulatory scrutiny. This paper contributes to research on organizational responses to regulation, platform governance, and the unintended consequences of digital innovation in the gig economy. It also highlights how managerial misperceptions can create feedback loops that amplify stakeholder conflict and regulatory pressures. These insights contribute to the strategic management literature by clarifying how and why creative compliance backfires in technology-driven contexts, offering actionable guidance for managers and policymakers striving to navigate regulatory ambiguity while preserving operational viability in the gig economy.

Keywords: strategic response to regulation, creative compliance, algorithmic management, presumption of employment, digital labor platforms, gig economy

When organizations face regulatory pressures that threaten core elements of their business models, their responses often extend beyond straightforward adherence or overt defiance (Greenwood, Magán-Díaz, Li, & Céspedes-Lorente, 2010; Short & Toffel, 2010). Classic theories outline strategies such as full compliance, symbolic adjustments, and outright resistance (Oliver, 1991; Pache & Santos, 2013). However, an increasingly prominent response is *creative compliance*, where firms make substantive organizational changes that technically satisfy legal requirements while circumventing the intent of the law (Braithwaite, 2005; McBarnet & Whelan, 1991). Unlike symbolic compliance—which involves superficial measures (Bromley & Powell, 2012; Westphal & Zajac, 1998)—creative compliance requires substantial re-engineering of processes or structures to preserve operational flexibility (Edelman, 2016; McBarnet, 1988,

2004). For instance, firms may establish complex networks of subsidiaries to navigate legal ambiguities in tax codes (Avi-Yonah, 2000; Sikka, 2012) or redesign workflows and employment contracts to classify workers as independent contractors, thereby avoiding labor law obligations (Cappelli & Keller, 2013; Davis-Blake & Uzzi, 1993).

Despite its prevalence, the processes and consequences of creative compliance remain underexplored. On the one hand, it serves as a practical workaround, allowing firms to comply with rules on paper while maintaining strategic autonomy. On the other, it can backfire, as significant changes that diverge from the spirit of the law may provoke regulatory scrutiny, stakeholder backlash, or reputational damage, as it jeopardizes strategic objectives and risks harming those the regulations aim to protect. Understanding the conditions under which creative compliance stabilizes a firm's position—or, alternatively, amplifies its vulnerabilities—is therefore essential. This tension motivates my central research question: *How do organizations' creative compliance strategies—substantive adjustments that adhere to the letter of the law while circumventing its intent—manifest in practice, and under what conditions might they lead to unintended negative consequences for firms and their stakeholders?*

This question is particularly salient in settings characterized by rapid innovation and ambiguous regulations, where legal frameworks often lag behind emerging business models (Andersen, Frederiksen, Knudsen, & Krabbe, 2020; Blind, Petersen, & Riillo, 2017). In such cases, broad guidelines or outcome-based standards provide significant flexibility for interpretation, creating fertile ground for creative compliance to flourish (Chattopadhyay, Glick, & Huber, 2001; McBarnet, 1984).

To explore these dynamics, this study examines digital labor platforms (DLPs) that use algorithmic tools to coordinate flexible, on-demand workforces (Kellogg, Valentine, & Christin,

2020; Rosenblat & Stark, 2016; Vallas & Schor, 2020). These platforms have spurred debates over whether gig workers should be classified as employees—thereby granting them labor protections and benefits (Johnston, Ergun, Schor, & Chen, 2024). Recent mandates like California’s Assembly Bill 5 (AB5) and Spain’s Rider Law challenge the low-cost, flexible work models central to the gig economy (Davis & Sinha, 2021; Rahman & Thelen, 2019). However, these laws often lack prescriptive implementation details, giving platforms both the discretion and the incentive to craft diverse compliance approaches (Graef & Prüfer, 2021). While platforms can exit markets entirely to avoid such mandates, this study focuses on those for whom exit is infeasible—leading them to adopt creative compliance strategies.

Empirically, this study draws on a revelatory single-case analysis (Eisenhardt & Graebner, 2007; Yin, 2017) of Glovo, Spain’s leading on-demand delivery platform, in its response to the Rider Law—a landmark regulation presuming an employment relationship between platforms and their gig workers.¹ This case provides a unique opportunity to explore how creative compliance unfolds in practice, as well as its unintended consequences. By examining how senior managers, legal experts, and frontline decision-makers implemented algorithmic adjustments, I illuminate how the pursuit of creative compliance interacted with the platform’s operational logic and stakeholder dynamics.

Glovo’s leadership evaluated three main options to comply with the Rider Law: adopting full employment for riders, outsourcing to third-party fleets, or maintaining the freelance model. To preserve its cost advantages and operational flexibility, the company chose to maintain the freelance model. It restructured its algorithmic systems by introducing a “free login” model, which allowed riders greater autonomy over scheduling and pricing (Ortiz & Hecker, 2022).

These changes aimed to highlight the riders' independence, thereby aligning with the legal requirements for self-employment.²

However, these changes unintentionally led to significant operational inefficiencies, intensified competition among riders, and shifted coordination burdens onto the workforce. As labor precarity grew, rider satisfaction declined sharply. Although Glovo believed its measures complied with the letter of the law, regulators and stakeholders viewed them as insufficient. The company faced escalating legal disputes, increased liabilities, and mounting public criticism. Despite its attempts to grant workers greater autonomy, Glovo's ownership and control over its algorithmic infrastructure undermined its claims of rider independence (Todolí-Signes, 2021). Under sustained regulatory and stakeholder pressure, Glovo ultimately abandoned the freelance model it had aimed to preserve, transitioning to a formal employment structure for its riders (Figuls, 2024).

This paper makes three key contributions. First, it advances the literature on organizational responses to regulation by moving beyond traditional frameworks of compliance (Edelman & Suchman, 1997; Oliver, 1991). It theorizes the conditions under which creative compliance evolves into a destabilizing and costly trajectory, highlighting how unintended consequences emerge from misalignments between operational adaptations and stakeholder expectations. Second, it contributes to debates on algorithmic governance by illustrating how platform redesigns aimed at legal adherence can exacerbate tensions with workers, disrupt operational processes, and undermine organizational credibility (Kellogg et al., 2020; Rosenblat & Stark, 2016; Vallas & Schor, 2020). Third, it provides theoretical insights into how governance mechanisms and stakeholder perceptions interact to shape organizational trajectories under regulatory ambiguity. These findings underscore the importance of anticipating emergent

side effects when navigating ambiguous regulatory environments, offering a deeper understanding of the theoretical implications of regulatory adaptation.

THEORETICAL FOUNDATIONS OF CREATIVE COMPLIANCE

Early research on organizational responses to regulation often treated compliance as a binary choice: firms either adhered to or violated rules based on a straightforward cost–benefit analysis (Becker, 1968; Edelman & Tlesh, 2011). This deterrence-oriented perspective emphasized the threat of legal sanctions in shaping a firm’s willingness to comply with explicit directives (Beller, 1982; Hawkins, 1984). Over time, however, scholars moved beyond this simplistic dichotomy, highlighting how organizations actively interpret and adapt formal mandates to align with their strategic objectives (Edelman, 1992; Oliver, 1991). Organizations thus began to be seen not merely as rule-takers but as strategic interpreters and adapters of regulation.

A key insight from this evolution in the literature is the distinction between the “letter” and “spirit” of the law (McBarnet & Whelan, 1991). Rather than embracing a regulation’s broader social objectives, some firms engage in creative compliance—a literalist strategy that leverages legal ambiguities and interpretive flexibilities. This approach treats regulation as a technical constraint to navigate, rather than an ethical framework to uphold (Braithwaite, 2008). By doing so, firms ensure they operate “on the right side of the boundary between lawfulness and illegality” (McBarnet, 2006: 1091) while avoiding substantive changes to the practices that the law seeks to reform. Although regulators and stakeholders often call for alignment with the spirit of the law, creative compliers prioritize legal formalities over normative alignment. They pursue narrow interpretations to safeguard core practices, thereby reinforcing tensions between the legal intent of regulations and the organizational actions that follow.

This phenomenon is not limited to individual firms. Scholars have noted that creative

compliance can evolve into an industry-wide norm, deeply embedded within organizational cultures and institutional practices (Donovan, 2021; McBarnet, 2012). In this context, creative compliance becomes socially legitimated, reflecting broader cultural and institutional pressures that normalize these strategies. For instance, Batory (2016) illustrates how, in public policy contexts, creative compliance enables firms to avoid substantive legal penalties while allowing regulators to claim enforcement “success” by pointing to formal adherence, even when the regulation’s spirit is unfulfilled.

Positioning Creative Compliance Among Regulatory Response Strategies

Creative compliance is best understood in contrast with two other commonly discussed approaches. Symbolic compliance emphasizes appearances—adopting formal policies to gain legitimacy with minimal operational change (Edelman, 1992; Westphal & Zajac, 1998). For example, a firm might introduce sustainability practices primarily to project social responsibility, leaving actual resource use or emissions relatively unchanged (Bromley & Powell, 2012). In contrast, creative compliance calls for substantive, legally precise modifications that circumvent a regulation’s intent.

A second strategy, regulatory arbitrage, involves exploiting jurisdictional differences—for instance, by relocating operations or reassigning financial transactions—to minimize compliance costs (Desai, Foley, & Hines, 2006; Fleischer, 2010). This approach capitalizes on variations across legal systems, whereas creative compliance focuses on reconfiguring practices within a single regulatory framework. Creative compliance manipulates the architecture of a single regulation, intentionally bending the law’s meaning without overtly violating it (McBarnet, 2004). Unlike arbitrage, which often relies on jurisdictional mobility, creative compliance embeds strategic reinterpretation within the firm’s existing operational and legal

environment.

These strategies, however, are not always mutually exclusive and often operate in tandem: an organization might combine creative compliance with symbolic gestures to project legitimacy or layer regulatory arbitrage on top of formalistic changes to shield certain activities from scrutiny (McBarnet, 1992). For instance, firms could combine regulatory arbitrage and creative compliance, routing profits through subsidiaries in low-tax jurisdictions while leveraging local legal provisions to maximize deductions within their home country's tax code. By blending these tactics, firms craft hybrid responses that capitalize on the strengths of each approach to align with their operational and strategic objectives. Table 1 provides a detailed comparison of creative compliance with other regulatory response tactics.

[Insert Table 1 about here]

Why Firms Choose Creative Compliance

Organizations are drawn to creative compliance when key aspects of their business model—such as labor cost advantages or operational flexibility—are jeopardized by new regulations, and when ambiguities in enforcement create opportunities for formal yet superficial adherence (Braithwaite, 2005; McBarnet, 2004). These tactics are particularly appealing in contexts where laws are novel, vaguely worded, or inconsistently enforced, offering firms the interpretive freedom to craft “solutions” that align with their strategic goals.

Choosing a regulatory response involves balancing external demands with internal objectives (Okhmatovskiy & David, 2012). Managers assess the costs of straightforward compliance, the likelihood of future regulatory changes (Dutt & Joseph, 2019), and the risk of reputational harm if stakeholders perceive their actions as undermining policy intentions (Chatterji & Toffel, 2010; Parker & Nielsen, 2011). They also weigh internal dynamics, as

compliance initiatives may face support or resistance from different functional teams, which often have divergent priorities (Delmas & Toffel, 2008). Ultimately, firms opt for creative compliance when they determine it minimizes immediate costs and risks without triggering intolerable penalties, thus maintaining a delicate balance between appearance and intent.

Creative compliance often involves rationalization (Donovan, 2021; Hall & Holmes, 2008). Firms justify their actions by framing them as legitimate, necessary responses to unclear regulations or obligations to shareholders. Such narratives alleviate moral discomfort and embed creative compliance into daily processes, transforming it from an exceptional workaround into an organizational routine (Haugh, 2017). Over time, these routines can fuel a degenerative cycle, reinforcing in-house practices that formally adhere to regulations while undermining their broader aims (Donovan, 2021).

Mechanisms Underlying Backfiring and Paradoxical Outcomes

While creative compliance may offer short-term benefits, it is inherently prone to backfiring over time. Firms that rely on narrow interpretations of the law without aligning with its broader objectives risk three critical downstream effects. First is regulatory escalation. When regulators or advocacy groups uncover engineered solutions designed to circumvent reform, they may respond by tightening legal definitions or introducing new mandates (Braithwaite, 2008; Edelman, 2005). What initially appeared to save costs can ultimately trigger stricter oversight, increasing the firm's regulatory burden over time.

Second is stakeholder backlash and reputational damage. Creative compliance can erode trust among key stakeholders, including workers, customers, and policymakers, who may view such practices as exploitative or deceptive (Aloisi, 2016). These reputational costs can amplify through consumer boycotts, public outcry, or media scrutiny, revoking any near-term financial

gains. Finally, there is strategic misalignment. The complex restructuring required for creative compliance often introduces untested processes that limit managerial flexibility and generate operational inefficiencies. Ironically, these disruptions can undermine the very strategic advantages the firm sought to protect, creating further internal costs.

In essence, creative compliance backfires when formal adherence to legal text clashes with persistent misalignment to legal intent. Over time, as Batory (2016) suggests, regulators' repeated acceptance of superficial or formalistic concessions may erode the credibility of the regulatory regime. This dynamic can enable what might be described as a "compliance charade," where nominal adherence prevents immediate crises but gradually weakens firms' incentives to align with the law's broader objectives.

Although creative compliance remains underexamined in strategic management relative to symbolic compliance or regulatory arbitrage, its importance is growing as novel business models outpace established rules (Sarta, Durand, & Vergne, 2021). By examining why firms adopt creative compliance, how it operates, and when it unravels, researchers can deepen our understanding of how organizations sustain or jeopardize competitive advantage in evolving regulatory regimes.

METHODS

This study adopts a longitudinal, revelatory single-case design (Eisenhardt, 1989; Siggelkow, 2007) to investigate Glovo, a leading on-demand delivery platform in Spain. Glovo was selected for its "unusually revelatory" nature (Eisenhardt & Graebner, 2007: 27) in exploring creative compliance, particularly in response to Spain's Rider Law—a landmark regulation aimed at transitioning gig workers from independent contractor arrangements to employment contracts. The regulation provides a distinct 'before and after' scenario, enabling a detailed examination of

how a platform navigates the interplay between regulatory intent, strategic adaptation, and operational execution.

The selection of Glovo was purposive, consistent with case study research practices that prioritize theoretical relevance over representativeness (Eisenhardt & Graebner, 2007). This case provides a rare opportunity to investigate the strategies and implications of creative compliance within a high-stakes, rapidly evolving regulatory context. Spain's Rider Law, as one of the first regulatory frameworks to directly target algorithmic management in the gig economy, creates a compelling setting to understand how firms attempt to align with formal legal requirements while preserving competitive advantages.

A revelatory case study approach is particularly well-suited for examining novel phenomena that have been previously inaccessible to researchers, allowing for the generation of new theoretical insights or the extension of existing frameworks (Yin, 2017). By analyzing Glovo's response over time, this study not only sheds light on the mechanics of creative compliance but also highlights its unintended consequences, offering a deeper understanding of the tensions inherent in regulatory adaptation.

Data Collection

To enhance causal inference and triangulate insights, I utilized multiple data sources, including semi-structured interviews, real-time observations, and secondary materials (see Table 2 for a detailed breakdown). A longitudinal approach allowed me to capture both retrospective and real-time insights into Glovo's strategic adaptations to the Rider Law (Cook & Campbell, 1979; Pettigrew, 1990). Data collection spanned from early 2020 to late 2024, aligning with key milestones in the Rider Law's implementation and Glovo's responses (Figure 1).

[Insert Table 2 about here]

[Insert Figure 1 about here]

A personal connection with Glovo's General Manager facilitated initial access to the company's key personnel and operations. This relationship allowed me to conduct in-depth interviews at Glovo's headquarters and gather data across diverse departments, fostering trust and openness among participants (Golden-Biddle & Locke, 1993; 2006). I conducted 25 semi-structured interviews with Glovo executives, managers, junior staff, and external stakeholders, strategically selected to capture diverse perspectives and mitigate biases. These interviews explored the strategic challenges posed by the Rider Law, Glovo's compliance strategies, and their broader implications. Interviewees included senior executives, public policy specialists, operations managers, data scientists, labor law scholars, and programmers from Glovo and other organizations in similar roles. Conducted both face-to-face and via Zoom,³ interviews lasted 45–60 minutes. Sessions were either recorded and transcribed or documented with detailed notes taken during and immediately after interviews.

In addition to these primary interviews, I incorporated nine secondary interviews drawn from publicly available podcasts and media sources. These included discussions with Glovo's CEO Oscar Pierre, Co-Founder Sacha Michaud, union representatives, and other key stakeholders. Secondary interviews offered valuable insights into Glovo's strategic processes and public positioning, complementing primary data by providing additional external and public-facing perspectives.

Supplementing these interviews were unstructured discussions with Glovo executives during public policy classes at my institution. These informal interactions, while unrecorded, enriched my understanding of Glovo's strategic responses to regulatory pressures. I also attended a public "ask-me-anything" session with Glovo's CEO at Norrskén House Barcelona, where I

directly asked about the company's decision-making journey and the innovative strategies they adopted in response to the Rider Law.

To contextualize and validate these insights, I analyzed over 150 archival documents, including media reports, corporate communications, legislative texts, social media posts, financial records, and internal communications. My fluency in Spanish enabled a comprehensive review of national and local media coverage, adding depth to the analysis. These multi-source data allowed me to reconstruct the timeline of the Rider Law's evolution and examine its operational, strategic, and governance implications for Glovo. Collectively, these data sources provided a robust foundation for exploring Glovo's creative compliance strategies and their broader impacts on platform governance and labor dynamics.

Data Analysis

I systematically analyzed the data by reconstructing Glovo's responses and strategies using interviews, field notes, and archival materials. Drawing on grounded theory principles (Glaser & Strauss, 1967; Suddaby, 2006) and longitudinal case study practices (Langley, 1999; Langley, Smallman, Tsoukas, & Van de Ven, 2013), I adopted an abductive approach (Timmermans & Tavory, 2012). This iterative process involved moving between empirical data, theoretical constructs, and emerging insights, allowing for the identification of patterns, themes, and connections while maintaining sensitivity to the contextual complexities of the data (Lee, 1999; Locke, 2001).

Using open coding, I identified granular details of Glovo's strategic responses, including the framing of regulatory challenges, operational adjustments, and algorithmic modifications. In vivo codes captured the company's language, reflecting how executives and managers conceptualized the Rider Law and its implications. For instance, terms such as "operational

flexibility” and “regulatory overreach” frequently emerged, highlighting managerial perceptions of compliance as both a constraint and an opportunity. These initial codes served as the foundation for subsequent analytical stages.

During axial coding, I refined first-order codes into broader categories and themes, emphasizing the interplay between regulatory, operational, and algorithmic factors (see Figure 2). Key themes included Glovo’s framing of the Rider Law as a politically motivated directive rather than a purely legal mandate, reflecting how the company situated the regulation within broader strategic considerations. Another recurring theme was compliance strategies, particularly Glovo’s efforts to reconcile operational flexibility with adherence to the letter of the law. Algorithmic adaptations also emerged as a central focus, illustrating how the company restructured technical processes to preserve its business model amidst mounting regulatory pressure. Together, these themes illuminated Glovo’s strategic approach to balancing compliance, operational efficiency, and stakeholder dynamics.

Second-order themes synthesized these insights into higher-level constructs, such as *strategic trade-offs* and *mechanisms of creative compliance*. These constructs provided a theoretical foundation for understanding how Glovo navigated the tensions between compliance, competitiveness, and stakeholder expectations.

[Insert Figure 2 about here]

To analyze the dynamic interplay between political, legal, and technical dimensions, I developed process maps (Charmaz, 2014; Johns, 2006) that illustrated feedback loops between Glovo’s strategic decisions and the evolving regulatory landscape. For example, one process map highlighted how algorithmic restructuring efforts led to unintended operational challenges, which, in turn, prompted iterative refinements. By aligning codes and themes with key

milestones in the Rider Law's implementation, I constructed a processual narrative that preserved the temporal sequence of events and enabled a detailed examination of causality and interdependencies (Pratt, Kaplan, & Whittington, 2020).

To ensure the reliability and validity of the analysis, I conducted member checks with key participants, including a senior executive, to confirm interpretations and align findings with organizational realities (Gioia, Corley, & Hamilton, 2013). Reflexive analysis further mitigated potential researcher bias and ensured transparency in data interpretation (Lincoln & Guba, 1985). The final thematic findings were synthesized into a conceptual framework (see Figure 6), tracing Glovo's strategic responses over time and linking stages of adaptation to theoretical constructs. This framework emphasizes the dynamic interplay between compliance strategies, operational challenges, and regulatory pressures, offering novel insights into the mechanisms and consequences of creative compliance.

THE CASE STUDY

Research Setting: Glovo and the Introduction of Spain's "Rider Law"

Founded in Barcelona in 2015, Glovo has rapidly grown into a major player in the global food delivery industry, operating in over 1,500 cities across 25 countries and engaging approximately 61,000 couriers monthly (Glovo Corporate Site, 2023—see Appendix B). By 2019, Glovo achieved "unicorn" status, with a valuation exceeding US\$1 billion (Reuters, 2019). The company generates revenue through multiple channels, including delivery fees, commissions from partner restaurants, and revenue from 'dark store' supermarkets (Alcalde, 2023).

However, the company's rapid growth has been met with significant legal and regulatory challenges, particularly in its home country. The Spanish government, led by the left-leaning Socialist Workers' Party (PSOE), has been scrutinizing the gig economy's employment practices,

with Glovo at the center of this debate.⁴ In response to concerns over poverty and precarious employment conditions following the 2008 financial crisis, the government introduced reforms to alter labor market dynamics (Gilmartin, 2022). At the center of this scrutiny has been the employment status of couriers, sparking nearly fifty court cases and culminating in a landmark Supreme Court ruling in 2020. The court classified a single Glovo rider as an employee rather than an independent contractor, setting a legal precedent that directly challenged Glovo's operational model (Lomas, 2020).

Amid this legal backdrop, Spain introduced the "Rider Law" (*Ley Rider*), a pioneering regulation aimed at addressing labor conditions in the gig economy. Approved by the Spanish Council of Ministers on May 11, 2021, the law sought to clarify the distinction between "employees" and "independent contractors" in platform-based labor markets (Pérez, 2021). It marked Europe's first legislative initiative targeting algorithm-driven gig economy practices.⁵

The Rider Law introduced provisions that presume platform workers are employees, placing the burden of proof on platforms to demonstrate otherwise (Todolí-Signes, 2021). It further targeted algorithmic management practices, stipulating that companies exercising organizational control through algorithms are employers under the law. This effectively mandated platforms to provide couriers with the same rights and protections as traditional employees (Pérez, 2021). Additionally, the law included provisions safeguarding workers' rights to information, requiring DLPs to disclose the rationale behind their algorithms to workers' representatives.

Complying with the Rider Law: Divergent Trajectories

In response to Spain's Rider Law, DLPs were given a three-month window to realign their operations and comply with these new requirements. Reflecting on the company's immediate

response, the General Manager of Glovo Spain reflected:

The change of the law was something we anticipated. The trigger came from the Supreme Court's ruling about a single delivery rider in Bilbao in September 2020. The Court said this rider was an employee, so it became clear that we needed to reconsider and fundamentally alter our operational approach. In response, a team within Glovo got together to figure out how to adapt our model.

The Spanish Labor and Social Security Inspectorate, led by Héctor Illueca, emphasized the government's commitment to enforcing compliance (Olías, 2021a):

Laws are there to be complied with, there is no middle ground, and that is precisely the mission of the Labor and Social Security Inspectorate. There can be no doubt, therefore, that we will act with the utmost rigor and forcefulness in the face of situations of fraud that are detected and against those who try to evade a law that is fundamental, I would go so far as to say historic, for our system of labor relations.

DLPs expressed dissatisfaction with the development of the Rider Law, arguing that their perspectives were excluded during negotiations. As a result, companies like Glovo, Deliveroo, and Uber Eats withdrew from Spain's main employer association (CEOE), signaling their discontent (Olías, 2021b). To counter regulatory pressures and assert their business models, these platforms established the Association of Platforms for On-Demand Services (APS). The APS sought to shape the regulatory discourse on Spain's digital economy and address the unique challenges faced by on-demand service platforms, including allegations of false self-employment ("falso autónomo").

The Rider Law prompted diverse strategic responses among platforms, reflecting its uneven impact across the industry. For Deliveroo, the Spanish market constituted a small fraction of its global operations, accounting for less than 5% of its market share prior to its withdrawal at the end of 2021 (Measurable AI, 2022). Deliveroo's limited presence, combined with the operational overhaul required by the law, likely made compliance economically unviable, prompting its exit. Uber Eats, on the other hand, maintained approximately 20% of the Spanish market share by revenue as of early 2022 (see Figure 3). Given Uber Eats' expansive

global footprint, the Spanish market was relatively less significant within its broader portfolio. Consequently, Uber Eats adopted an intermediary strategy, transitioning to third-party fleet operators to circumvent the law without fully restructuring its operations. In contrast, Just Eat pursued a markedly different approach by signing a comprehensive labor agreement with Spanish unions. This agreement provided directly employed riders with standard salaries, holiday leave, limits on workdays, and health and safety protections. However, subcontracted riders remained excluded from these benefits, reflecting the partial nature of Just Eat's compliance efforts.

[Insert Figure 3 about here]

Among these platforms, Glovo's response stood out due to its innovative yet contentious approach to maintaining its freelance model. By developing operational and algorithmic adjustments aimed at reinforcing the appearance of independent contractor status, Glovo pursued a creative compliance strategy that positions it at the center of this study. The remainder of this case analysis focuses on Glovo's adaptive strategies in response to the Rider Law. I explore how the platform restructured its operations, evaluate the impacts on its decentralized workforce, and assess the unintended consequences of its innovative compliance mechanisms.

Glovo's response to the Rider Law

Faced with the Rider Law, Glovo expressed skepticism and resistance, viewing the legislation as politically motivated and unfairly targeting their business model. Despite their disillusionment, the company recognized that exiting the Spanish market—accounting for nearly one-third of their activity—was not a viable option (Gispert, 2020). Consequently, Glovo sought to adjust their operational model to balance compliance with their strategic objectives.

The company's leadership was openly critical of the Rider Law, framing it as a political

maneuver rather than a genuine effort to address the needs of riders. Glovo's Associate Director of Public Policy remarked:

The Rider Law became a political tool, specifically for the left parties. Yolanda Díaz used it as a key part of her campaign, turning every courier you see on the street into a free walking banner saying that only they can solve this problem and provide security and protection for couriers. It's such an easy win for them. But if solving the problem was the real aim, they might have considered approaches like those in Denmark or Estonia, where part-time workers or those earning a modest income are not scrutinized under labor burden.⁶

Echoing this sentiment, CEO and Co-Founder Oscar Pierre criticized the lack of engagement with riders during the development of the law (Itinig, 2021; Nude Project, 2023):

When considering what has been done for the Rider Law, riders have never been the focal point. They have never spoken with a rider; they have never tried to understand what this entire workforce wants—that they want flexibility. Instead, the emphasis has been on crafting compelling headlines. Yet, it is false, all of it is false, because they are neither exploited, nor do they want to be employees.

The brevity and ambiguity of the Rider Law (see Appendix A) left significant room for interpretation, forcing Glovo to evaluate multiple strategic options. The General Manager of Glovo Spain outlined their considerations:

We have had several options on the table:

Employment Model: Opting for this would have fostered social peace with unions and the government but compromised operational control and efficiency due to higher costs per order, potentially harming customer service and growth. Notably, Just Eat adopted this model, resulting in extremely low flexibility and high costs, ultimately proving unsustainable.

Fleet Model: This intermediate approach might have been acceptable to the national government but risked opposition from regional authorities concerned about subcontracting fleets and impacts on local labor conditions. Uber Eats chose this path but eventually dropped it in 2022 and returned to the freelance model.

Freelance Model: Maintaining our freelance system would ensure consistency in service quality for customers and partner restaurants. A survey revealed that 80% of our riders preferred the flexibility of freelance work over formal employment. Despite recognizing the risks, we decided to proceed with this model, confident in our compliance with the Rider Law regarding workers' freedom and autonomy.

Glovo's decision to preserve its freelance model was driven by a combination of cost

considerations, operational control, and the need to maintain flexibility and efficiency. Pierre emphasized the importance of a "self-employed person with reinforced rights" (Gispert, 2020; Itnig, 2021):

The flexibility this model offers is crucial for handling the volatile demand peaks in delivery, which simply wouldn't be manageable with riders on staff. A '100% rigid' workforce could lead to service gaps, affecting our ability to fulfill customer orders or support restaurant partners during demand surges that our current model adeptly manages.

To ensure compliance, Glovo undertook an extensive review of their algorithms and workforce interactions, consulting legal experts to address potential ambiguities. The Associate Director of Public Policy highlighted the challenges of deliberating the law's vague provisions

The discussions on how to respond to the Rider Law were difficult. The law itself was very short and, while there was a clear sign of labor intention, it didn't explicitly say all platform workers are employees. Our legal team said, 'I think they want us to give workers full flexibility and autonomy.' That got us moving to identify critical problem areas within our algorithm that needed adjustment to comply with what we perceived as the law's direction.

Acknowledging that they were operating in a "gray area,"—where some court rulings had identified their workers as self-employed while others indicated employment (Itnig, 2021)—Glovo implemented a hybrid approach. First, the company announced the direct hiring of 2,000 riders for its proprietary supermarkets via temp agencies. However, this decision led to strikes and regulatory scrutiny, which ultimately resulted in offering permanent contracts for these workers. For the broader network of 12,000 riders handling restaurant deliveries, Glovo reconfigured its algorithmic operations to align with the Rider Law's criteria for autonomous work. They consulted the prestigious Roca Junyent and Sagardoy law firms and further validated a new operating model with the Oleart law firm to ensure their modifications adhered to the Rider Law, aiming to counter the presumption of employment and meet the legal criteria for autonomous work.

The former Director for Glovo in Spain and Portugal, Diego Nouet Delgado explained (Jiménez, 2021):

The new regulation does not require employment. Instead, it creates a presumption of employment within the delivery sector, which is already regulated under the Workers' Statute. Like any industry, there are criteria of externality and dependency that determine whether a task can be performed by a self-employed professional or not. In this case, a rebuttable presumption (*presunción iuris tantum*) is established, that is, it allows for evidence to the contrary.

Glovo's approach was influenced by legal precedents, notably the Yodel case in the UK, which established criteria for classifying individuals as self-employed independent contractors (Court of Justice of the European Union, 2020). These criteria included the individual's discretion to use subcontractors or substitutes, the freedom to accept or reject tasks, the ability to work for third parties—including competitors—and the liberty to set their own working hours.

Ultimately, these deliberations led to the introduction of an "independent contractor collaboration model," designed to demonstrate extended flexibility and autonomy for riders, thereby rebutting the employment presumption mandated by the Rider Law (Pérez, 2021). Described as "unprecedented in Spain" (Pérez, 2021), key features included allowing riders to decide when and where to work, set their own prices, subcontract deliveries, and accept or reject services without penalty. They also eliminated the rating system that prioritized certain deliveries. Pierre noted the significant effort required to adapt to the law (Itinig, 2021): "Around 40% of Glovo's tech team has been dedicated exclusively to adapting our app to the Rider Law over the last 6 months. This had a brutal impact on the company."

After the new law came into force, the only algorithmic mechanism that Glovo retained was its dynamic pricing structure which it used to adjust supply to demand. In the following sections, I examine the specifics of these algorithmic adjustments and their broader implications for Glovo's workforce and operational model.

GLOVO'S NEW ALGORITHMIC MODEL

Glovo's efforts to creatively comply with Spain's Rider Law through algorithmic adjustments produced unintended consequences that ultimately undermined the firm's strategic objectives. The introduction of the "free login" model, aimed at granting riders greater autonomy and supporting their classification as independent contractors, instead resulted in confusion, disillusionment, and heightened precarity within the workforce. Ana Rodríguez, a former university administrator now working as a Glovo rider in Barcelona, summarized the impact of these changes (Ortiz & Hecker, 2022):

The only change for me since the Rider Law came into force is that I get paid less and I have to work more hours to make ends meet.

From Prescheduled Stability to Market-Driven Volatility

A pivotal aspect of Glovo's algorithmic adaptation was the transition from a prescheduled slot system to a "free login" model. Under the previous system, riders could reserve work periods in advance, ensuring predictable earnings and financial stability. However, the "free login" model eliminated these guarantees, ostensibly to demonstrate rider autonomy. This shift flooded the market with ad-hoc rider availability, creating a hyper-competitive environment. The General Manager of Glovo Spain reflected on the challenges of this transition:

Our adaptation to the Rider Law came with significant costs. The shift away from prescheduled slots has led to a surge in rider availability, resulting in unpredictable service levels and volatile earnings. It's now a free-for-all—riders log in whenever they wish, ready for work. The market is flooded, and hourly earnings can be very volatile.

Without the prescheduled slots that previously regulated rider supply, Glovo relied heavily on dynamic pricing to balance supply and demand, especially during peak periods. As shown in Figure 5, this strategic shift marked a significant departure from the structured scheduling system that once provided stability for both riders and platform operations. Despite offering some flexibility, dynamic pricing alone could not resolve the deeper structural

challenges introduced by the "free login" model.

[Insert Figure 5 about here]

While the intent was to enhance flexibility and autonomy, the "free login" model instead exposed riders to the uncertainties of a competitive free-market system. High-earning riders, who had previously thrived under the prescheduled system, now struggled with unpredictable work schedules and unstable incomes. The lack of structured scheduling led to operational disruptions and financial instability, as riders competed fiercely for orders in an oversaturated market. The General Manager elaborated on the ripple effects of these changes:

The high earners, who once relied on the certainty of guaranteed slots, are the most adversely affected by our algorithm overhaul. Transitioning from a structured marketplace to one without fixed scheduling has left many struggling to adapt to a system that prioritizes autonomy over stability. While we anticipated challenges, the alternative of employing all riders would have fundamentally disrupted our business model.

Rate Multiplier: Autonomy in Pricing and Descent into Precarity

One of Glovo's key algorithmic changes in response to the Rider Law was the implementation of a rate multiplier system, intended to empower riders by allowing them to set their own delivery prices. Riders could select multipliers ranging from 0.70 to 1.30, adjusting their potential earnings. For instance, a standard delivery pay of €4 could be reduced to €2.80 with a multiplier of 0.70 or increased to €5.20 with a multiplier of 1.30. The calculation for the total order amount became as follows (Glovo, 2023a):

Total Order Amount = (Base rate + Distance compensation + Waiting time compensation + Rain and Rush hour bonus compensation) x Promos (if applicable) x **Multiplier defined by the rider** + Tip (if applicable)

While designed to empower riders with more control over their earnings, the multiplier system quickly devolved into a precarious, market-driven race to the lowest prices. Riders could adjust their multiplier once daily, which significantly influenced their likelihood of receiving orders. This auction-based system intensified price competition, where even small increases in

the multiplier often resulted in fewer orders and reduced incomes. Alberto Sierra, a Venezuelan Glovo rider, described the stark reality (Ortiz & Hecker, 2022):

If you increase the multiplier on a normal day, you will not receive orders. From one day to the next, salaries were reduced by more than half.

Other riders shared similar experiences. One noted the impact of the multiplier on earnings and workload (Rodriguez, 2021):

On Thursday, when we were informed of these changes, I set the multiplier to 1.3. But I didn't get anything. In ten hours, that day I only received one order in the morning to deliver and one in the evening. I made €7 in total. It is clear that the company's algorithm rewards those who accept low prices because they make more profits. Even so, until this Monday I had not earned more than €20 a day, whereas before I reached €60 or even €80 with 9-10 hours of work.

Restaurant partners also expressed concerns, observing that the multiplier system disproportionately favored riders willing to lower their rates. Trade unions were swift to criticize the system. Carmen Juarez from Workers' Commissions of Catalonia (CCOO) condemned it for fostering "inhuman competition between colleagues" and deepening "exploitation and precariousness" (Juarez, 2021). This backlash culminated in widespread protests across Barcelona in August 2021, as riders took to the streets to demand better working conditions.

Under mounting pressure, Glovo raised the lower limit of the multiplier from 0.70 to 1.00. However, this adjustment did little to alleviate the precarious nature of the gig work system. David Martínez, a Glovo rider and member of the General Confederation of Labor (CGT) union, reflected on the change (Forner, 2021):

We are happy, but there is still a lot to do. If Glovo has given in, it's because of the pressure from the streets.

Despite these adjustments, the combination of the multiplier system and a drastic reduction in the base rate—from €2.80 to €1.30—further destabilized riders' financial security. This reduction was a strategic move by Glovo to align with the shift from a managed system that

regulated supply to a laissez-faire market model that only regulated price. By lowering the base pay, Glovo adjusted its economic model to place greater weight on variable pay components, such as distance compensation, waiting time, and bonuses for rain and rush hours. This adjustment aimed at mitigating the likelihood of order rejections by making nearer orders more financially viable for riders, as these had previously been undervalued and thus less attractive. Essentially, with the enforcement of the Rider Law, Glovo shifted to using price as the primary lever to manage rider supply, marking a significant departure from its prior reliance on complex algorithmic controls. Ricardo, a Glovo rider, illustrated the harsh economic realities (Rodriguez, 2021):

With a [new] base rate of €1.30 and a multiplier of 0.8, I was set to earn €2.92 for a journey of 4.8 kilometers in the middle of Barcelona's August heatwave. It's a shame. They force us to compete among ourselves and charge less. If I continue like this, I will only earn about €500 this month—how am I supposed to pay the self-employed fee [social security contribution] of €312? (see Figure 4 for a screenshot of details of his earnings from a trip on Glovo)

[Insert Figure 4 about here]

In summary, the rate multiplier system, intended as a demonstration of rider autonomy in setting price, ultimately intensified the precarity of gig work. By shifting economic risks onto riders and creating a hyper-competitive environment, the system raised fundamental questions about the true cost of autonomy in algorithmically managed labor markets.

Elimination of Rider Evaluation and Introduction of Penalty-Free Order Rejection

Glovo's decision to eliminate the "Excellence Score" marked another fundamental shift in its approach to algorithmic management. Previously, this performance assessment system acted as a critical gatekeeper, evaluating riders based on customer feedback, punctuality, order acceptance rates, and work during high-demand periods (Glovo, 2023b). Riders with high scores gained preferred scheduling and early booking privileges, fostering a system of merit-based rewards.

New riders started with 90 out of 100 points, granting them limited daily working hours, which could be expanded by improving their scores over time. Falling below a threshold of 50 points risked expulsion from the platform. This structure provided riders with a clear incentive to optimize performance while enabling Glovo to allocate work efficiently during peak demand (Glovo, 2023b).

The removal of the "Excellence Score" was intended to increase rider autonomy, allowing them to reject orders without fear of penalties. While this change ostensibly empowered riders, it also introduced significant operational challenges. Without the performance-based system, work allocation became random and unpredictable, undermining the stability that high-performing riders had relied on. Riders could no longer leverage their metrics to secure consistent work or earnings, leading to increased uncertainty and financial instability.

The absence of a meritocratic system intensified competition among riders. Without clear performance-reward linkages, riders had to compete not only for orders but also for the most lucrative ones, further destabilizing the market. The elimination of the performance-based system led to frequent order reassignments and delayed deliveries. This unpredictability complicated Glovo's operations, affecting service reliability and rider satisfaction.

High-performing riders, who had thrived under the structure provided by the "Excellence Score," found themselves struggling in the new environment. The ability to decline orders without penalty, while theoretically increasing autonomy, actually disrupted the incentive structure within Glovo's labor model. This shift transferred significant control from the platform to the market, undermining the platform's ability to manage and optimize its workforce effectively.

Other Changes

Subcontracting. Glovo's interpretation of the Rider Law leveraged the precedent set by the Yodel court case in the UK, which identified subcontracting as a key indicator of self-employment (Court of Justice of the European Union, 2020). By permitting riders to subcontract their work, Glovo ostensibly positioned riders as independent business operators. However, this practice gave rise to significant labor market vulnerabilities. Carlos del Barrio of CCOO highlighted the unintended consequences of subcontracting (Ortiz, 2021):

Subcontracting has led to the emergence of a shadow labor market in Catalonia, with about five riders operating under each licensed account. It has become a way for some to exploit the desperation of others, who face extreme precarity.

Daniel Cruz from CCOO further detailed the exploitative dynamics (Gilmartin, 2022):

Some accounts on these platforms are active for 18–20 hours a day. You only need one valid social security number to sign up, but then the account is rented out to others, with several people working under the same name.

Under this system, riders not only competed among themselves but also faced pressure from subcontracted workers operating under less favorable conditions. Glovo's terms stated that while subcontracting was allowed, the original account holder remained responsible for any breaches of platform terms and the actions of their subcontractors. Profits are funneled through the account holder, who then managed payments to subcontracted riders. This arrangement created a "race to the bottom," where subcontracted workers often accepted undesirable jobs at minimal rates, exacerbating labor precarity and undermining wage stability.

Elimination of GPS tracking and supportive oversight. In another significant move, Glovo discontinued several oversight mechanisms, including GPS tracking and mandated training sessions for riders. These adjustments transferred the responsibility for navigation and skill development entirely to the riders. While geolocation data remained essential for matching riders to orders, its use was restricted to this function alone. Consequently, only customers could track their deliveries in real-time through Glovo's integrated geolocation feature.

Additionally, Glovo ceased monitoring riders' dress codes, verifying the accuracy of profile photos, and intervening in incidents such as customer complaints about rider behavior. These measures, advised by legal counsel, were designed to minimize the appearance of an employment relationship. The practical implications were profound, as riders now managed the logistical complexities of delivery services without the supportive oversight previously provided by Glovo.

Aftermath

After months of legal disputes and mounting governmental pressure under Spain's Rider Law, Glovo announced in December 2024 that it will abandon its freelance-only approach and begin formally employing the roughly 15,000 riders who currently work as autonomous contractors (Bermejo, 2024). The company's German parent, Delivery Hero, estimates that these changes will carry a financial impact of roughly 100 million euros, but Glovo frames the shift as part of its "firm commitment" to Spain (Silva, 2024). The decision coincided with the impending court appearance of CEO Oscar Pierre, who testified that the move is intended to achieve "peace" with labor authorities and social partners (Altimira, 2024).

Despite Glovo's public emphasis on constructive dialogue, the aftermath remains contentious. The Spanish government interprets the plan as retroactive: they expect it to include workers who have already left the platform since 2021 (Ordiz, 2024). Meanwhile, Just Eat has filed a 295-million-euro lawsuit against Glovo, accusing it of gaining a competitive edge by relying on false self-employment. Government officials, such as Labor Minister Yolanda Díaz, celebrated Glovo's move as a victory for democratic oversight, underscoring that "no platform is above the law" in protecting workers' rights.

A THEORETICAL PROCESS MODEL OF HOW CREATIVE COMPLIANCE BACKFIRES

Building on Glovo's response to Spain's Rider Law, I propose a four-stage process model (see Figure 6) that explains why creative compliance strategies are chosen, how they are implemented, and why they often backfire. This model weaves together regulatory, organizational, and worker-level dynamics, emphasizing the role of algorithmic management as both an enabler and destabilizer of creative compliance. Additionally, comparative insights from Just Eat and Uber Eats serve as a counterfactual analysis, highlighting alternative compliance pathways and their outcomes.

[Insert Figure 6 about here]

Stage 1: Regulatory Pressure and Strategic Decision-Making

The process begins with regulatory pressures stemming from institutional complexity, political priorities, and societal concerns about labor precarity and fairness (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Scott, 2008). In Glovo's case, Spain's Rider Law created a presumption of employment for platform workers. These pressures threaten DLPs' cost structures and operational routines, forcing them to recalibrate their labor models.

Platform executives interpret these rules through a strategic lens (Oliver, 1991). Glovo's leaders, for example, saw the law as a political maneuver rather than a genuine attempt to safeguard worker rights. This framing downplayed moral-ethical interpretations of the new mandate and stressed cost containment and flexibility. The sensemaking process here is crucial: once managers define regulation as "hostile" or "misaligned," creative compliance becomes more appealing than straightforward conformity.

The comparison to other platforms, such as Just Eat's adoption of direct employment model, reveals Glovo's decision to prioritize operational flexibility over worker protections. These counterfactuals underscore that, while Glovo perceived creative compliance as the most

viable path to maintain flexibility and low costs, alternative routes were feasible—albeit more expensive or less scalable.

Stage 2: Implementing Creative Compliance Strategies

Managers then engage in internal deliberations, consultations with legal counsel, benchmarking against precedents, and cost-benefit analyses to devise substantive operational adjustments that technically adhere to the letter of the law while strategically preserving the business model (Braithwaite, 2005; McBarnet, 2004). In doing so, they often genuinely believe that these adaptations meet regulatory requirements, granting them temporary reprieve from scrutiny because the organization no longer appears overtly noncompliant. For Glovo, this involved *algorithmically* redesigning how riders logged on, set prices, and received orders—shifting from structured scheduling to a “free login” marketplace, among other changes. Each adjustment aimed to preserve the *appearance* of rider independence and thus rebut the law’s presumption of employment.

However, because these adjustments stop short of systemic change, they create long-term vulnerabilities as stakeholders begin to scrutinize the misalignment between regulatory intent and actual operational outcomes. Algorithmic management played a central role in enabling Glovo’s creative compliance; because these automated systems are often opaque to regulators and workers, Glovo could plausibly claim formal compliance by pointing to “rider autonomy” metrics even when the underlying code continued to tilt bargaining power toward the platform. Moreover, the scalability of these systems allowed the company to rapidly deploy changes—such as free login or dynamic pricing—across thousands of riders, providing swift, system-wide “solutions” that underscored its formal alignment with the law. At the same time, the system remained optimized for cost-efficiency rather than worker well-being or deeper alignment with

the law's spirit. Together, these features—opacity, scalability, and efficiency orientation—made algorithmic management an attractive tool for creative compliance, yet also exposed it to significant risk if workers, regulators, or the public perceived it as mere subterfuge.

Stage 3: Unintended Consequences and Emerging Frictions

Ironically, the very changes designed to exhibit “self-employment” (e.g., the “free login” model, elimination of prescheduled slots, introduction of a rate multiplier) intensified labor competition, reduced earnings, and triggered widespread dissatisfaction. While these changes theoretically enhanced flexibility, in practice they fostered a hyper-competitive market. Workers who once benefited from predictable schedules lost income security, sparking strikes and public outcry.

The removal of performance scores, reduced oversight, and variable pricing also hindered Glovo's ability to coordinate supply and demand. Delivery delays and service inconsistencies rose, driving down customer satisfaction and fueling negative media coverage. From a theoretical perspective, this outcome reflects the structural tension inherent in creative compliance: by adhering to the letter of the law through amplified “freelancer choice,” Glovo inadvertently destabilized the very operational features that had shaped its initial business success.

In contrast, platforms like Just Eat, which complied more directly, incurred higher labor costs but suffered fewer sudden disruptions or algorithmic controversies. Their path illustrates that while “true” compliance can be more expensive at the outset, it may forestall the blowback that arises when workers and regulators detect that a firm is attempting to sidestep legal requirements.

In response to these pressures, firms often resort to further reactive adjustments, trying to mitigate the negative effects without fundamentally altering their creative compliance approach.

This can escalate into a series of stopgap measures that fail to address the root causes of the unintended consequences, ultimately perpetuating operational inefficiencies.

Stage 4: Feedback Loops and Regulatory Backlash

As unintended consequences and stakeholder dissatisfaction accumulate, regulatory scrutiny intensifies, creating feedback loops that amplify tensions (Braithwaite, 2005; Edelman, 2005). Regulators often perceive creative compliance strategies as deceptive or misaligned with the spirit of the law, prompting stricter enforcement, further investigations, or new amendments to close existing loopholes. In Glovo's case, negative media coverage and worker grievances spurred mounting oversight of the Rider Law, constraining the company's strategic room to maneuver and increasing the likelihood of forced structural reforms.

Under this heightened pressure, organizations commonly resort to short-term “fixes” rather than addressing the deeper misalignments that fuel regulatory and stakeholder conflicts. Algorithmic management—though it allows fast, sweeping changes, such as tweaks to pay formulas or login protocols—can inadvertently entrench creative compliance. Its opacity (limiting stakeholder understanding of how decisions are made) and scalability (enabling small misalignments to have outsized impact) erode trust among workers, unions, and regulators. In turn, these quick fixes fail to resolve the root causes of noncompliance, perpetuating a cycle in which the organization appears repeatedly “out of step” with regulatory intent. Over time, such persistent tensions risk alienating both regulators and workers, ultimately threatening the firm's legitimacy and sustainability (Suchman, 1995).

Comparative analysis underscores that algorithmic design can either exacerbate or mitigate these backlashes. Platforms like Just Eat, which adopted a more transparent, worker-centric employment model, avoided the worst disruptions of algorithm-driven controversies,

albeit at higher immediate cost. By contrast, Glovo's emphasis on preserving its freelance model through algorithmic "solutions" effectively created the conditions for stakeholder discontent, reputational damage, and legal clampdowns. Eventually, under mounting legal and reputational pressures, Glovo had to formalize parts of its workforce, illustrating how creative compliance can collapse under intensified scrutiny and leave the firm worse off than if it had complied more fully from the outset.

In sum, algorithmic fragility lies in its capacity to enable rapid but superficial compliance tactics while amplifying underlying misalignments. Taken together, these dynamics show how creative compliance, particularly when deeply reliant on opaque and efficiency-optimized algorithmic systems, can spiral into a self-defeating loop that forces organizations toward more burdensome forms of conformity than they initially sought to avoid.

DISCUSSION

This study highlights a critical tension inherent in algorithmically mediated creative compliance. While organizations like Glovo appear to conform to legal directives on paper—such as redesigning systems to evidence “self-employment”—these efforts often undermine the very stability and flexibility they aim to preserve. By exploring this tension, my findings advance theoretical perspectives on how organizations interact with regulatory frameworks (Desai, 2016; Malesky & Taussig, 2017; Rugman & Verbeke, 1998). Specifically, I reveal how algorithmic management amplifies the fragility of creative compliance (Kim, Glaeser, Hillis, Kominers, & Luca, 2024; Marti, Lawrence, & Steele, 2024), how managerial cognitive frames sustain misalignments with regulatory intent (George, Chattopadhyay, Sitkin, & Barden, 2006; Zhang & Greve, 2018), and what this implies for both research and practice.

Theoretical Implications: Rethinking Creative Compliance

Classic institutional theory conceptualizes compliance as a spectrum ranging from full adherence to symbolic adoption or outright resistance (Bromley & Powell, 2012; Oliver, 1991). Creative compliance occupies a middle ground where organizations formally adhere to rules while bypassing their underlying intent (Braithwaite, 2005; McBarnet, 1988, 2004). This study extends the literature by revealing *why* and *how* algorithmically mediated creative compliance can destabilize the very strategic advantages it aims to preserve.

Algorithmic fragility. Contrary to views that algorithms can neatly reconcile regulatory pressures with operational efficiency (Omidvar, Safavi, & Glaser, 2023; Pachidi, Berends, Faraj, & Huysman, 2021), my analysis shows that digital platforms’ reliance on opaque, scalable, and efficiency-oriented code exacerbate the fragility of creative compliance. The opacity of algorithms obscures stakeholder understanding of how decisions are truly made—thus masking deeper nonalignment with the law’s intent. Simultaneously, scalability allows seemingly minor system tweaks (e.g., changing pay rate recalibrations) to ripple across thousands of workers, often with unintended consequences. Moreover, rigid enforcement within these systems—such as algorithmic workflows that automatically penalize certain behaviors—can further distance actual working conditions from legislative objectives. The result is a precarious tension: platforms can implement rapid changes to signal compliance, yet those very changes can create new layers of social and operational instability that invite heightened regulatory scrutiny.

Managerial cognition and misalignment. A critical insight emerging from Glovo’s experience is the role of managerial interpretations and frames in amplifying misalignments between regulatory intent and practical enactment (Fiss & Zajac, 2006; Kaplan, 2008). By framing new labor regulations as “politically motivated” or “misguided,” managers sidelined the law’s intent—protecting workers—and instead emphasized the bare-minimum criteria necessary

to avoid sanctions. This narrow, formalistic approach, reinforced by legal counsel, reduced compliance to a technical exercise in box-checking. Such cognitive framing creates a feedback loop: each algorithmic adjustment deemed legally sufficient emboldens leaders to believe they have complied, even as regulators and stakeholders view these measures as evasive or exploitative. These findings highlight that the effectiveness of creative compliance hinges not only on legal nuance or algorithmic sophistication, but also on whether managerial cognition aligns with regulatory ideals.

Unintended escalation of compliance costs. A key insight from this study is that creative compliance, while seemingly a viable strategy to satisfy legal mandates, often increases the very burdens it seeks to avoid. Glovo's attempts to narrowly align its operations with the Rider Law resulted in deteriorating worker earnings, reputational damage, and eventual regulatory crackdowns. These findings illustrate that the distinct risk in creative compliance lies not only in narrowly interpreting regulatory texts, but also in overlooking how short-term compliance maneuvers may, over time, undermine a firm's autonomy and credibility more decisively than more direct modes of alignment might have done.

Relatedly, this study also illustrates that regulation alone does not homogeneously reshape market ecosystems; rather, its modalities and the heterogeneity in organizational responses play a pivotal role. Drawing from Xie, Shen, and Zajac (2021), we see that regulatory mandates, often seen as prototypical coercive pressures, can instead exert "semicoercive" pressures leading to varied compliance outcomes. This is largely due to differences in legal, political, and social contexts that affect organizations' sensitivities to these pressures. In the case of Glovo, the strategic adaptations to the Rider Law reflect this heterogeneity, showing that even under regulatory constraints, organizations can maneuver creatively to align with both the letter

and the spirit of the law—or, in some cases, to circumvent them altogether (Uzunca, Rigtering, & Ozcan, 2018). Such findings contribute to our understanding of regulatory dynamics, emphasizing the interplay between institutional pressures and organizational heterogeneity.

Implications for Practice and Policy

This case is not an indictment of digital platforms' inventiveness per se but rather serves as a cautionary tale about the vulnerabilities created by superficial compliance. To address these challenges, I propose three actionable strategies for organizations. First, independent audits by third parties or government agencies can provide neutral verification that algorithmic settings—such as pay structures or matching logics—align with both the letter and the spirit of regulations. Regular audits can also help identify hidden biases that undermine worker protections and exacerbate inequities. Second, organizations should include worker representatives, engineers, and legal experts in decision-making processes related to changes in scheduling systems, pay multipliers, or rating algorithms. Co-creation mechanisms, such as design sprints and structured feedback loops, can ensure that business objectives align with emerging legal standards while promoting fairness and transparency. Third, beyond standard legal briefings, firms should invest in executive education focused on understanding the moral and societal dimensions of regulation. This reframing can guard against overreliance on narrow legal-technical interpretations and foster a more empathetic approach to worker welfare and stakeholder expectations.

For policymakers, this study highlights the dangers of ambiguous or overly generalized mandates, as exemplified by the brevity of the Rider Law (see Appendix A). While the law signaled a clear intent to protect labor rights, it stopped short of explicitly classifying all platform workers as employees, leaving room for creative reinterpretation. Such gaps are particularly

problematic in technologically dynamic industries like the gig economy, fintech, or renewable energy, where legal ambiguity can enable firms to exploit regulatory gray areas. To address this, policymakers should consider developing detailed frameworks—such as model operational protocols—that reduce interpretive loopholes and encourage consistent compliance.

Additionally, regulators should consider moving beyond binary legal categories like “employee” versus “freelancer” and explore hybrid classifications or tiered worker protections that account for the fluid nature of platform work. Setting up “regulatory sandboxes,” where platforms can pilot innovative compliance models under close supervision, could encourage genuine experimentation while maintaining oversight. Finally, requiring platforms to establish permanent advisory panels that include rider representatives, consumer advocates, and policymakers can facilitate regular dialogue about algorithmic changes and their impacts. This ongoing engagement can prevent the reactive crackdowns that often follow scandals or protests, enabling proactive governance. Bridging the gap between regulatory design and enforcement is particularly urgent in algorithmic systems, where rapid iterations frequently outpace traditional regulatory mechanisms.

Boundary Conditions, Limitations, and Future Directions

This single-case study provides rich, context-specific insights but comes with inherent limitations regarding generalizability. Future research could adopt a comparative approach across multiple jurisdictions to explore how varying institutional logics and enforcement capacities shape the trajectories of algorithmically mediated compliance. For instance, Glovo’s CEO has acknowledged that Spain presents particularly challenging government relations compared to other countries where the platform operates (Itinig, 2021; Nude Project, 2023). Examining how the same platform adapts to diverse institutional contexts would offer valuable

insights into the strategies that succeed—and fail—under different regulatory regimes (Thelen, 2018, Uzunca et al., 2018).

Expanding research across industries could reveal whether the unintended outcomes observed in gig platforms also manifest in other sectors, such as fintech or telehealth, where algorithmic intermediaries play a similarly central role in shaping frontline work. Additionally, exploring alternative organizational models, such as worker cooperatives or hybrid employment classifications, might illuminate new pathways for balancing labor autonomy with effective platform governance (Scholz, 2016). The economic environment of platforms like Glovo, marked by extremely narrow profit margins, highlights the intense economic pressures that influence strategic decisions. Investigating how different platforms navigate similar regulatory challenges across geopolitical contexts could enhance our understanding of the universal and idiosyncratic aspects of organizational responses to regulatory pressures.

Additionally, investigating managerial cognition at a micro-level could illuminate how executive teams adjust their framing of compliance in response to regulatory pushbacks, shedding light on whether and how firms transition from short-term opportunism to deeper alignment with legal and normative expectations. Understanding these shifts in cognitive frames could provide critical insights into the interplay between strategic decision-making and regulatory adaptation.

Finally, this study highlights the need for integrating socio-technical systems thinking into strategic management and regulatory scholarship. The interplay between algorithm design, legal mandates, and managerial sensemaking generates emergent consequences that are difficult to predict using traditional compliance or institutional theories. By adopting a more holistic approach, future research can better capture the dynamic and interconnected nature of platform

governance and its broader implications for organizations, workers, and policymakers.

CONCLUSION

This research highlights a central tension in algorithmic management: the very attributes that make algorithmic management effective—such as opacity, scalability, and precision—can also undermine the effectiveness of compliance strategies. Organizations that leverage algorithmic tools to preserve strategic autonomy may inadvertently trigger cycles of workforce dissatisfaction and regulatory scrutiny. These dynamics highlight the fragility of creative compliance in algorithmically managed systems and the need for more robust approaches to navigating regulatory pressures. As DLPs continue to transform the gig economy, it is essential to revisit and refine mainstream organizational theories to account for the socio-technical complexities of algorithmic governance. Bridging the gap between the “letter” and the “spirit” of the law must become a practical imperative rather than a rhetorical goal, transforming compliance from a short-term strategic workaround into a sustainable foundation for responsible innovation. It is my hope that this research sparks further inquiry into the unintended consequences of algorithmically mediated compliance, encouraging both theoretical and empirical advancements in understanding how organizations, regulators, and stakeholders can navigate the complexities of platform governance.

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Table 1. Comparison of Creative Compliance and Related Regulatory Responses

Aspect	Creative Compliance	Symbolic Compliance	Regulatory Arbitrage	Avoidance	Defiance
Definition	Legally complies but undermines intent.	Shows compliance externally; no real changes.	Exploits different laws across jurisdictions.	Circumvents rules without direct violation.	Openly resists and refuses to comply.
Compliance Status	Adheres to law but thwarts its purpose.	Appears compliant; practices unchanged.	Complies in one area, exploits gaps elsewhere.	Operates in legal grey areas.	Openly violates laws or regulations.
Substance vs. Symbolism	Makes actual changes to exploit loopholes.	Focuses on appearance, not actual change.	Relocates to exploit favorable laws.	Conceals activities or makes minimal changes.	No compliance efforts; may increase non-compliance.
Legal Exploitation vs. Decoupling	Uses loopholes in one system.	Creates façade of compliance.	Exploits legal differences between systems.	Evades rules without legal basis.	Ignores or challenges laws, accepting penalties.
Regulatory Interaction	Engages with laws to find workarounds.	Avoids scrutiny unless audited.	Less visible due to multiple jurisdictions.	Avoids regulators to stay hidden.	Confronts regulators openly.
Jurisdictional Exploitation	Manipulates one regulatory system.	Focuses on internal policy gaps.	Leverages multiple systems to exploit gaps.	May operate across jurisdictions to evade rules.	Resists regulations regardless of location.
Strategic Mobility	Adjusts activities without relocating.	Maintains operations; projects compliance.	Relocates or shifts profits to favorable areas.	Conceals or minimally adjusts activities.	May increase non-compliant actions as protest.
Intent and Approach	Minimizes burdens via legal interpretation.	Manages perceptions; no real change.	Chooses favorable laws to bypass rules.	Evades compliance costs and obligations.	Challenges validity of regulations.
Visibility	Documented actions; may attract scrutiny.	Superficial efforts; may be hidden.	Visible in structures or financials.	Activities are concealed.	Highly visible opposition.
Risk Profile	Low legal risk; potential reinterpretation.	Reputational risk if exposed; low legal risk.	Risk of sanctions and reputational harm.	Moderate to high risk if detected.	High risk of penalties and fines.
Enforcement	Hard to challenge; operates legally.	Discrepancies found via audits.	Complex enforcement across jurisdictions.	Depends on detection; resource-intensive.	Enforcement is straightforward but may face challenges.
Sustainability	Vulnerable to laws closing loopholes.	Unsustainable if exposed; transparency threats.	Depends on regulatory differences; vulnerable to harmonization.	Unsustainable with increased enforcement.	Likely unsustainable due to high risks.
Examples	- Classifying employees as contractors	- Ineffective ethics committees	- Shifting profits to low-tax countries	- Underreporting emissions	- Refusing safety protocols
	- Using financial instruments to reduce taxes	- Misleading sustainability reports	- Registering IP in favorable places	- Using unregistered intermediaries	- Operating after cease orders

Table 2. Data Overview

Data Source	Primary Interviews	Secondary Interviews	Documentary Evidence
Data items	25 semi-structured interviews	9 secondary interviews via podcasts, media sources	150 documents
Description of data	<p>Conducted face-to-face and via Zoom. Interviews with Glovo's senior executives, managers, junior staff, operations, data science, and public policy team. Lasted between 45 and 60 minutes. Each session was either recorded and transcribed or documented with detailed notes taken during and immediately after the interviews.</p> <ul style="list-style-type: none"> - Senior Executive (General Manager Spain) (10) - Government Relations Specialist (2), Associate Director of Public Policy (2) - Data Science Team (2), Former Glovo Programmer (1) and programmers in similar roles in other organizations (3) - Other Glovo Personnel (Operations, Q-commerce & Brands, Regional Development) (3) - Expert scholars in labor law (2) 	<p>Extracted from publicly available podcasts and media. Interviews with Glovo's executives and stakeholders. Podcast interviews lasted between 60 and 90 minutes. Notes taken from these sources were detailed and thorough.</p> <ul style="list-style-type: none"> - Oscar Pierre, CEO and Co-Founder of Glovo (Itinig, 2021; Nude Project, 2023) - Sacha Michaud, Co-Founder of Glovo (Smith, 2021) - Diego Nouet Delgado, Former Director for Glovo in Spain and Portugal (Jiménez, 2021) - David Martínez, Glovo Rider and CGT Union Member (Forner, 2021) - Alberto Sierra, Glovo Rider (Ortiz & Hecker, 2022) - Ana Rodríguez, Glovo Rider (Ortiz & Hecker, 2022) - Unnamed Glovo Rider (Rodriguez, 2021) - Carlos del Barrio, CCOO (Ortiz, 2021) - Daniel Cruz, CCOO (Gilmartin, 2022) 	<p>Media coverage, corporate documents, legislative texts, social media, financial data, and internal communications. Media coverage includes newspaper articles, online news stories, and interview transcripts. Corporate documents include internal reports, presentations, emails, and meeting notes. Legislative documents include the full text of Spain's Rider Law, regulatory guidelines, and related legal materials. Social media data includes posts from Glovo's official accounts, public posts, and comments by users. Financial data includes annual reports, financial statements, and economic analyses. Other internal communications encompass newsletters, strategy documents, and policy briefings.</p>
Analysis insights for	<ul style="list-style-type: none"> - Strategic responses to Rider Law - Operational insights and strategic direction - Legal framing and organizational response strategy - Technical understanding of algorithmic functions - Implications for platform governance and labor dynamics - Interviews revealed internal perspectives on strategic adaptations and regulatory compliance 	<ul style="list-style-type: none"> - Stakeholder perspectives on regulatory changes - Insights into public and media perception of Glovo's strategies - Public narrative and internal communication strategies - Interviews provided a real-time view into executive thinking and decision-making 	<ul style="list-style-type: none"> - Comprehensive understanding of Glovo's adaptation strategies - Detailed background on regulatory developments and public discourse - Insights into Glovo's internal decision-making processes and external communications - Financial and economic implications of Glovo's strategic decisions - Aided in tracking the evolution of regulatory impacts on operational frameworks

Figure 1. Timeline of the Study and Milestones. Source: Own Compilation

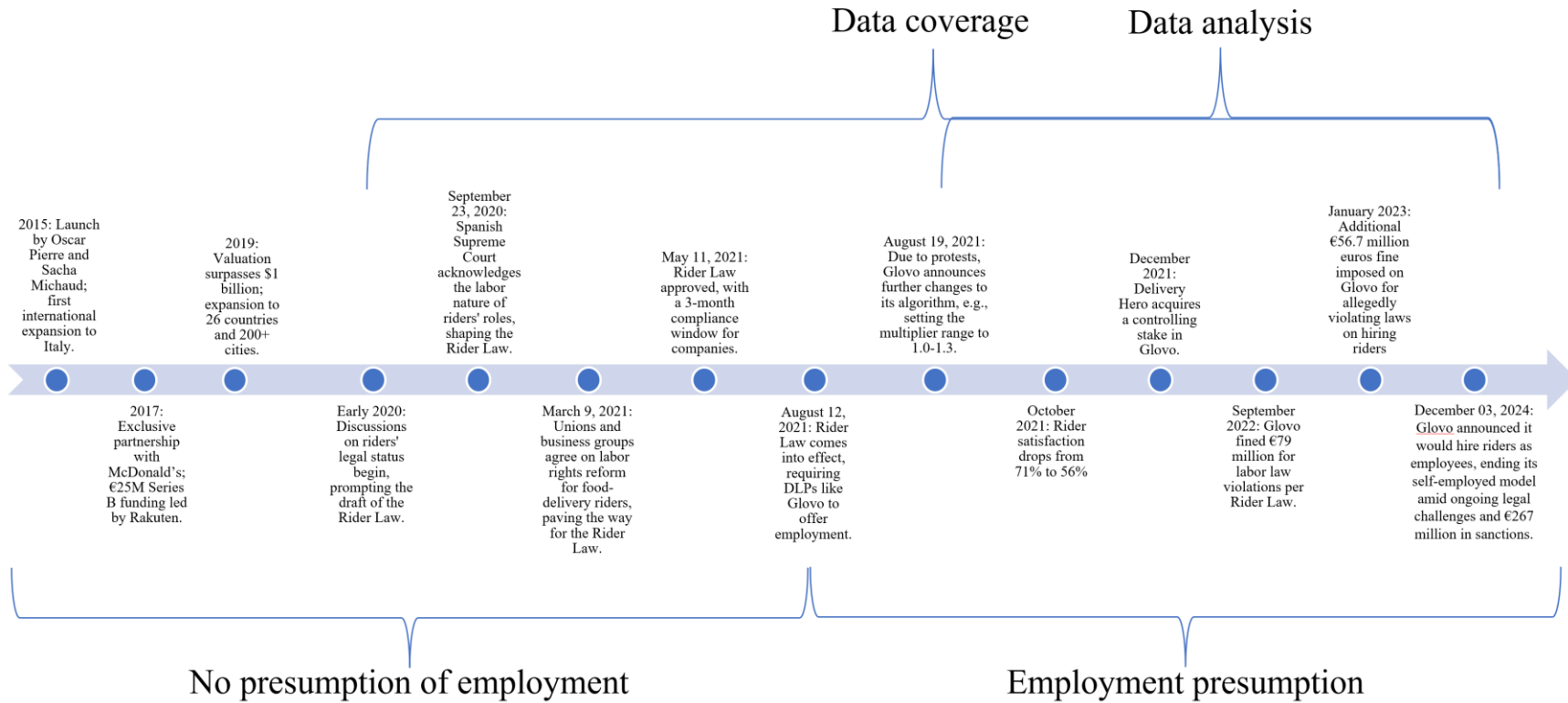


Figure 2. Data Structure

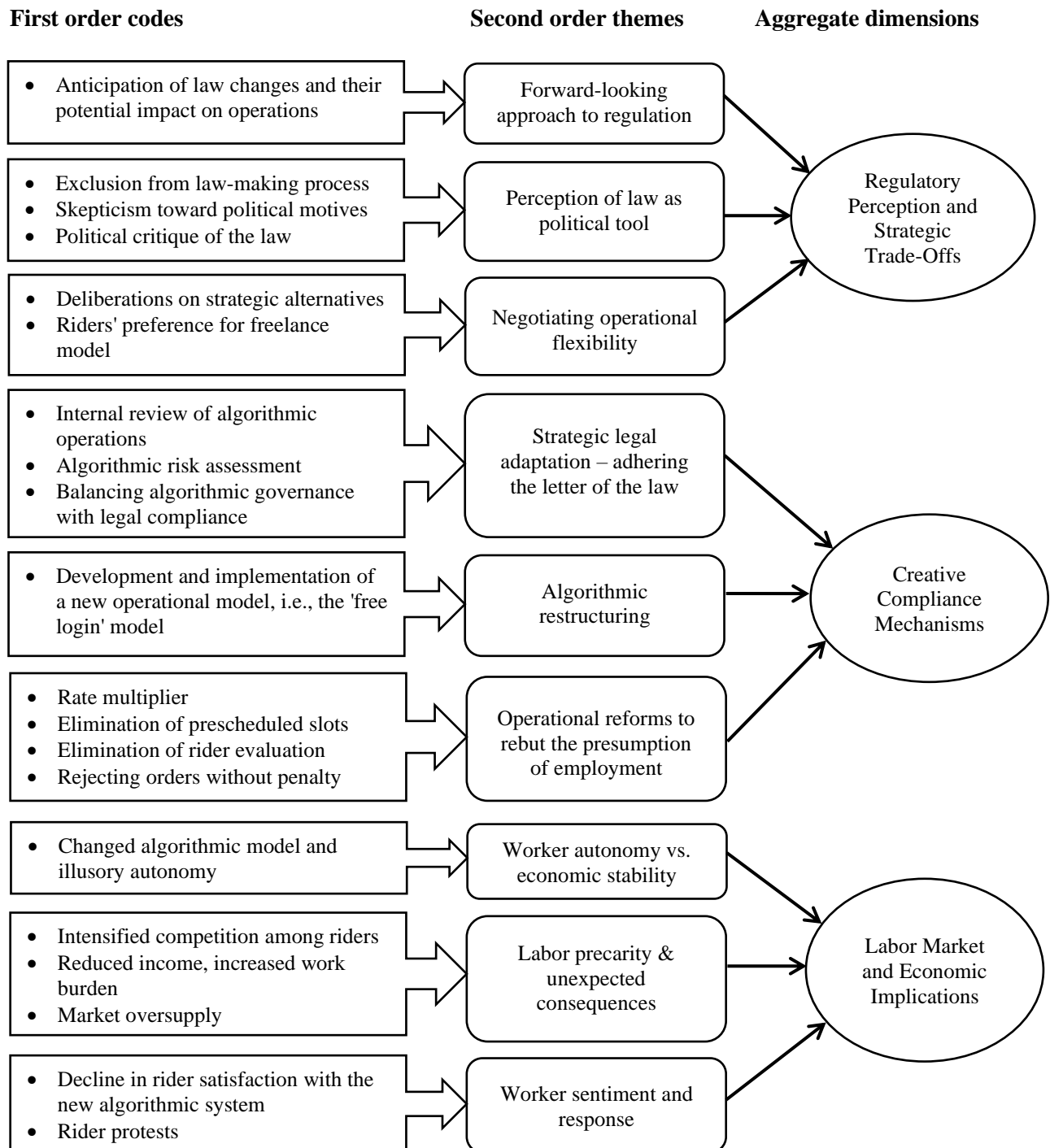


Figure 3. Market Share of Leading Food Delivery Companies in Spain from January 2020 to March 2022. Source: Measurable AI

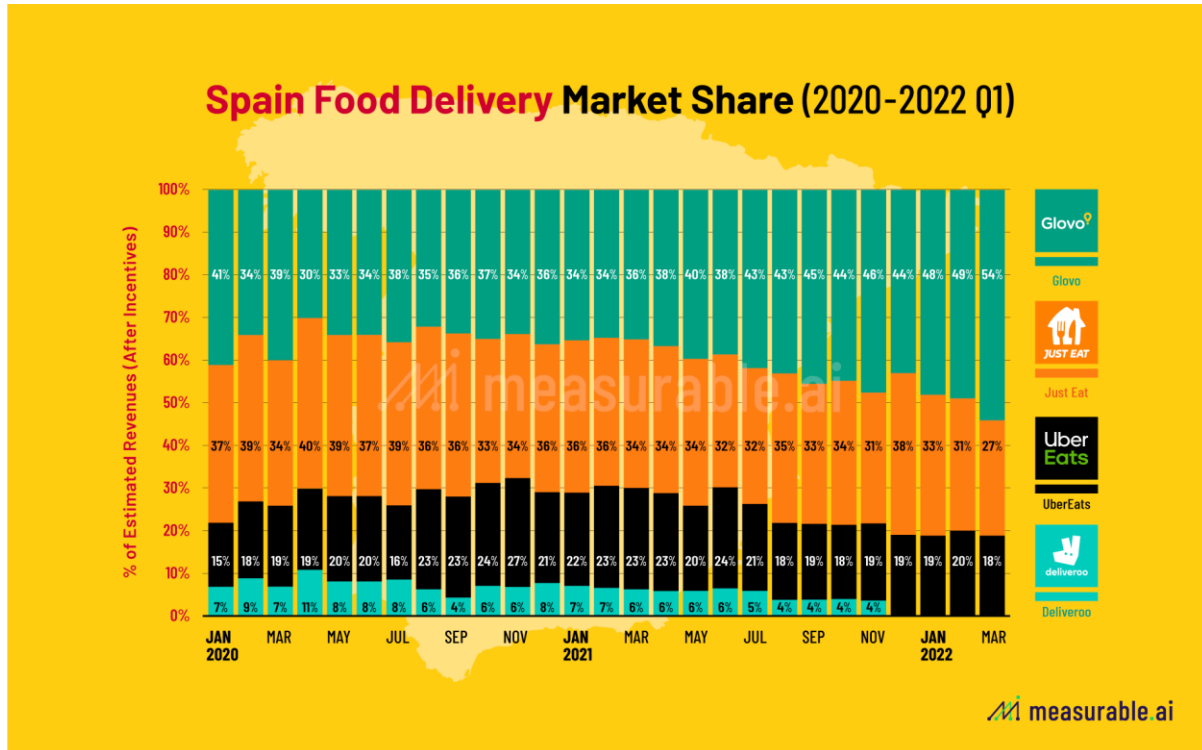


Figure 4. Details of an order completed by a Glovo rider with 0.8 Multiplier. 2.92 euros for a journey of 4.8 kilometers. Source: Rodriguez (2021)

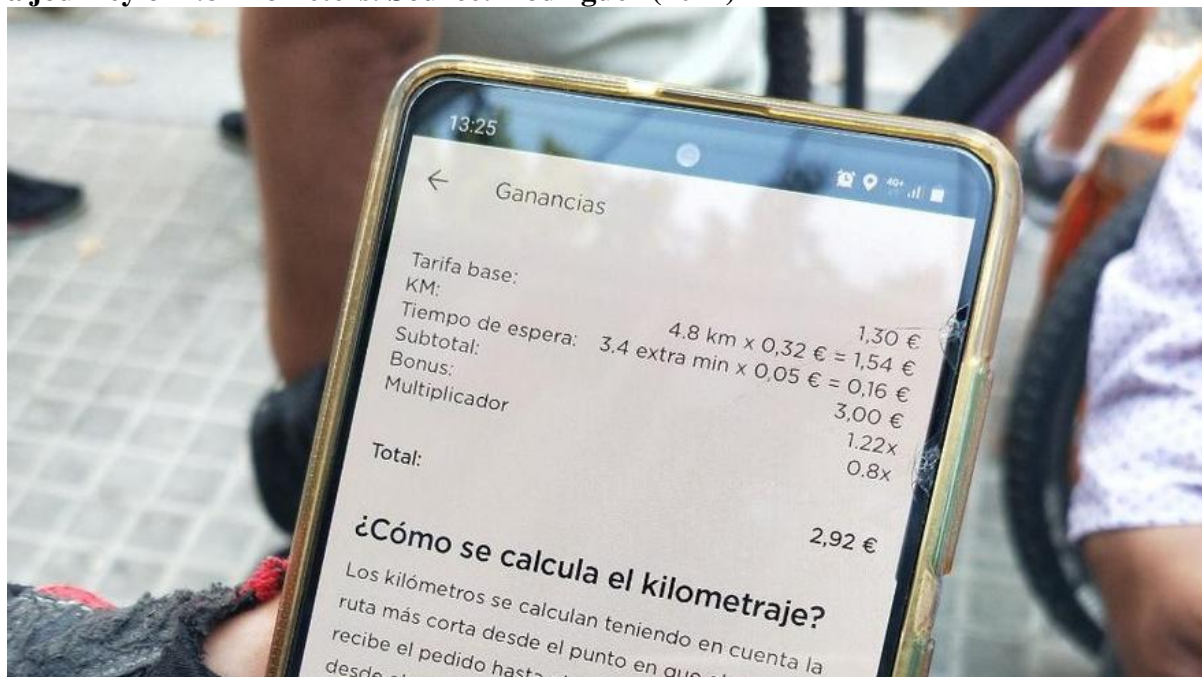
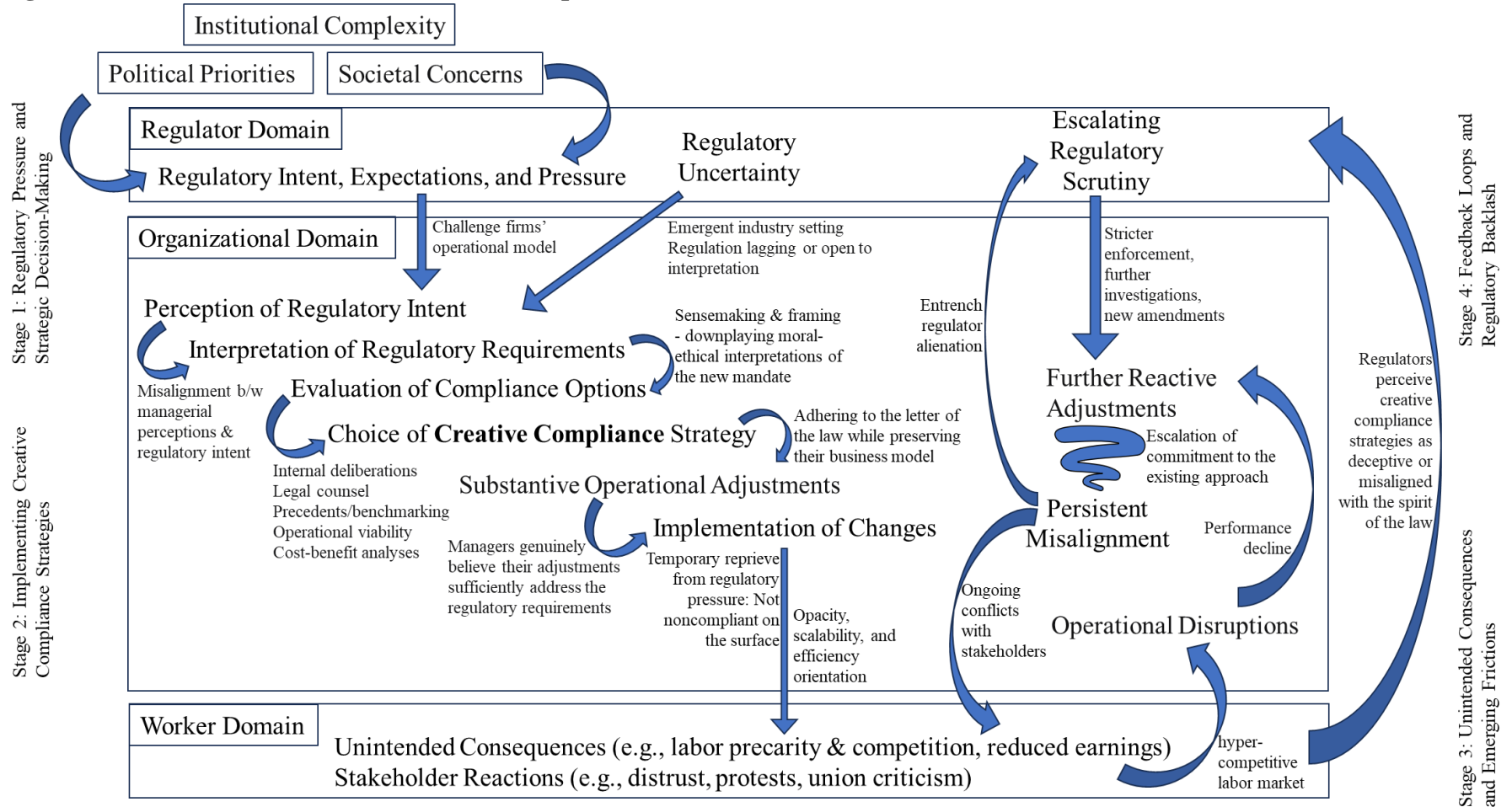


Figure 5. Glovo's Rider Scheduling with Dynamic Pricing. Source: Own screenshot from Glovo rider app



Figure 6. A Process Model of How Creative Compliance Backfires



APPENDIX A – Full Text of Spain's Rider Law (Ley Rider) with English Translation (Source: Boletín Oficial Del Estado - Official State Gazette)

[Original Spanish Version]

Esta Ley se dicta al amparo de lo dispuesto en el artículo 149.1.7.^a de la Constitución Española, que atribuye al Estado la competencia exclusiva en las materias de legislación laboral.

Artículo único. *Modificación del texto refundido de la Ley del Estatuto de los Trabajadores, aprobado por el Real Decreto Legislativo 2/2015, de 23 de octubre.*

El texto refundido de la Ley del Estatuto de los Trabajadores, aprobado por el Real Decreto Legislativo 2/2015, de 23 de octubre, queda modificado como sigue:

Uno. Se introduce una nueva letra d) en el artículo 64.4, con la siguiente redacción:

«d) Ser informado por la empresa de los parámetros, reglas e instrucciones en los que se basan los algoritmos o sistemas de inteligencia artificial que afectan a la toma de decisiones que pueden incidir en las condiciones de trabajo, el acceso y mantenimiento del empleo, incluida la elaboración de perfiles.»

Dos. Se introduce una nueva disposición adicional vigesimotercera, con la siguiente redacción:

«Disposición adicional vigesimotercera. *Presunción de laboralidad en el ámbito de las plataformas digitales de reparto.*

Por aplicación de lo establecido en el artículo 8.1, se presume incluida en el ámbito de esta ley la actividad de las personas que presten servicios retribuidos consistentes en el reparto o distribución de cualquier producto de consumo o mercancía, por parte de empleadoras que ejercen las facultades empresariales de organización, dirección y control de forma directa, indirecta o implícita, mediante la gestión algorítmica del servicio o de las condiciones de trabajo, a través de una plataforma digital.

Esta presunción no afecta a lo previsto en el artículo 1.3 de la presente norma.»

[English Translation]

This Law is enacted under the provisions of Article 149.1.7^a of the Spanish Constitution, which grants the State exclusive competence in matters of labor legislation.

Single Article. *Modification of the Consolidated Text of the Workers' Statute Law, approved by Royal Legislative Decree 2/2015, of October 23.*

The Consolidated Text of the Workers' Statute Law, approved by Royal Legislative Decree 2/2015, of October 23, is amended as follows:

One. A new letter d) is introduced in article 64.4, with the following wording:

«d) To be informed by the company of the parameters, rules, and instructions on which the algorithms or artificial intelligence systems are based that affect decision-making that can impact working conditions, access to, and maintenance of employment, including the creation of profiles.»

Two. A new twenty-third additional provision is introduced, with the following wording:

«Twenty-third Additional Provision. *Presumption of labor relationship in the field of digital delivery platforms.*














By applying what is established in Article 8.1, the activity of people who provide paid services consisting of the delivery or distribution of any consumer product or merchandise is presumed to be included within the scope of this law. This is applicable to employers who exercise the business powers of organization, direction, and control directly, indirectly, or implicitly, through algorithmic management of the service or working conditions, via a digital platform.













This presumption does not affect the provisions of Article 1.3 of the present norm.»

APPENDIX B – Glovo’s Global Footprint – Active Countries as of 2023 (Source: Glovo)

#1 Glovo Today

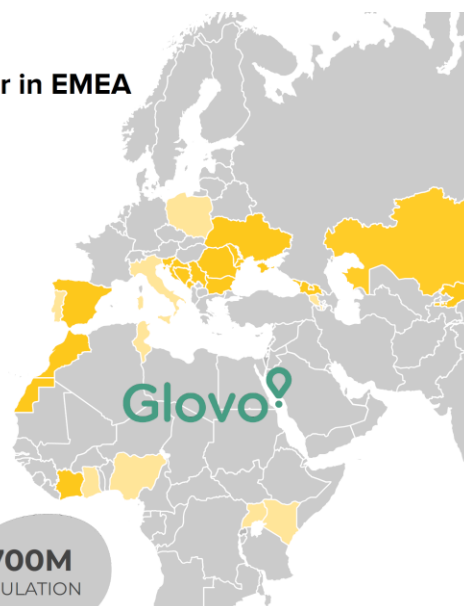
FOOTPRINT - Indisputable delivery leader in EMEA

Western Europe		#	Position
	Spain	#1	↑
	Italy	#2	↑
	Portugal	#2	↑
	Poland	#2	↑
	Andorra*	#1	↑
Eastern Europe		#	Position
	Romania	#1	↑
	Croatia	#1	↑
	Serbia	#1	↑
	Moldova	#1	↑
	Montenegro	#1	↑
	Bosnia	#1	↑
	Bulgaria	#1	↑
	Slovenia	#1	↑

Africa		#	Position
	Kenya	#1	↑
	Morocco	#1	↑
	Ivory Coast	#1	↑
	Uganda	#2	↑
	Ghana	#2	↑
	Nigeria	#2	↑
	Tunisia	#2	↑
Asia Central		#	Position
	Georgia	#1	→
	Ukraine	#1	↑
	Kazakhstan	#1	↑
	Armenia	#2	↑
	Kyrgyzstan	#1	↑

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FOOTNOTES

¹ Spain is the first country in Europe to introduce a presumption of employment into its Workers' Statute for delivery platform workers (Todolí-Signes, 2021). For the full text of the Rider Law, see Appendix A.

² The Rider Law places the burden of proof on platforms like Glovo to demonstrate the self-employed status of their workers.

³ While I was physically present with the General Manager at Glovo headquarters, he connected me with other Glovo employees, some of whom were present in person while others joined via Zoom, as they were either traveling or working from home.

⁴ Spanish Deputy Prime Minister Yolanda Díaz, from the labor ministry of the Socialist Party-Unidas Podemos coalition, played a key role in pushing for the Riders' Law. Her strategy focuses on reshaping the Spanish left around labor rights and building strong alliances with major unions (Gilmartin, 2022).

⁵ Although the Riders' Law had support from major unions and employers' associations, its approval was highly political, with criticism from the political right. Ongoing labor reform negotiations underscore the charged environment in which the law was passed, highlighting the need for context-specific interpretations and cautioning against over-generalization.

⁶ In Denmark, the interviewee noted, unions act as mediators, evaluating cases where a worker seeks employment status due to working a certain number of hours per week. Meanwhile, in Estonia, individuals who earn extra income by making a certain number of deliveries a week can open a bank account with an upper limit of 20,000 euros without the need to report this income to the government.