January 2025

The Impact of Regulation on the Gig Economy: A Global Report

01

Introduction

When the transportation-based gig economy rose to prominence 15 years ago, the first wave was oriented towards passenger transport (e.g. Uber). This meant that **the first iteration of relevant regulation was largely focused on ride-hailing**.

While food delivery was certainly not a new concept, **the wave of aggressive food-delivery apps that followed ride-hailing** – such as Delivery Hero (2011), DoorDash (2013), Deliveroo (2013), Uber Eats (2014), Glovo (2015), Rappi (2015), and the entrants following in their footsteps – represented a significant market shift. **Food delivery apps' growing traction among consumers reached an inflection point during the COVID-19 pandemic (2020-2023) when many were sequestered at home – leaving regulators scrambling to catch up.**

As a result, **the past 5 years or so have seen a surge of regulatory activity around the world impacting app-based food-delivery platforms.** Policymakers at both the national and local levels have sought to address the sector, with some enacting bold legislative changes to institute protections for platform workers. In some cases, country-level regulation has informed and been informed by regional efforts to develop a legal framework for the sector, such as within the European Union (EU).

With the past 5 years of regulatory activity in recent evidence, **we believe now is a good time to review how different approaches to legislation around the world have resulted in disparate outcomes** for the respective local markets and for workers.

Rather than aiming for a fully comprehensive index, **we focus here on specific markets where substantive changes have been enacted with respect to the food-delivery market** – such as Spain, Chile, NYC/New York (US), Seattle/Washington (US), and California (US). We also keep an eye on other markets with noteworthy regulatory dynamics that we can learn from, such as Italy, France, and Portugal.

Our objective is to help stakeholders gain clarity and a better understanding of what has taken place, with an eye towards what can be learned from these experiences – and particularly when it comes to unintended consequences.

02

Regional Impact – Spain

Overview of key regulations

In Sep 2020, the Spanish Supreme Court ruled that Spanish delivery platform Glovo had an employment relationship with its delivery workers, also known as "riders." That ruling's precedent opened the door to a legislative effort that became **Spain's "Riders' Law" (Royal Decree-Law 9/2021), which granted all riders employment rights**. (The Law does not apply to non-delivery ride-hailing.)

The Riders' Law went into effect in Aug 2021, and became the key piece of regulation reshaping the landscape of Spain's gig economy. It remains one of the most stringent gig-economy labor laws in Europe to this day.

Specifically, **the Riders' Law considers algorithmically-managed delivery workers to be employees** rather than independent contractors. As such, they receive protections such as **hourly wages, healthcare, unemployment, pension, and holidays**. The Law also requires that platforms disclose to riders' legal representatives **how their algorithms/AI work** to impact riders' working conditions, hiring decisions and layoffs, including how workers are profiled.

Market exits

Glovo remained in the market but, under financial pressure, pivoted from aiming for its own IPO (Jan 2021) to agreeing to be **majority-acquired by larger German platform Delivery Hero** (Dec 2021).

Tight margins and lack of scale, however, drove some players to leave Spain altogether. The most significant departure was UK platform **Deliveroo** (Roofoods Spain), which ceased operations in Spain in Nov 2021 – just 3 months after the Riders' Law went into effect. While not the only factor, Deliveroo said **the legislation accelerated its withdrawal**. (It also lost a legal challenge in Jan 2021, in which a Barcelona court ruled that 748 couriers were employed and charged Deliveroo €1.3M in late Social Security contributions and fines.) At the time of its departure, Deliveroo trailed behind rivals with just 5-10% of the Spanish market, and Spain represented just 2% of Deliveroo's total gross transaction value. In Deliveroo's words, "[A]chieving and sustaining a top-tier market position in Spain would require a disproportionate level of investment with highly uncertain long-term potential returns."

Other smaller players have also exited the Spanish market after the Riders' Law, resulting in a more concentrated market. Spanish instant-delivery startup **Blok** (120+ employees in Spain and Italy) sold itself to its larger Turkish player Getir in Jul 2021. In May 2022, **Gorillas** indicated plans to exit Spain as well, laying off about 300 employees across Spain and 3 other markets, and eventually selling itself to Getir later that year. In Aug 2022, **Gopuff** – which entered Spain just a year prior via its Dija acquisition – joined the departures and pulled its operations from Spain, resulting in 185 layoffs. **Getir** – just 1-2 years after acquiring Blok and Gorillas – announced in Jul 2023 that it would exit Spain and lay off its 1,560 workers. The most recent departure is **Stuart Delivery**, which exited the Spanish market in Apr 2024 with 200+ layoffs, citing the Riders' Law and inflation.

Business-model changes and impact on financials

The 3 top delivery platforms in Spain – Glovo, Just Eat, and Uber Eats – were able to stay in the market, although they had to undertake significant changes to their business models. There were **primarily two routes available under the Law to the remaining large players – direct employment or partnering with 3rd-party subcontracted firms.**

Glovo – the #1 player and leading delivery platform in Spain – initially resisted but eventually had to convert to an employment model. In the early days after the Riders' Law took effect, Glovo took on just 20% (about 2,000) of its workers as employees, largely among the couriers delivering from the Glovo Market mini-warehouses. For the remaining 80% of its couriers, it offered an adapted independent-contractor model.

Glovo's resistance to the Riders' Law shaped the early competitive dynamics, giving it an edge in operating costs, size of its driver pool, and fast delivery times. Glovo sought to make changes to circumvent liability under the independent-contractor model. It changed its algorithm to let riders "set" their own fees and bid for work, although the incentives built into the system meant that workers gravitated to the base multiplier, resulting in depressed wages. Glovo also changed its billing so merchants invoiced delivery workers directly – a more complicated system that ended up creating more work for riders.

Glovo's rivals complained about its compliance to authorities, who hit Glovo with charges of up to €79M in Sep 2022 and another €57M in Jan 2023, bringing **total fines to €205M as of early 2023**. Glovo resisted paying regulators' charges, warning that **its access to credit has become very limited and these outlays could risk its solvency**. (Spain's National Court agreed, suspending €64M in payments.) In late Nov 2024, Glovo saw another blow with a €290M lawsuit from Just Eat for unfair competition.

In response, Glovo announced in early Dec 2024 **it would transition fully to an employment-based model "in a few weeks,"** in order to "avoid further legal uncertainties leading to an increase of contingencies." It will provide about 15,000 drivers across 900+ cities with salaries that meet Spain's minimum-wage laws as well as associated benefits (e.g. paid leave, social security contributions). It estimates a **€100M hit to adjusted EBITDA** in fiscal year 2025. **Glovo's total charges, including social-security contributions, late charges, and fines, could reach an estimated €440M to €770M**. (Glovo has never been profitable on an annual basis and saw a loss of €209M in 2023.) The share price of Glovo's parent Delivery Hero fell 22% in the month following the announcement.

The #2 player in Spain when the Riders' Law was enacted, **UK delivery platform Just Eat** (acquired by Takeaway.com in 2020), took a different tack in **negotiating a collective agreement with the unions** in Dec 2021. This included an above-minimum hourly rate, guaranteed hours, a maximum 9-hour workday, extended vacation, and the right to organize. As of mid-2023, it had **2,000+ employed couriers.** (The agreement did not extend to any workers hired through subcontracting firms, which Just Eat uses as well.)

Just Eat has struggled to stay competitive under its employment model. During the period before Glovo converted to an employment model, Just Eat's CEO was vocal in accusing its rivals of non-compliance, resulting in costs as low as 1/3 of Just Eat's costs. At the time, **Just Eat estimated that it incurred a cost of €10 per delivery vs. €4-5 for Glovo and Uber Eats**. Just Eats has sought to achieve greater density through partnerships, aligning with grocery chain Dia to offer grocery delivery and Amazon to offer Prime members free delivery on orders over €15. Just Eat doesn't break out Spain in its financials but **its Southern Europe/ANZ segment including Spain saw a 16% drop in revenue and a €49M loss in H1 2024** (vs. positive adjusted EBITDA in Just Eat's other markets).

The #3 player in Spain when the Riders' Law was enacted, **Uber Eats, started out by hiring riders exclusively through 3rd-party fleet partners**, attributing the need to the relatively short window it had to enact changes. Uber's fleet partners struggled to hire couriers, many of whom reportedly preferred Glovo's independent-contractor model at the time. The fleet-partner model meant Uber had fewer drivers on the streets than Glovo (only 26% of total riders were hired by a fleet partner), longer wait times, and a higher cost structure.

While the fleet-partner model had reasonable margins, **eventually Uber Eats in Sep 2022 reverted back to a largely independent-contractor model to "compete on equal terms"** with Glovo (who was still on that model at the time). Like Glovo, Uber Eats tried to reduce its liability by giving workers more control, such as the ability to set their own rates. More than 80% of Uber's riders are now freelancers. In 2023, Uber reported **rapid growth in Spain of as much as 150%+** on a year-over-year basis, growing 2x from 2021-2023.

In response to union challenges, regulators have continued to subject platforms and their fleet partners to labor inspections, sanctioning them accordingly. Now that Glovo has adopted the employment-based model, **Uber Eats is the main player left in the line of sight for unions and regulators – leaving industry watchers wondering whether Uber Eats will follow suit**. (Uber Eats recently reported that it was allocating €136M in reserves for anticipated fines stemming from labor inspections.)

Impact on stakeholder relationships

The relationships between delivery platforms and regulators have deteriorated in the wake of the Riders' Law. The Ministry of Labor has vowed to be "relentless" and "implacable" in enforcing the Law. Industry watchers noted the worsening of Glovo's reputation inside the government as a result of its early resistance to the Riders' Law. Platforms that are perceived to be flouting the Law – particularly Uber Eats now that Glovo has adopted the employment-model – are in regulators' crosshairs.

In Dec 2022, penal reform was passed in Organic Law 14/2022 that **criminalized violations of the Riders' Law – with penalties that include jail time of up to 6 years** for executives of defiant gig-economy firms. The Ministry of Labor is reportedly exploring criminal prosecution against Uber Eats and Glovo, and Glovo's CEO is being charged in Barcelona's criminal court for allegedly abusing workers' rights. (This may have been a factor in Glovo's decision to convert to the employment model.)

Regulators have also threatened to hold restaurants that use non-compliant delivery platforms accountable. Uber Eats (and previously Glovo) changed their billing systems so that restaurants and stores invoice delivery workers directly, which could expose the merchants to liability.

Among workers, **the Riders' Law has been contentious among those who prefer to be self-employed**, giving rise to protests. Riders who used to switch between apps to find jobs are reporting fewer platforms to work with. Some couriers are working longer hours during less lucrative periods, instead of focusing on high-earning rush hours.

Riders in the post-Riders' Law era have reportedly been making less and working more, with a rider receiving as little as €2.5-€3 per order vs. €5 per order previously. (This will change for some riders as Glovo transitions to the employment model.) Some have also seen more precarious work situations, e.g. because of less work on a single platform, bidding among couriers, or low wages at 3rd-party firms.

While a reported 12,000 delivery workers did receive employment contracts in the first year of the Riders' Law, **the vast majority of those contracts were with 3rd-party subcontracted firms**. 3rd-party fleet partners may provide benefits and guaranteed hours but they often offer **equal or worse working conditions**, paying just minimum wage and offering contracts as short as a month.

According to one account, by Dec 2023, **"of the 30,000 on-demand couriers in Spain, only approximately 5,000 actually [had] employment status.**" (This figure will increase as Glovo transitions to an employment model.) While this subset of employed couriers might enjoy steady work and financial stability, **many are not earning a "living wage."** Even Just Eat, under its employed model, only pays slightly above minimum wage.

Among the consequences of platforms' adapted operating models has been greater distance between platforms and delivery workers. Platforms sought to avoid legal issues that might arise from the perception that they were controlling their 3rd-party fleet partners (e.g. illegal transfer of workers). One fleet partner represented the situation as: "[W]e control our riders 100%. We are the ones who set the schedules, the routes… who provide them with all the material to work and there is no interaction between [the platform] and our delivery drivers, who also work for other clients." The adapted independent-contractor model is even more tenuous, since platforms have to demonstrate that riders have autonomy in setting their own hours and controlling their own work.

Impact on consumers

For consumers in Spain, one of the most noticeable outcomes of the Riders' Law is the reduction in choice among delivery players. While the Riders' Law wasn't the only cause and there were also macro factors that caused players to exit, it's undeniable that the market has consolidated in the Law's aftermath.

The impact of the Riders' Law on food prices is hard to tease out from aggregate inflation. Spain's food and restaurant/hotels inflation certainly saw a spike in 2022, but so did other sectors of the economy. **If there was an uptick in prices, it was not a big jump based on average order values** (although this may change as Glovo transitions to an employment model).

Other shifts to the status quo

At this point, it would be difficult to say that the Riders' Law has achieved its objectives. The lot of riders has not improved significantly. Notably, when Uber offered riders the opportunity to revert to being self-employed again, 74% chose to do so while only 26% opted to stay a full-time employee. This suggests that most of its riders preferred the flexibility of being self-employed to the stability of full-time employment.

The Riders' Law has also resulted in an uneven competitive environment. **Just Eat – the first significant player to adopt a predominantly employed model – is reportedly losing market share to its rivals in the region.** As of mid-2023, **4 out of every 5 delivery workers were working for Glovo or Uber Eats**.

Summary of key outcome metrics

- At least 6 delivery platforms have exited Spain, including 1 major player (Deliveroo), and the market has consolidated under Glovo and Uber Eats.
- Riders are reportedly earning less, receiving as little as €2.5-€3 per order vs. €5 before.

- As of Dec 2023, only 5,000 of the 30,000 on-demand couriers in Spain were employed by platforms.

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Regional Impact – Chile

Overview of key regulations

In Sep 2022, Law No. 21,431 – the most significant piece of Chilean legislation governing "digital platform workers" – went into effect. It laid out the **rights and requirements for "dependent workers" and "independent workers"** of platform companies.

Under Law No. 21,431, dependent workers are entitled to an employment contract with compensation, work schedule, a channel for disputes, and handling of personal data, in addition to normal employment rights. **Dependent workers are compensated from when a worker logs on to when they voluntarily disconnect**, including idle time.

The Law also provides **basic protections for independent workers**, who are entitled to a service-provision contract with compensation, maximum continuous connection time (they must disconnect for 12 hours per 24-hour period), a channel for disputes, grounds and process for termination (workers with 6+ months must get 30 days' notice), and data protection, among other terms. Independent workers also have the **right to social security, including health, pension, and disability**.

Platforms must pay both categories at least minimum wage plus 20% (to compensate for waiting time and other work time) **for hours actually worked.** Platforms must tell workers the origin and destination before acceptance. Workers' personal data may only be used to provide services, and can be requested by workers. Platforms must provide authorities with transparency about how algorithms operate, and algorithmic discrimination is prohibited. Workers must receive health and safety training, certain protective equipment, and damage insurance. Platform workers also have the right to unionize, although the frameworks differ per category.

Market exits

A handful of players have scaled back their operations in Chile since Law No. 21,431 was passed in early 2022, although it's unclear to what extent that can be directly attributed to the Law. While the departures and layoffs were likely also driven by the broader macroeconomic and competitive environment, the Law may have made it more challenging for smaller players to remain viable.

In Nov 2022, German instant-delivery platform **JOKR confirmed the withdrawal of its food-delivery operations from Santiago, Chile**, and layoffs of 22 employees. According to JOKR, the move was part of an effort to tighten its geographical footprint to the markets where it had achieved the most scale, as it aimed to become profitable. **It ceased operations altogether in Chile in Nov 2022**, just 13 months after it launched operations there.

In Dec 2022, Chinese holding company DiDi paused investments in its Chilean arm. Then, in Jul 2023, **DiDi Food announced it was leaving Chile and laying off its staff**, also after just 13 months of operation. DiDi indicated plans to focus on its ride-hailing business in Chile.

In Mar 2023, Uber-owned grocery-delivery platform **Cornershop eliminated 11% of its workforce (about 250 employees), the majority in Chile**. The move, however, was part of Cornershop's integration into Uber and should be viewed in the context of broader belt-tightening across the industry.

Business-model changes and impact on financials

The top delivery platforms in Chile – in order, Delivery Hero-controlled PedidosYa, Uber Eats/Cornershop, and Rappi – have stayed in the market since Law No. 21,431 went into effect. (Collectively, these 3 platforms represent 60%+ of the food-delivery market.)

Uber initially sought to avoid the "digital service platform company" designation, filing a complaint in Nov 2022 against Chile's Ministry of Labor, asserting it was only an intermediary. The complaint was quickly dismissed.

The platforms have made certain operational changes in response to the legislation, such as sending out contracts to workers, implementing a maximum continuous connection time for independent workers, and instituting mechanisms for workers to issue receipts (which are needed for tax withholding and social protection programs).

Still, the vast majority of delivery workers on platforms (70-80%) have remained independent workers, resulting in limited impact to platforms' business models. The leading platforms appear to have focused on compliance, and generally did not establish new channels for recruiting dependent workers.

Platforms are supposed to be paying minimum wage plus 20% for hours actually worked (paying workers the difference if needed), which may be impacting their financials. (The platforms have not disclosed details.) According to a Ministry of Labor report evaluating the Law's implementation, **the data available to authorities and workers does not allow for a conclusive assessment of whether the mandated minimum wage is being met**. Its survey suggests a wide disparity between platforms and workers in their perceptions of compliance, with 61% of platforms saying they are fully compliant vs. 15% of workers agreeing. The report recommends gathering better data for monitoring and enforcement in the next evaluation.

Overall, the industry appears to have gained stability as a result of the legislation. **Chile's food-delivery market has continued to grow**, reaching $800M+ (USD) in 2023, up from less than $700M in 2021. PedidosYa – the leading platform – reported 15% growth in 2023 and 20% growth in H1 2024. It plans to invest $40M in 2024 and $40M in 2025. Uber Eats appears to be on the rise (in terms of app downloads) as of Q3 2024, taking share from PedidosYa and reaching comparable size. It is also growing its tech hub in Chile.

Delivery platforms are finding that profitability can be within reach. PedidosYa reached break-even in 2022, and even Rappi (the smallest of the leading platforms in Chile) has been able to achieve consistent profitability for more than 6 months.

Impact on stakeholder relationships

A study conducted about a year after the Law was passed found that **workers have not seen significant changes in their working conditions**. Some workers noted that the maximum continuous connection time (12 hours) made it harder for them to work the hours they wanted and forced them to work for more than one platform.

There have reportedly been **some improvements for workers**, such as safety equipment provided at no cost and improved communications. However, **worker awareness of the new**

regulations has been low. (A significant proportion of platform workers in Chile – as many as 70-80% – are migrants that rent accounts.)

The same Ministry of Labor report found that **limited incorporation of independent workers into social protection programs**. In large part, this was due to workers bearing the responsibility of issuing invoices and paying social-security contributions. Despite a follow-on resolution in Nov 2023 by the Internal Revenue Service placing the withholding responsibility on platform companies, 60%+ of workers are still not withholding.

Impact on consumers

Over the past two years, **competition seems to have intensified among Chile's food-delivery platforms**. Industry watchers have noted the heightened competitive intensity in both restaurant and grocery delivery (especially since Cornershop was folded into Uber).

Consumers have become more demanding, seeking low prices, quality and breadth of products, and convenient service. Players are increasingly **competing based on speed of delivery**, with Rappi, for instance, touting delivery in 10-20 minutes vs. PedidosYa's 20-30 minutes and Uber's 30 minutes. Players are also expanding to **new verticals to offer customers a larger assortment of products and services**.

Other shifts to the status quo

The number of workers working for platforms has continued to grow after the regulation was passed, with **no noticeable increase in formal employment**. (The latter has been corroborated by a Ministry of Labor report.)

The relationships between merchants and delivery platforms seem to be improving. In Dec 2023, PedidosYa, Uber Eats, and Rappi agreed to a settlement with the Chilean Competition Court to remove "most favored nation" price-parity clauses that limited restaurants' ability to set different prices across channels.

Summary of key outcome metrics

- Chile’s food-delivery market has continued to grow, reaching $800M+ in 2023.
- Workers have not seen significant changes in their working conditions, and 70-80% of delivery workers on platforms have remained independent workers.
- Players are increasingly competing based on speed of delivery, touting delivery within 10-30 minutes as well as offering customers a larger assortment of products and services.

04

Regional Impact – NYC/New York (US)

Overview of key regulations

In New York, much of the gig-economy activity centers in New York City (NYC). Historically, **NYC app-based drivers have generally been considered independent contractors rather than employees**, and are not subject to NYC's minimum wage (currently $16/hour). They also have to pay their own health insurance and other business expenses.

They do have certain rights, however, many stemming from a series of laws passed by the New York City Council in Sep 2021 focused on gig workers' working conditions. These rights include weekly pay without fees, transparency around pay and tips, and trip details before acceptance (including location, pay, and tip). Drivers also have the right to set limits on distance and avoid specific routes.

Around 2022-2023, minimum pay for gig workers became a more prominent theme among New York policymakers. Alongside an effort in Nov 2022 by the NYC Taxi and Limousine Commission (TLC) to hike rates for Uber/Lyft ride-hailing drivers, the NYC Department of Consumer and Worker Protection (DCWP) proposed a **minimum pay rate for all app-based restaurant delivery workers**.

After the New York Supreme Court upheld the rule, **New York City in Dec 2023 became the first US city-level jurisdiction to enforce a minimum pay rate for app-based restaurant delivery workers.** The minimum pay rate sought to approximate NYC's minimum wage plus benefits if workers were classified as employees.

The initial rate allowed for two different options – $17.96/hour for connected time (Standard Method), with the amount over individual trip time aggregated and distributed across drivers as bonuses; **or about $0.50/minute for trip time (Alternative Method), both before tips**. (The Alternative Method uses a 60% average utilization as a divisor on the Standard rate.)

The minimum rates continue to be phased in, becoming **$19.56/hr in Apr 2024** ($18.96 plus an inflation adjustment) and eventually **$19.96/hr in Apr 2025** (plus an adjustment for inflation) under the Standard Method. The rates under the Alternative Method also go up in sync.

There's also legislative activity taking place at the New York state level. In Aug 2024, the **Freelance Isn't Free Act** took effect at the state level. Like the 2017 NYC law with the same name, the state-level bill **requires businesses to provide freelance workers with a written contract for work worth $800+ over a 120-day period**. The bill also establishes a default 30-day deadline for full payment, bars retaliation against workers exercising their rights, and provides recourse for violations.

Market exits

The NYC/New York markets for app-based food delivery are largely dominated by **DoorDash, Uber Eats, and Grubhub**. **All 3 leading players have remained in the New York market**, although unprofitable #3 Grubhub has changed hands twice in recent years – acquired by Just Eat for $7.3B in 2021, and by NYC-based Wonder Group for $650M in Nov 2024. (DoorDash and Uber are currently profitable.)

The delivery platforms that have left the New York market during this period have largely been smaller players leaving the US market or shuttering their business. These include Getir (Apr 2024) and ASAP (Apr 2024).

Business-model changes and impact on financials

Delivery platforms originally pushed back against the new minimum-pay rule, with Uber Eats, DoorDash and Grubhub (jointly), and smaller player Relay filing lawsuits to block the rule. They pointed to "flawed data" and the potential for "unintended consequences" for workers. Uber estimated that the **cost per order would rise by nearly $6** (before inflation) **while orders could decline by almost 20%**.

All of the major platforms are passing some of the additional operating costs on to customers. Uber Eats and DoorDash began tacking on a roughly **$2-per-order surcharge** on NYC orders, while Grubhub's surcharge was reportedly **as high as $9 per order**. Across the industry, **fees rose by 67%** in NYC as of Q2 2024.

To mitigate the impact of the higher surcharges on customers, **Uber Eats and DoorDash moved tipping to after checkout** in their apps. The move meant that workers were not able to cherry-pick high-paying orders and that customers had less incentive to tip to get their order prioritized. **Grubhub kept the tipping process before checkout but reduced the suggested tip**. Overall, **tips are down 72%** since the rule went into effect.

After a period, **platforms began shifting their policies to encourage higher utilization among fewer delivery drivers.** Higher utilization means drivers are less likely to be multi-apping, platforms can use the lower Standard Rate (see below) without paying as much for waiting time, and it could potentially lower the minimum rate under the Alternative Method since utilization is used as a divisor. The rule states that "[t]he Department will monitor apps' utilization rates when the Final Rule is in effect. If utilization changes, the Department will consider whether a corresponding change is warranted."

Uber began **limiting the number of drivers who could be logged in**, requiring couriers to reserve their work hours in advance. Priority access to its reservation tool was given to high-volume, high-acceptance couriers. (DoorDash and Grubhub already had scheduling systems.) DoorDash swapped out its Priority Access program for high-rated "Dashers" in favor of a Rewards Program that factored in acceptance rate and deliveries, among other criteria.

When the rule first became enforced in Dec 2023, **both Uber and DoorDash initially paid the Alternative Method minimum of $29.93/hour of active time**, before tips. (Workers earning below the minimum received a pay adjustment.) Grubhub left the option open to paying drivers using either method, which could change from week to week.

Then, **both Uber (Jan 2024) and DoorDash (Mar 2024) transitioned to paying the Standard Method minimum – now $19.56/hour – for connected time.** In addition to being more cost-effective in an environment of higher utilization, the Standard Method allows for the amount over the individual driver's trip time to be aggregated and distributed as bonuses, which **the platforms are using to encourage desired behaviors like higher acceptance rates**.

DoorDash reported that it **absorbed a "meaningful amount of cost" in Q1 2024** associated with regulatory changes in New York and Seattle. DoorDash claimed that the rule resulted in about 850,000 fewer orders over a 2-month period in NYC, due to higher prices and elasticity in the local market. DoorDash estimates an aggregate $130M loss in annual revenue for NYC restaurants and merchants.

However, since NYC was just one market (albeit a large one), **the rule only reduced DoorDash's total orders by less than 1% in Q1 2024**. Across the industry, **the number of deliveries in NYC actually rose 8% in Q1 2024** (suggesting that Uber Eats was picking up market share that quarter) **and 5% in Q2 2024**.

The impact seems to have been mitigated by some of the operational changes implemented by the platforms in response. On the average order, **the reduction in tipping counterbalanced the added surcharges, so consumers saw a relatively small change in their overall order cost (+2-4%).** After implementing "efficienc[ies]," DoorDash reports that it saw **reduced EBITDA impact in Q2 2024**.

Impact on stakeholder relationships

Delivery workers' earnings have certainly gone up. In Q1 2024, **average earnings rose to $19.26/hour with tips – up 64%** from Q1 2023 before the minimum-pay rule. (This is before driver expenses, which were estimated at $2.82-$3.06/hour as of Nov 2022.) Drivers that are "multi-apping" are earning even more.

Average earnings in Q1 were less than the minimum rate because some apps had high levels of uncompensated on-call time in Q1 2024, which was later limited by regulation in Apr 2024. By Q2 2024, **average earnings rose to $22.48/hour with tips – up 112%** from Q2 2023.

The shift in tipping to after checkout has been unpopular among drivers. **Tips now represent only 12% of earnings** vs. up to 50% before the minimum-pay rule. Drivers are also reportedly seeing **more orders with zero tips**.

It seems that earlier concerns that workers may see fewer shifts are being born out. **The number of delivery driver accounts active in NYC declined by 21%** (to about 85,000 accounts) as of Q2 2024. (There are more accounts than the estimated 65,000 drivers in NYC since some will "multi-app.") **Uber Eats reports it has cut 25% of drivers and has about 12,000 fewer drivers** on its platform than before. DoorDash, in turn, estimates the **new Dashers have fallen by 20%** since the rule.

The remaining workers are busier than before. Uber says its remaining drivers are doing 80% more deliveries per hour than before. According to a DCWP report, across the industry in NYC, drivers are doing **68% more deliveries per hour** (2.35) as of Q2 2024. In aggregate, during that quarter, weekly trip hours were up 7%, while on-call hours were down 72%. **Workers are also having to go to more trafficked areas to get deliveries** vs. staying in areas more convenient for them.

On the restaurants side, **participating merchants are seeing higher fees** (although not as high as end-customers). In Q1-Q2 2024, merchants paid an aggregate **9-13% more in fees** than before the rule. (Delivery apps are no longer required to share consumer data with restaurants as of Sep 2024, which makes it harder for merchants to leave a platform.)

While the changes the platforms have made are not universally popular, they were not unexpected. Changes that would discourage tipping, for instance, was a possibility noted by the DCWP in its 2022 study. According to Uber, "The goal of the City's rule is to have a **significantly smaller, significantly better paid, more productive full time workforce relying less on tips & more on direct pay**." Grubhub agreed, saying that the city's Q1 2024 report proved out the DCWP's prediction in its 2022 study that **"couriers would earn more, but that earning opportunities would be concentrated in fewer hands."**

Impact on consumers

In Q1-Q2 2024, customers paid 58-67% more in delivery fees vs. the prior year, suggesting that **customers are bearing the bulk of the costs**. On a per-order basis, **consumers paid 46-60% more in fees**. On the other hand, they're paying substantially less in tips so **the aggregate of fees plus tips has only gone up by 2%** on the average order as of Q2 2024.

The customers most likely to notice a price increase are those not inclined to reduce their tips to the $1.10 average seen in Q2 2024. Those customers might see their total order cost go up by 11%. Anecdotally, higher upfront fees may be causing more customers to **order online for in-store pickup**.

While the number of deliveries in NYC rose 5-8% after the rule change, **this may reflect slightly depressed growth as a result of some consumers steering away from higher prices**. In Q3 2023 and Q4 2023, for instance, delivery apps saw 10%+ growth in deliveries year-over-year.

Fewer drivers can also mean a longer wait time for customers, who might see more cold or unappetizing food. In Q1-Q2 2024, average trip hours per delivery went up 2-7% vs. the prior year.

Other shifts to the status quo

The minimum-pay rule has certainly reshaped the app-based food delivery market in NYC. While delivery drivers are still independent contractors, **the profile of their work has changed in ways that steer away from the gig economy's original promise of on-demand flexibility**. Drivers now have to **plan their shifts in advance** and are encouraged to **be more committed to a single platform**.

This means **being a driver has become less viable as an extra income opportunity** for those relying on the flexibility of app-based work. Surveys conducted in NYC by platforms indicate that 70-80% of food-delivery workers value flexibility highly, as a supplement to their primary job, school, or caregiving, or to mitigate reduced hours or lost income. DoorDash says **part-time Dashers are "disappearing" in NYC**, with the share of Dashers delivering 10 hours or less per week falling nearly 7% year-over-year.

With platforms' respective tightening of their driver pools, it has also become **a job that is no longer open to anyone that can meet basic requirements**. Uber Eats claims it has a waitlist of about 27,000 drivers in NYC looking for delivery work.

As the pool of delivery drivers are winnowed out according to platforms' standards, **it may mean the drivers who remain are more reliable**. The drivers who remain may be the ones who can attain higher-tier status in platforms' rewards programs – i.e. they can complete deliveries effectively and earn a high customer rating, in addition to other criteria.

Summary of key outcome metrics

- The tipping process has shifted to post-checkout in delivery apps, resulting in tips being down 72% since the rule went into effect.
- The number of delivery driver accounts active in New York City declined by 21%.

- For the drivers remaining, average earnings have risen by 112%.

05

Regional Impact – Seattle/Washington (US)

Overview of key regulations

Seattle views itself as a leader in regulating the gig economy – for instance, passing Covid-era protections providing **paid time off to app-based workers** in 2020, which were later made permanent (App-Based Worker Paid Sick and Safe Time Ordinance). Workers received one day off at average pay for each 30 days worked.

In May 2022, the Seattle City Council passed the first piece of **PayUp legislation – the App-Based Worker Minimum Payment Ordinance.** The ordinance went into effect in **Jan 2024**, making Seattle the second US city (after NYC) to enforce a **minimum pay rate for app-based workers** on platforms like DoorDash, Uber Eats, Grubhub, Instacart, and Amazon Flex.

PayUp mandated that app-based workers earn the greater of **$0.44/engaged minute and $0.74/engaged mile, or $5/order** (e.g. for very short or nearby deliveries), at a minimum and before tips. This law has resulted in gig workers earning at least **$26.40/hour**, well above the city's minimum wage of $19.97 for large employers, already the highest in the country among large cities. (The higher rate included a cost factor to compensate for non-mileage expenses as well as a mileage factor to compensate for miles traveled without compensation.) The law provided for **updates to rates on an annual basis**, based on inflation and the IRS mileage rate.

The ordinance also included other provisions, including **barring platforms from prioritizing access for couriers with higher availability, acceptance rates, or completion rates**; and endowing the Office of Labor Standards with the **authority to require data records be submitted by the platforms**.

By Apr 2024, the precipitous drop in orders and outcry from drivers and merchants had **Seattle City Council President Sara Nelson introducing a bill to partially roll back PayUp**. The proposed changes would eliminate the $5-per-order minimum, pay drivers only when they are en route (vs. upon acceptance), and reduce the minimums to $0.33/minute and $0.35/mile, among other changes. **The intent was to make drivers' minimum pay rate match the prevailing minimum wage** in Seattle of $19.97/hour.

In May 2024, the Council's governance, accountability, and economic development committee approved the amendment. The full council vote was set for later that same month but was **postponed shortly before the vote** to allow the council to consider some new amendments that had been proposed. **The vote has yet to be held.**

The other PayUp legislation passed so far in Seattle is the **App-Based Worker Deactivation Rights Ordinance** (Aug 2023), which provides drivers with rights and protections from unwarranted deactivations, and will go into effect Jan 2025. In Nov 2023, the Seattle City Council also passed a **10-cent-per-order "network company license fee"** that is expected to generate $2.1M+ annually to fund the implementation and enforcement of the PayUp laws. (Grocery-only orders are exempted.) The fee will go into effect in Jan 2025.

While much of the regulatory activity impacting delivery drivers in Washington has centered on Seattle, there has been **some significant activity at the state level**. In May 2023, state legislators passed **House Bill (HB) 1570, which expanded Unemployment Insurance and Paid Family and Medical Leave programs to include app-based drivers**. HB1570 provided up to 12 weeks of paid leave for medical events or childbirth, with platforms required to pay premiums. HB1570 went into effect in Jul 2023, making Washington the first state to provide paid leave to app-based drivers. (Washington also passed a state law in Mar 2022 instituting minimum pay and paid sick leave for ride-hailing drivers, called Engrossed Substitute House Bill 2076 or ESHB 2076, but it did not cover app-based delivery drivers.)

Market exits

The largest app-based food delivery platforms in Seattle – DoorDash, Uber Eats, Grubhub, and Instacart – have all stayed in the Seattle market, although they report a substantial decline in orders and challenges with local-market profitability.

In Jan 2024, Target-owned delivery service **Shipt paused its services in Seattle indefinitely in response to the PayUp law**.

Business-model changes and impact on financials

In response to the minimum-pay ordinance, delivery platforms have instituted **new fees on every order** to offset the cost of the minimums. DoorDash instituted a **$4.99 regulatory response fee**, with an additional $1.99 fee for long-distance orders. (DoorDash has said it would remove the regulatory response fee if the compromise bill was passed.) Similarly, Uber Eats added a **$4.99 local operating fee**, and Instacart added a regulatory response fee ranging from **$5 up to $25 per delivery**.

The added fees resulted in customers seeing **high order totals with taxes and fees comprising as much as 30-60%+ of their order** (especially on smaller orders). According to DoorDash, **consumers in Seattle saw fees that were 93% higher than in Portland** from Feb-Jun 2024. One reporter confirmed that fees seem to have doubled on a typical order.

Instacart began re-routing drivers to avoid crossing the border into the city and incurring the higher costs. It is also **selecting chain outlets that are outside the city**, even when the city outlets are closer. The adjusted routes can entail miles of extra driving and longer wait times for customers.

The higher delivery fees have resulted in substantially fewer orders being placed, with some customers saying they deleted their delivery apps as a boycott of the higher prices. In Q1 2024, Uber Eats orders in Seattle fell 45% year-over-year.

To minimize the impact to customers, **platforms enacted measures that discouraged tipping**. Instacart changed its default tip from 5% to 0%, and DoorDash significantly reduced its suggested tip. Both Instacart and Uber Eats moved the tipping process to after checkout.

Because the ordinance barred discrimination based on availability, acceptance rates, or completion rates, **platforms shut down their tiered-status programs for workers in Seattle**. DoorDash, for instance, terminated its Top Dasher and Priority Access programs, **opening up Dash Now to all Dashers**. It warned of longer wait times as a result of these changes.

Given the impact of the ordinance, the delivery platforms are hoping that at least some of the legislation can be pulled back. DoorDash alone has spent **hundreds of thousands of dollars on lobbying efforts** in Seattle. For Q1 2024, it reported a **"meaningful amount of impact on EBITDA" due to regulatory costs** in Seattle and NYC, although this came down in Q2 2024. (Based on visitor logs, most of the lobbying appears to have taken place in Q1.) Given how long it has taken the City Council to come up with a new proposal, however, the lobbying effort probably isn't over.

Impact on stakeholder relationships

Restaurants in Seattle report seeing delivery sales drop as much as 30-60%. DoorDash reported that **restaurants saw nearly 900,000 fewer orders from Feb-Jun 2024**, and 2.3M fewer orders expected for full-year 2024. In a survey by the Seattle Metropolitan Chamber of Commerce, small restaurants that use delivery platforms have seen their sales plummet by 38% since Jan 2024, and **97% would like the law repealed**.

The decline in delivery orders has contributed to some **restaurant closures, especially in categories that are more price-sensitive like pizza**. (Restaurants in Seattle typically have net margins of 10% and sometimes as low as 3-5% for full-service.) One customer described their own behavior change as "only order[ing] delivery from spots that are hard to get to and that feel like they're worth the human labor cost of delivery."

On the driver side, **while a subset of drivers are seeing higher pay from higher-quality orders, the drop in orders is hurting many workers.** Some drivers report seeing half as many deliveries as before the minimum-pay ordinance. Others are seeing their deliveries fall by as much as 68%.

With fewer orders, **30% of Uber's active delivery drivers in Seattle have quit working on the app** since PayUp was implemented. According to one estimate, **the number of active delivery workers across the industry in Seattle fell by 15%** year-over-year as of Feb 2024.

In a Seattle City Council meeting in May 2024, nearly half of the delivery workers that spoke were critical of PayUp, saying their income had declined due to lack of orders. According to DoorDash, **average hourly earnings for all time spent on the app have declined 13% since before the ordinance**. In contrast, one software firm with a view into industry data found that **hourly earnings for engaged time was up 8%** as of Feb 2024 (base pay was up 38% but tips were down 16%).

This suggests that **the winners among delivery drivers are those who are able to stay highly utilized**. Unfortunately, many are waiting longer for orders – in part because there are fewer orders, and also because the ordinance's equal-access provisions mean that platforms have opened the gates to allow more drivers to be available at any time. According to Uber, its Seattle couriers are **waiting 30% longer for deliveries**, while DoorDash says its couriers are **waiting more than 3x longer between orders**. Workers report having to go to more trafficked “hot zones” in order to get orders.

Bicyclist couriers may be particularly disadvantaged by the changes by the platforms, and are reporting seeing fewer orders than drivers. Some have speculated that delivery platforms who now have to pay per hour are assigning orders to faster workers (i.e. drivers), although this may have predated the ordinance.

Impact on consumers

Customers are obviously seeing higher prices given the added fees. Fewer drivers may also mean they are waiting longer for their orders, as was seen in NYC. Customers will also see an added $5.20 in charges per year on average as a result of the 10-cent-per-order license fee (which will go into effect in Jan 2025), assuming that the platforms pass the cost on.

Given the precipitous drop in orders, **many consumers are losing the convenience of getting their food delivered frequently**. As in NYC, higher upfront fees in Seattle are reportedly steering some customers towards **in-store pickup**. In one poll, **80% of Seattle voters would like to see the ordinance fixed, if not repealed**.

Residents in the Seattle area are also seeing more limited services. Instacart was explicit about the change: “As a result of the new requirements within Seattle city limits, **we will only be able to facilitate orders from Seattle retail locations to customers who live within Seattle**. This means that customers outside of Seattle will not be able to order from stores within Seattle, and vice versa.” The change has created a “dead zone” for the small subset of customers who live on a boundary. **Uber also shut down its Uber Connect same-day package delivery service in Seattle**, in response to the minimum-pay ordinance.

Other shifts to the status quo

Some are calling Seattle’s minimum-pay ordinance “the law of unintended consequences.” Neither restaurants nor consumers are happy with the ordinance, and the impact on drivers has been bifurcated based on their utilization. With the desired outcomes not being achieved for any set of stakeholders, the ordinance is likely to be amended. **The final amendments, however,**

could be significantly different from what was approved by the city committee (but not yet passed by the council), given the length of time it has taken for new proposals to be considered.

While the ordinance has impacted all the app-based delivery platforms, DoorDash appears to be holding up better than its rivals. One restaurant said it only saw orders from DoorDash fall by 30% vs. 50% for the other platforms. This may be due to some combination of its original market leadership, opening up Dash Now to all Dashers, and implementing operational efficiencies.

There is **growing attention in Seattle on the city getting the needed data from platforms** to implement and enforce policies. Seattle has historically lacked data on worker pay and orders and has not required companies to share such detailed data. The minimum-pay ordinance gives the Office of Labor Standards the authority to require platforms to submit data records, and it finalized the rules in Oct 2024. However, much depends on the fate of the pending amendment, which actually removes this requirement.

Once the market stabilizes, the "universe of orders and drivers" in Seattle could end up being much smaller. While the pain associated with this shift is ongoing, it was most felt in the early days of the disruption. Now that the market is adapting, city policymakers can be less reactive as they decide what profile of tradeoffs makes sense for Seattle.

Summary of key outcome metrics

- Fees have reportedly doubled on a typical order in Seattle, with customers seeing high order totals with taxes and fees comprising as much as 30-60%+ of their order.
- Seattle drivers are often seeing 50-68% fewer deliveries than before, and the total number of active delivery workers has fallen by 15%.
- Residents in the Seattle area are seeing more limited service, such as constraints on ordering from retail locations outside of a customer's geographic area.

06

Regional Impact – California (US)

Overview of key regulations

Gig-economy regulation in California began picking up momentum **in Apr 2018 with a California Supreme Court decision** that ruled against same-day delivery firm Dynamex. The decision relied upon an **"ABC test"** (which had been used in other jurisdictions) **to determine whether a worker was an employee or independent contractor**. Under the ABC test, to be an independent contractor, all of the following must apply: (A) *The worker must perform the work free from control/direction by the hiring entity*; (B) *the work must be outside the hiring entity's usual course of business*; and (C) *the worker must engage in an independently established trade, occupation or business in the same line of work*.

The *Dynamex* decision opened the door to **California's Assembly Bill 5 (AB-5)**, which passed in Sep 2019 and went into effect Jan 2020. **The bill codified the ABC test into law** – redefining and broadening the standard by which workers were considered employees and entitled to associated benefits (e.g. minimum wage, overtime, breaks, paid sick leave, family leave) and protections (e.g. unemployment, disability, workplace safety, retaliation).

In response, Uber, Lyft, DoorDash, Instacart, and Postmates launched a $110M campaign to support ballot initiative **Proposition 22** during the Nov 2020 election cycle. (By the end, the total spent added up to $200M+.) Prop 22 was intended to effectively **exempt on-demand ride-hailing and delivery firms from AB-5.** In the meantime, the platforms continued to operate under the **presumption that their drivers met the ABC test**. Time began running out after a judge ordered them in Aug 2020 to convert their drivers to employees and the platforms lost their appeal in Oct 2020.

In Nov 2020, **Prop 22 – the most expensive proposition in California's history – passed with 59% of the vote**. Prop 22 went into effect Dec 2020, **affirming the status of app-based transportation and delivery drivers as independent contractors**. Prop 22 also guaranteed **certain benefits and protections for drivers, such as 120% of local minimum wage for time spent driving** (excluding waiting time); **35 cents per mile** (2024) for vehicle expenses, with annual adjustments for inflation; 100% of tips; a health-insurance subsidy (50-100% of the required Affordable Care Act contribution) for drivers working 15+ hours per week without other insurance or Medi-Cal; accident insurance for on-the-job injuries; a mandated rest policy limiting driving time to 12 hours in every 24-hour period per company; an appeals process for deactivations; and policies against discrimination and sexual harassment. Prop 22 also included requirements for background checks and safety training.

As expected, Prop 22 has faced legal challenges. In Aug 2021, **a California Superior Court ruled that Prop 22** – which instituted an unusual 7/8ths vote from both the state Assembly and Senate to amend the proposition – **was unconstitutional** in placing limits on the legislature's ability to pass workers' compensation laws. The case went to appeals, during which Prop 22 remained in effect. In Mar 2023, **a California appeals court reversed the lower-court ruling**, leaving most of Prop 22 in effect (although it did sever the sections that expanded the definition of an amendment requiring a 7/8th majority).

In the meantime, Uber lost its bid to overturn AB-5 directly in a separate case. **Prop 22 finally went to the California Supreme Court – California's highest court – and was settled in Jul 2024.** In a unanimous ruling, the California Supreme Court **upheld Prop 22**, saying it did not place limits on the state legislature's power to enact workers' compensation laws.

While Prop 22 is now settled, **the door has been left open for the California legislature to enact related statutes, such as incorporating app-based drivers in the state's workers' compensation system** without classifying them as employees. Any such statutes could potentially run into state constitutional issues and be sent back to the California Supreme Court.

While the AB-5/Prop 22 saga was the most significant regulation, there have been **other California laws passed that impacted app-based delivery platforms**. For instance, **Assembly Bill 2149** (the Fair Food Delivery Act) – enacted in Sep 2020 and effective in Jan 2021 – barred food delivery platforms from delivering from restaurants without explicit authorization by the merchant. It was followed by **Assembly Bill 286** – passed in Oct 2021 and effective in Jan 2022 – which required all tips to go to workers, instituted itemized cost breakdowns for customers, and limited price markups by platforms without restaurant consent.

Market exits

While **some smaller delivery players consolidated or shut down** (e.g. Zero Grocery, ASAP) during the 2019-2024 period, this was generally attributed to broader market dynamics and business shuttering rather than specifically due to California regulations. In an effort to grow its delivery business, Uber acquired **Cornershop** in two transactions in Oct 2019 and Jun 2021, **Postmates** in Dec 2020, and alcohol-delivery service **Drizly** in Feb 2021.

None of the larger delivery platforms – DoorDash, Uber Eats, and Instacart – left the California market, although Uber announced layoffs of 8% of its total workforce to cut costs in 2019 just before AB-5 passed.

Business-model changes and impact on financials

Once Prop 22 went into effect in Dec 2020, **Uber, DoorDash and the other delivery platforms began implementing its requirements** despite the ongoing litigation. This included the minimum earnings, required breaks, healthcare stipend, accident insurance, safety training, and an appeals process for deactivations.

To cover the added costs, **Uber Eats instituted a "CA Driver Benefits" fee of $2 per order**. According to Uber, it saw a "slight increase" in costs (which it previously estimated at 5% of driver costs). It was able to "[pass] on much of the cost" to consumers, although it still invested more than it collected in fees. In Apr 2024, Uber reported an aggregate spend of $1B+ on the minimum pay guarantee and benefits since Prop 22 went into effect. Despite prices going up slightly for consumers, Uber has seen **minimal impact on demand** and attributes that to "pricing power" and a price increase that remained within range of "sensitivities."

Similarly, **DoorDash increased its service fee from around 10% to at least 15% in California** (and, in some cases, reportedly as high as 21%). Based on a median order value of $30, a typical service fee went up by $1.50 (less than Uber's fee). According to DoorDash, it absorbed the "vast majority" of the added costs itself rather than passing them on, resulting in a **slight reduction in its "take rate"** (also known as "net revenue margin").

Instacart also increased its service fees in California from 5% to 8% in 2021 – the last to do so. On a $100 grocery order, the increase bumped up the order total by $3. The higher service fee does not apply to Instacart+ members.

Impact on stakeholder relationships

A platform-funded study in 2022 indicated a **26% increase in driver pay across the industry** to $34.36 per engaged hour. **DoorDash** reported in 2021 that its California delivery workers ("Dashers") earned an average of $34 per hour while on deliveries (including tips), a 32% increase from 2020. Dasher earnings have gone up since to **$36 per hour while on deliveries in 2023 – up 41% vs. 2020**. **Uber Eats** driver earnings are believed to be slightly less at an estimated $31-33 per utilized hour. **Instacart** reports that driver pay is up over 30%, and that shopper satisfaction (measured by Net Promoter Score) rose to an all-time high after Prop 22 went into effect.

It should be noted that **these figures do not exclude expenses,** and net earnings could be as low as $13.62 per hour (with tips) according to one estimate. For comparison, **California minimum wage is $16.50 per hour** as of Jan 2025 (although it can be higher for certain professions or in certain jurisdictions). These driver-pay figures also **do not consider waiting time**, which can be significant.

Not all delivery workers are using the healthcare subsidy. DoorDash reports that of the 20% of Dashers eligible for the healthcare subsidy, only 11% of this group actually used the stipend in Q4 2023. Instacart reports that of the 11% of its shoppers that are eligible for the subsidy, 28% have redeemed the subsidy since 2020. (Instacart has paid out $40M in aggregate.)

Anecdotally, **some delivery workers have been seeking to increase their active hours** (vs. online time), upping their acceptance rate to improve earnings. According to DoorDash, the average California Dasher spent **less than 3 hours per week in 2021** delivering on its platform, and 91%+ of California Dashers spent less than 10 hours per week. By Q4 2023, Dashers were averaging **6 hours per week**.

This does not consider multi-apping so the typical driver is working more than that across platforms. Still, **only 23% of drivers report working with platforms on a full-time basis** – it is still a part-time gig for most. 95% of Dashers surveyed by DoorDash say they value flexibility, and nearly 75% would stop delivering orders if they lost flexibility.

The driver pool seems to be growing in the aftermath of Prop 22. A platform-funded study in 2022 indicated a significant pickup in drivers across the industry in California (up 41% from Q3 2020 to Q3 2021). DoorDash has reported that 360,000+ new Dashers joined the platform in 2021 and began delivering orders in California for the first time, of its total 670,000 Dashers. In some areas of California, potential DoorDash drivers are reportedly being put on a waitlist due to oversupply.

Impact on consumers

After Prop 22, delivery customers in California saw an **increase in prices ranging from $1.50 to $3 per order** due to the added fees. In general, however, that 3-5% increase on the order total does not appear to have impacted end-customer demand. Compared to Q3 2020, **trips and deliveries were up 48%** across the industry in Q3 2021, although part of that was recovery from the initial pandemic shock.

Probably the most significant impact of Prop 22 was the **avoidance of a major disruption of services**. In the run-up to Prop 22, platforms were estimating that classifying all drivers as employees could raise operating costs by 20% to 120% for less populated areas. Uber and Lyft both indicated at the time that they were likely to suspend their services in California or at least the non-metropolitan areas of California if they were forced to reclassify.

Other shifts to the status quo

The Prop 22 victory for platforms in California is influencing battles in other jurisdictions. **Enthusiasm has been dampened for implementing stricter versions of the ABC test and for reclassifying drivers as employees**. Given California's reputation as a leftwing state and the decisive nature of the Prop 22 vote, activists worry that similar regulatory efforts could see voter pushback elsewhere. Energy has instead been redirected towards strengthening benefits and protections for gig-economy workers, such as in New York.

Summary of key outcome metrics

- App-based delivery drivers in California are seeing a 26-41% increase in gross pay per hour in the post-Prop 22 era.
- Delivery customers in California are seeing slight price increases ranging from $1.50 to $3 per order, or 3-5% on the order total, due to added fees.

- California was able to avoid a major disruption of services, resulting in growth in both the market and driver pool.

07

Other Regions

Italy

Italy's approach towards gig-economy regulation has been more flexible than in Spain, for instance. Rather than set minimum pay or make the government itself a key negotiator, policymakers instead required platforms to engage in dialogue with the unions. Italy's government has been open to a "third way" of treating gig workers beyond just "employee vs. independent contractor." In some cases, **workers can be self-employed but still entitled to certain rights enjoyed by employees**.

In Sep 2019, on the heels of tribunal decisions and local agreements that had started to grant riders more rights, the Italian government issued the **Riders Decree** (Law Decree No. 101/2019), which became permanent law (Conversion Law No. 128/2019) in Nov 2019.

While the 2019 law did not set specific minimum pay levels, **it did require gig platforms to engage in collective labor agreements with trade unions** to determine pay for gig workers. At a minimum, riders could not be paid solely based on deliveries but had to receive a **minimum hourly compensation based on national collective agreements** for similar sectors. Riders were entitled to extra pay for night, holidays, and inclement weather, as well as compulsory insurance for accidents and occupational diseases. It became illegal to reduce delivery opportunities for riders that declined deliveries.

In Sep 2020, **the Assodelivery coalition of food-delivery companies – including the largest players Deliveroo, Just Eat, and Glovo – reached a collective agreement** with the smaller right-wing General Union of Labor (UGL). The agreement included a minimum gross hourly wage of €10, bonuses for night work and bad weather, safety equipment, and insurance. The platforms pledged to make their ranking systems transparent and to not penalize riders for declining jobs.

The deal was controversial because UGL was only Italy's 4th largest union (2M members). The labor ministry criticized the deal, saying that UGL was not sufficiently representative of delivery workers and that the remuneration was non-compliant with the 2019 law in being based on deliveries. The largest union – the Italian General Confederation of Labour (CGIL), which has 6M members – refused to negotiate any agreement that didn't treat riders as employees. (CGIL had previously drafted its own national contract, which was signed by other employer associations but not Assodelivery.) Amidst the controversy, **Just Eat pulled out of Assodelivery in favor of the employed model used by its new parent Takeaway.com**.

Among the smaller players, some left Italy between 2019-2024 but largely because they lacked a path to winning the market. In Jul 2022, **Gorillas** announced it would start the process of shutting down in Italy. In Jun 2023, **Uber** decided to exit from its food-delivery business in Italy due to low growth. A month later, in Jul 2023, **Getir** left Italy as part of a broader refocus on its more promising markets.

During this past year's earnings calls, **Deliveroo has pointed to the "particularly strong momentum" and "continued strength" it is seeing in Italy**. While it doesn't break out profitability by country market, Deliveroo achieved its first-ever profit in H1 2024. **Glovo** has also been capturing market share in Italy. In contrast, **Just Eat**'s share has been eroding under its employed model.

The status quo in Italy has shifted around the use of algorithms. Regulators are paying closer attention to how algorithms, for instance, classify workers as "unreliable" or are otherwise used to manage workers (e.g. transparency, fairness, ability to contest decisions). Glovo-owned Foodinho saw a €5M fine in Nov 2024 for unlawfully processing the data of 35,000+ riders, including sharing geolocation data during work and non-work hours with third parties without riders' knowledge. This attention upon algorithms could have an outsized impact, since an overhaul would impact data inputs and operating models.

Italy has been held up as an example of how to provide workers with protections, without forcing fixed hours and destroying the flexible gig-economy model. Notably, neither the 2019 Riders Decree nor the subsequent UGL deal granted explicit employment status to workers. The Italy approach, however, puts the onus on platforms to negotiate a deal that unions will agree to, while navigating their growth and profitability targets.

France

Over the past 8 years, **France has gradually provided platform workers with a growing number of rights, while stopping short of reclassifying self-employed workers as employees**. In 2016, it passed the **El Khomri Law 2016-1088** (named for the labor minister who introduced it) – a broad labor reform also known as the Loi Travail ("labor law") that sought to provide greater flexibility for negotiation by companies and boost competitiveness. Among other changes, the El Khomri law **recognized platform workers and their right to unionize/strike, and required that platforms pay for accident insurance and professional training**.

In 2019, France passed the **Loi LOM 2019-1428** (Law on the Orientation of Mobility) – a broad mobility reform which, among other changes, provided platform workers with **rights to see trip information in advance, decline trips, choose when to work and when to disconnect, work with multiple platforms, access their own activity data, and exercise their rights without retaliation**.

In 2023, delivery platforms such as Uber Eats and Deliveroo committed to a **sector-wide agreement providing minimum pay of €11.75 per engaged hour**, following talks with the National Federation of Self-employed Workers (FNAE) union. The minimum pay was slightly higher than France's legal minimum wage of €11.27 at that time, although it did not consider expenses or waiting time.

In France, **the food-delivery market is led by Uber Eats and Deliveroo** after an array of departures over the past few years. **2023 saw the exit of most of the quick-commerce players from France**, as the government decreed that "dark stores" were warehouses rather than stores. This meant **local governments could bar warehouses in city centers** – as they were pressured to do by local merchants and residents – and quick-commerce business models would then become untenable.

First, **Gopuff** left in Jan 2023, then **Flink** (which acquired Cajoo in 2022) announced its exit in Jun 2023, which was followed shortly after by **Getir** (which acquired Frichti and Gorillas in 2022) the same month. Getir cited a "complex legal environment" that was "too administratively restrictive," with local regulations making success very difficult. Then, in Sep 2024, #3 player **Just Eat** shut down its operations in France in a push towards greater efficiencies and sustained profitability.

While there are fewer players left, the ones remaining benefit from France affirming the current status of platform workers as self-employed. Last year, France led an effort to block the EU's attempt to automatically reclassify millions of app-based workers as employees. The watered-down final text agreed to in Mar 2024 allows EU countries to set their own criteria for presumption of employment.

Earlier this year, **both Uber and Deliveroo mentioned France specifically as a positive highlight** in their respective earnings reports. After Uber Eats became the #1 food-delivery app in French downloads in 2023, Q1 2024 saw Uber CEO Dara Khosrowshahi describing "strong traction" in France for Uber One membership growth and retention. Deliveroo, in turn, saw 5% growth during H1 2024 for its International segment, with France as the "main driver" of the growth.

Portugal

Portugal began regulating ride-hailing platforms with Law No. 45/2018 (called the "Uber Law") in Aug 2018, requiring written contracts, placing limits on driving for more than 10 hours a day, and instituting a complaints process. However, **it wasn't until around 2021 that food-delivery platforms began to be specifically addressed by policymakers**.

In Oct 2021, the Portuguese government approved a **draft bill that included a presumption of platform workers as employees** rather than freelancers, and would require transparency about the criteria used by algorithms and AI. The bill was expected to receive final approval from Parliament but was left in limbo when, less than a week later, the governing Socialist Party failed to pass its budget and Parliament was dissolved in Dec 2021.

After the snap elections in Jan 2022 secured a strong mandate for the Socialist Party, the government focused on **a more ambitious set of labor reforms** that incorporated elements of the Oct 2021 draft bill. In Apr 2023, Portugal passed **Law No. 13/2023 (known as the "Decent Work Agenda")**, which went into effect May 2023. Law No. 13 amended Portugal's labor code, known as the CLT or Consolidação das Leis do Trabalho (Consolidation of Labor Laws).

Most significantly, **Law No. 13 introduced a new employment presumption** for platform workers, enshrined in a new Article 12-A of the labor code. While the presumption was rebuttable, it shifted the onus onto the platforms to prove that workers were not employees. **Platform workers were held to be employees if 2 of 6 conditions were met**, including the platform setting remuneration, directing how workers are presented, exercising control over activities, restricting autonomy (e.g. work hours, ability to decline jobs, use of subcontractors), exercising disciplinary power (e.g. account deactivation), and providing the work equipment.

Law No. 13 also introduced other requirements for platforms. Platforms were required to be transparent with workers and authorities about how algorithms/AI impacted decision-making and working conditions. Workers gained protections against discrimination even if the decision was made by an algorithm/AI. Self-employed workers who are economically dependent – they derive more than 50% of their income from a platform – were also granted additional rights such as collective bargaining.

Following Law No. 13, Portugal's Authority of Working Conditions (ACT) began conducting **labor inspections of Uber Eats and Glovo, submitting 1,133 notifications and 861 reports** to the Public Prosecutor's Office from Jun-Dec 2023. More than a hundred additional cases have also been filed by individual workers. (Portuguese law requires the determinations of worker status to be made on an individual basis rather than as a class.) In Feb 2024, **the first court verdict was issued, ruling that an Uber Eats courier met 5 of the 6 criteria and was therefore an employee**, setting a significant precedent. Many of the cases since then have affirmed this stance, although not all.

In response to Law No. 13, **Uber Eats and Glovo – the leading two food-delivery platforms in Portugal –** as well as other players like Bolt, **began changing their operations** to avoid the presumption of employment. The platforms sought to provide workers with **more flexibility and autonomy**, such as the ability to set a minimum rate, see trip information upfront so they can accept or decline, and view more opportunities in their surrounding area. The platforms also removed satisfaction, acceptance and cancellation rates as metrics impacting driver accounts; instituted the ability to opt out of requests from specific merchants or riders; and allowed drivers to appoint a substitute on their behalf.

The period from 2021-2024 saw several delivery players exit the Portugal market. While the exits were not always directly attributed to changing laws, the regulatory environment in Portugal was likely not viewed as favorable by the platforms in their pursuit of profitability. **Just Eat** departed from Portugal and Norway in Apr 2022 to concentrate on profitability, after seeing a €10M loss the year prior. **Getir** left Portugal in Jul 2023 alongside Spain, Italy, and France as part of a broader refocus on markets "where the opportunities for operational profitability and sustainable growth are stronger." (The markets Getir stayed in – the UK, US, Germany, Netherlands, and Turkey generated 96% of its revenues.)

Portugal's labor laws impacting app-based delivery platforms may not be fully settled. Earlier this year, Labor Minister Rosário Palma Ramalho opened the door to another review of the employment presumption. The platforms continue to advocate for laws that are adapted to "the reality of today's work" and the "conditions of the digital economy." For now, the issue has been referred to Portugal's "social dialogue" process of tripartite negotiations and consultations among the government, employers, and unions.

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In Summary

Given the sheer breadth and diversity of regulatory environments examined in this report, **there is no singular takeaway or single solution that fits every country's social, political, and economic environment**. The objective of this report is to see what we can learn from the past 5 years of legislation, and in particular, see how different approaches have resulted in different outcomes.

A recurring theme among the markets studied is that **worker protections can be enacted separately from employment status.** While preexisting legal frameworks often marry employment status with worker protections, that is more of a historical artifact than a necessity. Depending on the outcomes that regulators are trying to achieve, there are other alternatives available – such as Chile and NYC's minimum-pay rules, Italy's "third way," or California Supreme Court's leaving the door open to incorporating drivers into the state workers' compensation system without classifying them as employees.

In general, **regulation of the sector has resulted in less flexibility for workers**, even when they have retained their independent status. Considerations of worker well-being should include work-life flexibility as well as pay and protections. While platform workers are not a homogenous group, all indications suggest that the vast majority (typically 70-80%+) work on platforms part-time and value flexibility highly. In fact, a similarly high proportion say they would stop working with delivery platforms if they lost flexibility.

A key tradeoff for regulators is a smaller workforce vs. higher pay and productivity. In New York City, for instance, the changes enacted resulted in the expected outcome – a much smaller but better paid and more productive workforce that is more reliant on direct pay (vs. tips). While the workers remaining are arguably better off (although even they are working harder), the most impacted group is the platform workers – representing 21% of delivery driver accounts – that were forced out of the market.

Perhaps one of the most important insights is that **gig-economy regulation is about tradeoffs, and that the market will enforce those tradeoffs**. In areas where regulations have driven sizable price increases for consumers – such as Seattle – orders have fallen precipitously and the market has shrunk significantly, harming consumers, delivery workers, and platforms alike. (Conversely, where price increases have been more moderate, there has been less impact on demand.) In markets where regulations have driven up costs and made it challenging for platforms to achieve profitability – such as Spain – many players have exited altogether.

Stringent regulations tend to advantage larger players and disadvantage smaller players. In cases where there were a significant number of exits from a market, usually the top 2 or 3 players opted to remain and adapt. Larger players have more financial latitude to pay for the upfront and ongoing regulatory costs, and greater strategic flexibility to pass on some of the costs to consumers and merchants. Smaller players, in contrast, may already have tight margins and face untenable economics from heightened regulation, resulting in their exit.

The most productive outcomes seemed to come out of environments where the stakeholder groups – regulators, workers, and platforms – were able to engage in constructive dialogue. While the 3 stakeholder groups typically have disparate sets of interests, those interests frequently overlap to a greater extent than is openly recognized. In cases where policymakers framed regulation as a redistribution battle, sometimes expressing overt hostility to platforms and the broader industry, the resulting legislation often ended up not achieving the desired outcomes.

One final thought – consumers are stakeholders in gig-economy regulation too. Unfortunately, consumers were often not well-represented in the dialogue shaping regulation in the markets we reviewed. The one glaring exception is Proposition 22 in California, where the issue was put to a public vote. While opponents point to the millions of dollars poured into the campaign, there have been even more expensive propositions in California that have failed. Prop 22’s 17 percentage-point margin speaks for itself. It suggests that more constructive dialogue earlier in the process – and inclusive of consumer voices – might have been a less wasteful course of action.