

An analysis of the impact of COVID-19 on the remuneration structures of South African JSE-listed transportation companies

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ABSTRACT

Title: An analysis of the impact of COVID-19 on remuneration structures of South African JSE-listed transportation companies

Keywords: COVID-19, National lockdown, Executive remuneration, Remuneration structure, Transportation sector, Components of remuneration

The Black Swan event, COVID-19, had a profound and detrimental impact on the already challenged South African economy, its people and the way they live their daily lives. The regulations associated with the nationwide lockdowns crippled most of the sectors and industries, with emphasis on the transportation sector. Travel restrictions, social distancing requirements and bans on the sale of certain items had a severe impact on the performance and operations of companies in this sector. The repercussions of declining financial performance among these companies were transferred to employees through measures such as salary reductions, retrenchments and reduced work for reduced pay. The COVID-19 pandemic has significantly altered how business is conducted, how the economy operates and how work and the remuneration of employees are approached. The question then follows as to what degree and in which manner remuneration was impacted.

The research focused on changes to the way in which executive remuneration was structured, as well as changes to other areas of work and remuneration brought about by the pandemic. The aim of the study was to determine what the impact was, if any, of the COVID-19 pandemic on the remuneration structures of South African JSE-listed transportation companies.

To achieve this aim, the researcher identified and conceptualised the components that can form part of total remuneration, including the taxation impact, cash flow implications and timing of the components.

In this comparative study, the researcher followed an inductive, quantitative approach. The ontological stance was that of realism, while the relationship between the researcher and the data (epistemological stance) was seen as objective. These stances led to the adoption of the positivist research paradigm.

The findings indicated that employers increased their focus on health and safety by ensuring that their staff had access to personal protective equipment to safeguard against the COVID-19 virus in the workplace. This was accompanied by an increase in flexibility for employees regarding work hours and working conditions.

Numerous companies implemented strategies enabling employees to work remotely or from home. While the pandemic disrupted training and development initiatives, adjustments were made to the method of training delivery and the focus of training offered, ensuring its continuity and relevance. Employers introduced various programmes to offer support to employees and their families. These initiatives included assistance in the form of food parcels, hampers and medical supplies, as well as programmes targeting employee mental well-being and psychological assistance.

Furthermore, there was a notable enhancement in open and timely communication between employers and staff. Employers also made arrangements to ensure staff accessibility to COVID-19 vaccinations. Retrenchments during the pandemic were widespread and, in most cases, inevitable. In response, certain companies extended aid to employees to facilitate their re-skilling for alternative employment opportunities.

Overall, the pandemic had the most significant impact on the percentage of total remuneration attributable to cash/base salaries, as well as bonuses and other short-term incentives. The prevalence of share-based payments in remuneration structures underwent changes as well. In addition, the pandemic influenced the composition of remuneration in terms of fixed and variable components.

The findings specifically showed that a greater portion of total remuneration was attributable to cash/base salaries, while there was a noticeable decrease in bonuses and other short-term incentives. A comparison of the during-COVID and post-COVID remuneration structures revealed a significant increase in the proportion of total remuneration derived from bonuses and other short-term incentives, while a corresponding reduction in the cash/base salary proportion was observed. Also, share-based payment arrangements constituted twice the proportion of total remuneration in the post-COVID structure when compared to the during-COVID remuneration structure.

Lastly, a comparison between the pre-COVID and the post-COVID remuneration structures indicated that the changes described above are still evident, however less drastic. There was a decline in the cash/base salary segment, but an increase in the bonuses and other short-term incentives.

The study concluded with a description of the limitations of the study, as well as proposed areas for further research.

TABLE OF CONTENTS

DECLARATION.....	I
ACKNOWLEDGEMENTS.....	III
ABSTRACT	IV
TABLE OF CONTENTS	VI
LIST OF FIGURES	XI
LIST OF TABLES.....	XII
LIST OF ABBREVIATIONS, SYMBOLS AND ACRONYMS	XIII
CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY	1
1.1 Background	1
1.1.1 History of COVID-19	1
1.1.2 The impact of COVID-19 on the economy	2
1.1.3 Impact of COVID-19 on the transportation sector	3
1.1.4 The impact of COVID-19 on employment and remuneration	4
1.2 Previous research.....	8
1.2.1 Impact of COVID-19 on remuneration and employment	8
1.2.2 Impact of COVID-19 on the transportation sector	11
1.3 Motivation of topic actuality	14
1.4 Problem statement and research question.....	14
1.5 Research objectives	15
1.5.1 Main objective	15

1.5.2	Secondary objectives	15
1.6	Literature review	16
1.7	Research methodology	16
1.7.1	Research methodologies.....	16
1.7.2	Research paradigms	18
1.7.3	Interpretivism	19
1.7.4	Population and sampling.....	20
1.8	Ethical considerations.....	21
1.9	Chapter overview.....	21
Chapter 1: Introduction		22
Chapter 2: Research design and methodology		22
Chapter 3: Remuneration structure and its components		22
Chapter 4: Remuneration structure comparison.....		22
Chapter 5: Conclusions and recommendations.....		23
1.10	Definition of key terms	23
1.11	Chapter summary	25
CHAPTER 2: RESEARCH DESIGN AND RESEARCH METHODOLOGY		27
2.1	Introduction.....	27
2.2	Research methodology.....	29
2.3	Research paradigms/philosophies	32
2.3.1	Ontological assumptions	32
2.3.2	Epistemological assumptions	33
2.3.3	Methodological assumption.....	35
2.4	Research approach	36

2.5	Research design/strategy	38
2.5.1	Experimental design.....	38
2.5.2	Action research design.....	38
2.5.3	Case study design.....	39
2.5.4	Ethnography.....	39
2.5.5	Comparative design	40
2.6	Time horizon.....	40
2.6.1	Cross-sectional design.....	40
2.6.2	Longitudinal design	41
2.7	Data collection instruments.....	41
2.7.1	Credibility	43
2.7.2	Transferability	43
2.7.3	Dependability	43
2.7.4	Confirmability	43
2.8	Population and sampling.....	44
2.9	Ethical considerations.....	46
2.10	Chapter summary	46
 CHAPTER 3: REMUNERATION AND REMUNERATION COMPONENTS.....		48
3.1	Introduction.....	48
3.2	Remuneration definition.....	49
3.3	Components of remuneration	50
3.3.1	Direct remuneration.....	52
3.3.2	Indirect remuneration	54
3.3.3	Other components of remuneration	57
3.4	Value of remuneration components	61

3.4.1	The taxation impact.....	61
3.4.2	Cash flow implications for the employee	75
3.4.3	Timing of the benefit.....	76
3.5	The impact of the pandemic on employment trends and remuneration	77
3.6	Chapter summary	83
CHAPTER 4: REMUNERATION STRUCTURE COMPARISON AND ANALYSIS.....		85
4.1	Introduction.....	85
4.2	Research methodology and research design	86
4.3	Population, sample and analysis.....	88
4.3.1	Overview of sample companies.....	92
4.4	Impact of the pandemic on intangible remuneration components.....	104
4.5	The impact of the pandemic on remuneration structures of South African JSE-listed transportation companies	107
4.6	Chapter summary	119
5	CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS	121
5.1	Introduction.....	121
5.2	Revisiting the secondary research objectives	122
5.2.1	Identify and explain the relevant research methodology to be applied in this study	122
5.2.2	Define remuneration and discuss the various components which can form part of the remuneration structure	123
5.2.3	Comparison of pre-COVID remuneration structures with during-COVID and post-COVID remuneration structures and analysis of changes to intangible remuneration components	124
5.2.4	Conclude and make recommendations based on the results and findings of the study	127

5.3	Conclusion on the overall primary objective	128
5.4	Limitations and shortcomings of the study	129
5.5	Suggestions for further research.....	129
5.6	Contribution of the study	130
5.7	Chapter summary	131
REFERENCE LIST		132
ANNEXURE A – ETHICS APPROVAL.....		153
ANNEXURE B – DECLARATION OF STATISTICAL ASSISTANCE		156

LIST OF FIGURES

FIGURE 2.1 THE RESEARCH ONION.....	29
FIGURE 2.2 CRITERIA FOR TRUSTWORTHINESS	42
FIGURE 3.1 SUMMARY OF REMUNERATION COMPONENTS	60
FIGURE 3.2 DETERMINED VALUE OF A VEHICLE.....	68
FIGURE 4.1 FRONTIER TRANSPORT HOLDINGS LIMITED GROUP STRUCTURE	93
FIGURE 4.2 COMBINED MOTOR HOLDINGS LIMITED GROUP STRUCTURE	94
FIGURE 4.3 SANTOVA LIMITED GROUP STRUCTURE	95
FIGURE 4.4 IMPERIAL LOGISTICS LIMITED GROUP STRUCTURE	96
FIGURE 4.5 MOTUS HOLDINGS LIMITED GROUP STRUCTURE	98
FIGURE 4.6 ONELOGIX GROUP LIMITED STRUCTURE	99
FIGURE 4.7 BIDVEST GROUP LIMITED GROUP STRUCTURE.....	100
FIGURE 4.8 SUPER GROUP LIMITED GROUP STRUCTURE	102
FIGURE 4.9 CHANGES TO INTANGIBLE REMUNERATION COMPONENTS.....	104
FIGURE 4.10 AVERAGE PRE-COVID REMUNERATION STRUCTURE.....	115
FIGURE 4.11 AVERAGE DURING-COVID REMUNERATION STRUCTURE	115
FIGURE 4.12 AVERAGE POST-COVID REMUNERATION STRUCTURE.....	116
FIGURE 4.13 AVERAGE PRE-COVID REMUNERATION COMPOSITION	117
FIGURE 4.14 AVERAGE DURING-COVID REMUNERATION COMPOSITION.....	117
FIGURE 4.15 AVERAGE POST-COVID REMUNERATION COMPOSITION	118
FIGURE 5.1 CHANGES TO INTANGIBLE REMUNERATION COMPONENTS.....	125

LIST OF TABLES

TABLE 3-1 DIRECT REMUNERATION COMPONENTS.....	52
TABLE 3-2 INDIRECT REMUNERATION COMPONENTS	54
TABLE 3-3 CASH EQUIVALENT OF ASSETS ACQUIRED AT LESS THAN THE VALUE THEREOF	66
TABLE 3-4 VALUE OF PRIVATE OR DOMESTIC USE OF AN ASSET	66
TABLE 3-5 TAXATION IMPACT OF EQUITY INSTRUMENTS	74
TABLE 3-6 THE IMPACT OF THE COVID-19 PANDEMIC ON EXTRINSIC REMUNERATION.....	79
TABLE 4-1 FINAL SAMPLE	89
TABLE 4-2 SAMPLE OF COMPANIES	89
TABLE 4-3 FINANCIAL YEAR CLASSIFICATION	91
TABLE 4-4 KAP LIMITED GROUP STRUCTURE	97
TABLE 4-5 GRINDROD LIMITED OPERATIONS	103
TABLE 4-6 REMUNERATION COMPONENTS IN THE SAMPLE COMPANIES	108
TABLE 4-7 CHANGE PER REMUNERATION COMPONENT	112

LIST OF ABBREVIATIONS, SYMBOLS AND ACRONYMS

CEIC	Census and Economic Information Centre
CEO	Chief Executive Officer
CFI	Corporate Finance Institute
CMH	Combined Motor Holdings
COVID-19	Novel human coronavirus disease 2019
d	Effect size (practical significance for nominal variables in statistics)
EAP	Employee Assistance Programmes
EBN	Executive Benefits Network
ESG	Environmental, social and governance
GDP	Gross Domestic Product
HLM	Hierarchical linear modelling
HR	Human resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ILO	International Labour Organisation
JSE	Johannesburg Stock Exchange
NICD	National Institute for Communicable Diseases
NQF	National Qualifications Framework
PO	Primary objective

PPE	Personal, protective equipment
SARS	South African Revenue Service
SO	Secondary objective
Stats SA	Statistics South Africa
TR	Total Remuneration
UIF	Unemployment Insurance Fund
UK	United Kingdom
UN	United Nations
USA	United States of America
WFH	Work from home
WHO	World Health Organisation

CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Background

1.1.1 History of COVID-19

The first case of the novel human coronavirus disease 2019 (COVID-19) was reported in Wuhan, China, in 2019, and subsequently spread to the rest of the world to become the fifth pandemic in history; the most recent being the flu pandemic documented in 1918 (Felman, 2020; Moore, 2021). In the early months of the pandemic, global health authorities, government agencies and the public were unsure of how, and whether, the disease would spread, and how it would impact day-to-day life (Moore, 2021). On 7 March 2020, the number of confirmed cases had reached 100 000, and a few days later, on 11 March 2020, the World Health Organisation (WHO) declared COVID-19 a pandemic (Moore, 2021; WHO, 2020b). COVID-19 escalated from a severe problem confined to China to a global health emergency seemingly overnight.

On 5 March 2020, South Africa's first COVID-19 case was confirmed, a 38-year-old male who had travelled to Italy with his wife (Giandhari *et al.*, 2020; NICD, 2020). The South African government took decisive, early action by declaring a national state of disaster on 15 March 2020, four days after the WHO's declaration (Felman, 2020; Giandhari *et al.*, 2020; South African Government, 2022). This declaration prohibited foreign nationals from entering South Africa, cancelled all visitor visas, and required all foreign nationals who had recently entered the country to report for testing (Lebuso, 2022; Luke, 2020). A nationwide lockdown, accompanied by some of the most stringent restrictions in the world (Lew *et al.*, 2022; Luke, 2020; South African Government, 2022), was enforced from 27 March 2020, following the first COVID-related death, to prevent the health system from drowning under the first wave (Department of Health, 2020; SAnews, 2020a). A 'wave' of COVID-19 was defined as when the weekly incidences of cases exceeded 30 per 100 000 persons until the number of reported incidences fell below 30 per 100 000 persons (NICD, 2021). A programme for community-based screening and testing was initiated country wide in an attempt to detect and contain the spreading of the virus (Giandhari *et al.*, 2020).

According to Halliburton (2020), COVID-19 can be classified as a Black Swan event, which is an event that is not easily predictable or within the normal range of expectations (CFI, 2022). These types of events usually have an extremely negative impact on various aspects of society (CFI, 2022).

Halliburton (2020) predicted that the pandemic would result in a severe economic contraction in 2020 (which, as evident from the discussion below, was indeed the case) and that the countermeasures introduced by governments, such as social distancing and a limited number of people allowed at gatherings, business shutdowns, working from home, reduced travel and elimination of leisure activities (Felman, 2020; Sohrabi *et al.*, 2020:3) would have the largest economic and financial impact (Halliburton, 2020).

1.1.2 The impact of COVID-19 on the economy

The outbreak of the COVID-19 pandemic has had a devastating effect not only on the well-being of people, but also on the socio-economic activities of countries all over the world (Arndt & Robinson, 2020). Various industries have been severely affected by the standstill of activities (Nayak *et al.*, 2022; Shang *et al.*, 2021). It should be noted, however, that economic shocks owing to labour shortages, disruption of transportation, restricted trade and travel, and closure of country borders are not rare during pandemics (Fuentes & Moder, 2020; Shang *et al.*, 2021).

South Africa was one of the top 10 countries worldwide with the highest number of confirmed cases in August 2020, four months after the first confirmed case (Nayak *et al.*, 2022) and, in 2022, South Africa remained in the 28th position worldwide, as well as at the top of the list of African countries (Trading Economics, 2022). This, combined with the fact that South Africa is a developing country, meant that the pandemic and the subsequent lockdowns had an even worse impact on the already struggling economy (UN, 2022; World Bank Group, 2022). Africa's most industrialised economy contracted 7% in 2020 as the nationwide lockdown broke businesses and pushed up unemployment levels even further (Henderson, 2021; World Bank Group, 2022).

In the second quarter of 2020, which included the level 5 (strictest) lockdown, the South African economy lost 2.2 million jobs, which represented a 13.6% overall contraction in employment levels (World Bank Group, 2021). This placed South Africa's labour market among those that were most severely impacted by the pandemic (Arndt & Robinson, 2020; World Bank Group, 2021). After the initial blow, in the third quarter of 2020, jobs started to recover, but by the end of 2020, over 60% (1.4 million) of jobs were still lost (World Bank Group, 2021). To illustrate the seriousness of the matter, this can be put into perspective as follows: Pre-pandemic, it took South Africa six years to create 1.4 million jobs (World Bank Group, 2021).

South Africa's economy slipped into a technical recession in the final quarter of 2019, following weak growth rates in the preceding five years (Stats SA, 2020b). The imposition of a three-week nationwide lockdown on 27 March 2020 led to Moody's downgrading South Africa's credit rating to junk status, which placed additional pressure on an already crippled economy (Arndt & Robinson, 2020; Business Standard, 2020). The country's Gross Domestic Product (GDP) fell by about 16% between the first and second quarters of 2020, resulting in an annualised growth rate of -51% for the 2020 year (Arndt & Robinson, 2020; Stats SA, 2020c). This annualised growth rate, in turn, led to a 6.4% decrease in real GDP in 2020 (Stats SA, 2021b). In 2021, the South African economy started to show signs of recovery from the pandemic, and real GDP increased by 4.9% (Stats SA, 2021b). This recovery continued in 2022 when real GDP increased by 1.9% in the first quarter, decreased by 0.7% in the second quarter, and increased again with 1.6% in the third quarter (Stats SA, 2022).

From the discussion above, it is evident that the pandemic and the associated lockdowns and restrictions had an adverse impact on the performance of the South African economy, and therefore on the different sectors of the economy. The transportation sector's performance is directly linked to the condition of the economy, and consequently this sector was hit exceptionally hard by the lockdown and restrictions (Luke, 2020).

1.1.3 Impact of COVID-19 on the transportation sector

Distance, dose and dispersion are key factors in the spread of COVID-19 (Allais *et al.*, 2020). This means that maintaining social distance and limiting the time spent in confined spaces are crucial measures; however, they proved difficult to apply on taxis, buses, trains and other forms of transport (Sohrabi *et al.*, 2020). Even though public transport operators in South Africa are subsidised, subsidies have not kept up with increased costs, resulting in operators' being at least partially dependent on ticket sales (Arndt & Robinson, 2020; Bothma, 2015). Hence, in the pandemic, movement and capacity restrictions resulted in the reduction of passenger numbers and, thus, income for these operators (Arndt *et al.*, 2020; Seleka, 2020).

In addition to public transport suffering under COVID-19 restrictions, logistics companies also saw major disruptions as a direct result of the economic contraction of South Africa (Stats SA, 2020d:9). The ban on the sale of many items and the reduction in the movement of goods had an immediate impact on trucking and logistics companies (Stats SA, 2020d:9). The closure of international borders for all, except the most essential goods, worsened the performance.

Since it serves as a link between different businesses and consumers, the transportation sector is essential to the efficient functioning of the economy and bears the brunt of any changes in economic activity (Luke, 2020).

The adverse changes in the economy in 2020 can thus be seen in the financial performance of the transportation sector (Arndt *et al.*, 2020; Luke, 2020). The financial difficulties of the sector have, in turn, been passed down to the employees through the amendment of remuneration and retrenchment of staff.

A study by Mack *et al.* (2021) investigated the impact of the pandemic on unemployment in the transportation sector in the USA. They found that workers in this sector were 20.6% more at risk for unemployment due to the pandemic (Mack *et al.*, 2021). Owing to large intra-sector heterogeneities – i.e., various, diverse subsectors in the transportation sector – certain employees were more likely to be unemployed (Mack *et al.*, 2021). The findings also showed that, during the 2020 period of the pandemic, taxi and limousine drivers were 28 times more likely to become unemployed when compared to essential workers, while scenic and sightseeing transportation workers were 23.8 times more likely to become unemployed than essential workers (Mack *et al.*, 2021).

Both of these industries, being sightseeing transportation and taxi and limousine transport, rely greatly on customers for revenue, which was hindered by social distancing requirements (Mahnken, 2021). Transportation workers in customer-oriented sectors were also more exposed to the risk of unemployment due to shutdowns of nearly all activity in the early months of the pandemic, while postal service workers were 84% less likely to face unemployment (Mack *et al.*, 2021; Mahnken, 2021). Tourism-related subsectors (e.g., taxi, scenic, air) faced additional unemployment risks due to the ban on international travel (Mack *et al.*, 2021). The US transportation industry thus experienced a larger incidence and risk of unemployment when compared to other industries.

Apart from loss of employment, the pandemic caused a dramatic loss of human life worldwide and presented an unprecedented risk to the world of work (WHO, 2020a). Millions of enterprises suddenly faced an existential threat, while nearly half of the global workforce was at risk of losing their livelihoods (WHO, 2020a).

1.1.4 The impact of COVID-19 on employment and remuneration

The number of actively employed adults in South Africa decreased by approximately 40% between February 2020 (pre-COVID) and April 2020 (strictest lockdown period) (Jain *et al.*, 2020). This reduction can be categorised as shifting from active employment into one of the following sections (Jain *et al.*, 2020):

- Paid leave: individuals with positive wages, but no working hours;

- Temporary lay-offs: individuals attached to employers, but without working hours or wages; or
- Terminated employment: individuals with no employment relationships.

Jain *et al.* (2020) reported that almost half of the 40% net loss in employment was accounted for by employees shifting from active employment to terminated employment, which showed evidence of a dramatic change in the labour market structure. This shift also suggests a large, longer-term effect on unemployment (Jain *et al.*, 2020).

The fact that employment was terminated by the entity might have resulted in the entity providing the employee with benefits due to the termination (Deloitte, 2020). From an accounting perspective, this is recognised as an obligation or a provision, and a corresponding increase in staff cost (termination benefits) is also recognised (IASB, 2019b). The termination of employment will thus have an impact on the remuneration structure of entities, which refers to the way in which remuneration is paid to employees and the way that remuneration is structured (Deloitte, 2020).

The term 'remuneration' generally refers to the way in which employees are compensated at the workplace, and these rewards can be structured in various ways (Kessler, 2005). The different components that form part of employees' remuneration all make up the remuneration structure of an entity (Kessler, 2005). Examples of such rewards include, but are not limited to, share options, cash salaries, bonuses, overtime, and variable compensation (Kessler, 2005).

The data collected by Jain *et al.* (2020) suggest that approximately one million job-losers in South Africa fell into poverty directly as a result of COVID-19, with the impact stretching even further. When dependents of these employees are considered, it is estimated that these job losses increased poverty by around 3 million people (Jain *et al.*, 2020).

A report by the World Bank Group (2021) on the impact of COVID-19 on the SA labour market explains that South Africa's employment levels shrank due to the pandemic from an already low level. A reduction in working hours helped to alleviate the effect of the pandemic and to prevent further job losses (World Bank Group, 2021). In the second quarter of 2020, 16% of employees could not work any hours, but could keep their jobs and return to work once the lockdown restrictions were relaxed (World Bank Group, 2021). This rate recovered down to 5% in the third quarter and 2% in the fourth quarter (World Bank Group, 2021). Wages were also decreased in South Africa, and when median wages were compared between the first and fourth quarter of 2020, a reduction of 10% was observed (World Bank Group, 2021).

The COVID-19 pandemic has greatly altered to the way business is conducted, how the economy operates, and how people work. The rewards offered to employees and the way in which these rewards are structured will likely also change to keep pace with the aforementioned changes (KPMG UK, 2021). A pulse study by KPMG United Kingdom (UK) (2021) revealed that 44% of companies in the UK altered their sales incentive plans in 2021. In 2021, the Chartered Institute of Personnel and Development (CIPD) (a professional body for human resources and people development) conducted its 17th annual reward management survey, investigating the impact of COVID-19 on employee reward management practices in the UK. The findings revealed that 48% of companies were of the opinion that changes to short-term incentives were only temporary, while 22% believed that these changes were here to stay (KPMG UK, 2021). The majority of companies in the study also believed that changes to non-cash rewards would not be temporary (KPMG UK, 2021).

In the contemporary world of work, employees are no longer rewarded for their services with only a cash salary or cash wages. Entities may choose to reward employees for services rendered with equity instruments of the entity, or with payments of which the value is based on the price of the entity's shares. This would be classified as a share-based payment arrangement (IASB, 2019a). These payments or equity instruments may be subject to vesting conditions, which means that the employees will be entitled to the benefits only if the conditions are satisfied and the share-based payments vest (IASB, 2019a).

As a result of COVID-19, many businesses ceased operations and some were forced to operate at reduced capacity (Arndt & Robinson, 2020; Deloitte, 2020). This affected the probability of share-based payment rewards vesting due to vesting/performance conditions not being met (Deloitte, 2020; IASB, 2019a). Performance-based awards that had been issued prior to the pandemic were also being re-considered by companies (Grogan *et al.*, 2020). According to Grogan *et al.* (2020), companies were faced with one of three choices regarding these rewards:

- *Maintain the status quo:* Companies could choose to set performance targets that were in line with profit targets set in the past. However, this choice ran the risk of employees being unhappy and expressing their concern that COVID-19 was not being taken into consideration. Companies could choose to apply this method of target setting based on the belief that it was too difficult to project the long-term impact of COVID-19 on the performance of the company.

- *Delay grants or delay setting performance targets:* Companies could choose to delay the granting of new performance-based rewards or delay the setting of performance targets for these awards. Companies might have chosen this option if they believed it would be difficult to modify the performance goals once they had been set, which would also provide the companies with more flexibility in setting the targets. Again, the risk was that employees might become sceptical and demotivated if the companies delayed these decisions for too long.
- *Set flexible performance targets:* Companies could choose to alter their historical performance targets and metrics to address the current market situation and include provisions that permit future modifications to the targets. This option would have provided the board and committees with flexibility to adjust the targets for extreme changes to the economic conditions. Companies could have chosen to use qualitative metrics instead of absolute metrics to take the uncertainty of the economy and marketplace into account.

Share-based payments were also impacted by COVID-19 through the fact that entities might have decided to modify the terms and conditions of an equity-settled reward, for example, the vesting conditions, or the fair value-based measure, or they could have changed the classification of the reward (Deloitte, 2020). In this regard, the choices were similar to those outlined above (Deloitte, 2020; Grogan *et al.*, 2020). Entities could also have decided to cancel the share-based payment transactions, which would be accounted for as accelerated vesting, i.e., the amount of employee costs that would be recognised over the remainder of the vesting period would be recognised immediately (Deloitte, 2020; IASB, 2019a).

Shtembari *et al.* (2022) conducted a study among Albanian employees to identify and assess the relationship between job satisfaction and the type of compensation benefits received, before and after COVID-19. One of the objectives of the study was to determine any changes in compensation and benefit packages due to the pandemic (Shtembari *et al.*, 2022). The findings indicated that the pandemic had led to the re-evaluation of the traditional 40-hour, five-day work week and that more focus was being placed on workplace safety and flexible working hours (Shtembari *et al.*, 2022). Flexible working hours are now (after the pandemic) one of the most received compensations, together with more paid time-off options (Shtembari *et al.*, 2022).

Lester *et al.* (2021) explain that, due to the pandemic and the unique challenges brought about by lockdowns and remote working requirements, employers will likely focus less on the actual hours worked and more on productivity. This suggests that employees will be compensated with flexibility and less rigid working hours and working days (Lester *et al.*, 2021).

From the discussion above, it seems that the pandemic, combined with the accompanying lockdowns and regulations, severely impacted the economy, business operations, and employees and their dependents worldwide.

On 5 April 2022, after 750 days, the national state of disaster was lifted (Givetash, 2022). It is therefore appropriate to reflect and evaluate what the impact of COVID-19 could have been on various elements of basic human life, like their remuneration for services rendered.

This study aimed to determine the impact, if any, of COVID-19 on the remuneration structure of companies in the transportation sector of South Africa. An investigation was done to determine the overall composition of remuneration paid to employees before COVID-19 and compare this to the composition during and after COVID-19. The transportation sector was selected due to the fact that it is an essential component of the economy, specifically in South Africa (Heyns & Luke, 2017), and because of the large impact of COVID-19 on the financial performance and operation of this sector. All relevant aspects of remuneration were considered, including non-monetary and intangible remuneration components (explained in section 3.2, page 49).

1.2 Previous research

The impact of the pandemic on various economies and sectors across the globe, as well as on the living standard of people, has received substantial attention by researchers. Several studies have focused on the impact on unemployment, the labour market, and how remuneration structures could and should be altered in the future due to COVID-19. Some of the most topical studies performed in the last two years are discussed below.

1.2.1 Impact of COVID-19 on remuneration and employment

Research by Molina (2021) described the substantial impact that the pandemic had on wages and wage setting all over Europe in 2020. Real wages managed to increase slightly in most European countries, while higher increases were evident in the public sector (Molina, 2021). Molina (2021) reported that the European government introduced wage support mechanisms, which contributed to supporting wages in the private sector, especially for employees who experienced cuts in their working hours or were temporarily laid off. No evidence was found of downward wage adjustments, despite the GDP decreasing (Molina, 2021). Employees did, however, request greater flexibility, which was accommodated in most cases by making adjustments (Molina, 2021). These adjustments consisted of flexible working hours, paid or unpaid sabbatical, or reduced working hours for reduced pay (Bussin & Sedlmaier, 2021; Molina, 2021).

In many European Union (EU27) countries, minimum wages were increased to combat the earnings inequality caused by the stronger impact of COVID-19 on labour-intensive, low-wage sectors (Molina, 2021).

In a study on India's largest companies, Sultana and Ramarathinam (2020) concluded that COVID-19-related disruptions and the resulting impact on businesses negatively impacted the senior management remuneration of these companies. Data collected by the Prime Database group showed that these companies slashed the salaries of their top executives in the 2020 financial year in attempts to cut expenses and rationalise costs to combat lower profitability – the most severe cut being as high as 44% (Sultana & Ramarathinam, 2020). According to an analysis performed by Mint, the average earnings of executives in India were reduced by 5.56% in 2020, in contrast to an increase of 4.81% the prior year (Sultana & Ramarathinam, 2020). The earnings analysed in the study included stock options, i.e., share-based payment arrangements, wherever they were available (Sultana & Ramarathinam, 2020). As profitability and sales took a hit, companies implemented measures to cut fixed costs, which included high staff expenses (Sultana & Ramarathinam, 2020). These companies used a combination of retrenchments, pay cuts and hiring freezes in an attempt to control costs (Sultana & Ramarathinam, 2020).

Bussin and Sedlmaier (2021) evaluated the impact of COVID-19 on fixed and variable pay in general in South Africa. They explained that the fixed portion of salaries was there to ensure that workers receive a fair, market-related income, while the variable portion served to reward employees for performance (Bussin & Sedlmaier, 2021). Variable pay can consist of either short- or long-term incentives (IASB, 2019b). Bussin and Sedlmaier (2021) further found that employees received experiential rewards, including workplace comfort, flexitime, performance recognition and other non-financial benefits. Owing to the closure of businesses, fixed pay was also altered by the pandemic in the form of pay cuts, retrenchments and terminations (Arndt & Robinson, 2020; Bussin & Sedlmaier, 2021; Deloitte, 2020). Employees were not reluctant to accept pay cuts, since less income was better than no income (Bussin & Sedlmaier, 2021). Employers were, however, offering more remuneration options to employees, which included flexible working hours, paid or unpaid sabbaticals or reduced hours for reduced pay (Bussin & Sedlmaier, 2021; Molina, 2021).

During the pandemic, a global trend started to emerge – however, not so prevalent in South Africa – where lower variable pay is offered in exchange for a small increase in fixed monthly pay to offer employees the security that they desire (Bussin & Sedlmaier, 2021; rexx systems, 2020).

Variable pay such as commission, overtime, annual bonuses and performance bonuses were being reduced, since previous targets were not achievable anymore – employers were not earning the profits required to reward employees (Bussin & Sedlmaier, 2021; Deloitte, 2020).

Another part of the work environment that Bussin and Sedlmaier (2021) found would most likely change due to the pandemic was the human resource (HR) policies dealing with the structuring of pay for employees who were not located on premises or at the office (rex systems, 2020). This remuneration or pay would no longer be based on the amount of time spent at the place of business, but rather on the outputs, outcomes and impact of these workers, while managers would also have to be prepared to lead and deal with these employees remotely (Bussin & Sedlmaier, 2021). A major shift was also taking place towards protecting employees' mental health and well-being and assisting them with professional loneliness, which will undoubtedly become a key element of every organisation's reward strategy in the future (Bussin & Sedlmaier, 2021; rex systems, 2020).

A survey by Statistics South Africa (2020a) found that 8.1% of its respondents had lost jobs or closed their businesses due to the COVID-19 outbreak (SAnews, 2020b). The survey, titled Wave 2, was conducted between 29 April and 6 May 2020 and studied the impact of the pandemic on employment and income in South Africa (SAnews, 2020b; Stats SA, 2020a). The results reported an increase in the proportion of those who derived their incomes from savings and investments (increasing from 4.8% prior to lockdown to 6.0% during lockdown), loans from friends, family and/or businesses (increasing from 1.7% to 3.3%) and claims from the Unemployment Insurance Fund (UIF) (increasing from 0.3% to 2.1%) (SAnews, 2020b; Stats SA, 2020a). SAnews (2020b) also reported that the percentage of respondents who received no income had increased from 5.3% to 15.4% within the first six weeks of the national lockdown. Just over two-thirds (67.7%) of respondents in another Stats SA (2020d) survey indicated that they were concerned about the potential long-term impact of COVID-19 on their financial situation (SAnews, 2020b).

Research by Deloitte (2021) found that the CEOs of more than a third of South Africa's largest listed companies did not receive a salary increase in 2020. However, despite the pandemic, 80% of Johannesburg Stock Exchange (JSE) listed companies still managed to pay out bonuses to executives – even as workers in other parts of the economy experienced reduced working hours or were laid off (Deloitte, 2021).

Already in 2016, boards were considering environmental, social and governance (ESG) targets when setting executive pay, accompanied by growing shareholder resistance to extensive support for executive remuneration (Karananou & Mooney, 2016).

Linking ESG targets to remuneration can assist companies and shareholders in holding executive management accountable for achieving sustainable goals. This is especially important post pandemic to ensure that the adverse effect of the pandemic is not passed down to future generations (Karananou & Mooney, 2016). The Deloitte (2021) remuneration report indicated an increase of 7.09% in the median Total Remuneration (TR) of CEOs of JSE-listed companies from 2019 to 2020. This can be attributed to the increases of the top 5 dual-listed firms on the JSE (Deloitte, 2021). CEOs at small, medium and large JSE-listed firms saw a reduction in their TR between 2019 and 2020 (Deloitte, 2021).

Companies have been hit hard by the pandemic, and great effort and strategic thinking are still needed to recoup shareholder value, rebuild jobs and survive overall (Ebrahimi, 2020; Shang *et al.*, 2021). Ebrahimi (2020) posits that the governing bodies of companies play a critical role in assisting their companies in navigating pandemic-related issues. Globally, there was an overall feeling that 2020 would not be a favourable year for executive pay, which turned out to be accurate, since pay cuts, forced leave and retrenchments were abundant during COVID-19 (Deloitte, 2021; Ebrahimi, 2020). Ebrahimi (2020) further states that, while executives might be satisfied with receiving variable remuneration based on the performance of the company, employees on other levels might have other preferences and long for certainty within their remuneration structures (Bussin & Sedlmaier, 2021; Ebrahimi, 2020). Companies will most likely increase the incorporation of ESG measures within remuneration structures (Ebrahimi, 2020).

From the studies discussed above, it can be deduced that the COVID-19 pandemic could indeed impact the way remuneration is structured in the future.

1.2.2 Impact of COVID-19 on the transportation sector

The transportation sector comprises a wide range of service providers, covering all modes of transport, i.e., air, road, rail and sea (PWC Kenya, 2022). The sector includes all companies involved in the transportation of goods or people, as well as companies whose operations include the sale of vehicles (Johnston, 2021). Several studies have been conducted on the impact of COVID-19 on the transportation sector. The results of some of the most pertinent studies are summarised below.

Luke (2020) found that public transport was impacted by the reduction in passenger numbers resulting from movement restrictions and the directives that limited capacity loading. These restrictions reduced a large proportion of the operators' income and posed threats to the sustainability of these operators, since the subsidy levels were usually too low (Arndt & Robinson, 2020; Bothma, 2015).

The immediate threat was a reduction of operators, and thus transport services available, which would limit the mobility of the people most in need of subsidised transport services (Allais *et al.*, 2020; Luke, 2020).

Ride-sharing services such as Uber experienced mixed results (Bellon & Rana, 2020; Luke, 2020). The restriction of movement of people across the globe, the closure of bars and restaurants, and the fear of being in too close proximity with strangers in enclosed vehicles led to a major decline in the fortune of ride-sharing companies (Bellon & Rana, 2020; Luke, 2020; Sohrabi *et al.*, 2020). Uber reported as much as a 75% reduction in gross bookings in 2020, while their food-delivery service saw a large increase in orders placed by customers (Bellon & Rana, 2020). This was, however, not enough to prevent substantial retrenchments of staff; for instance, Uber posted a \$1.8 billion net loss from April to June 2020, which included the costs of retrenching 23% of its global workforce (Bellon & Rana, 2020).

Another area of the transportation sector that was severely impacted is vehicle sales, which tend to be largely impacted by the state of the economy (European Automobile Manufacturers Association, 2018). South Africa's used-car market was hit exceptionally hard, the reason being the substantial inflow of second-hand cars into the market from rental companies who were scaling down due to the lack of business (Arndt *et al.*, 2020; Business Tech, 2020). Data specialists from AutoTrader, South Africa's largest motoring marketplace, compared the average prices of cars sold in March 2020 (pre-lockdown) with those sold in May 2020 (during lockdown) (Business Tech, 2020). They found that South Africa's most-loved used vehicles were selling for R10 000 to R40 000 less when compared to pre-lockdown prices (Business Tech, 2020).

The sale of new cars was also negatively impacted by the pandemic (Business Tech, 2022; Motoring South Africa, 2020). In the three quarters prior to lockdown, vehicle sales had already been declining (Hancock, 2019). Motoring South Africa (2020) reported that, in August 2020, the year-to-date sales remained 34.6% lower when compared to the prior period, despite the level 2 lockdown which allowed a slight increase in economic activity. Data from the National Association of Automobile Manufacturers of South Africa illustrated that the new-vehicle market showed significant recovery in 2021 (22.1% year-on-year increase) after the massive pandemic-related crash of 29.2% in 2020 from 2019 (Business Tech, 2022).

The closure of many international borders and the restrictions on movement (Arndt & Robinson, 2020; IATA, 2020) led to the contraction of the air transportation sector globally (ICAO, 2022).

The International Air Transport Association's (IATA) (2020) prediction regarding the recovery in global passenger transport was pessimistic, since developing countries were struggling to contain the virus and thus remained closed (partially or in full) to international travel. Another trend supporting a pessimistic view was the reduction in corporate travel due to companies being under financial pressure and therefore not budgeting for corporate travels, and consumers not having confidence over job security and thus not planning to spend money on travel (IATA, 2020).

Globally, the revenue per kilometre for air travel in December 2021 was down 45.1% in comparison to December 2019, but increased with 79.5% when compared to December 2020 (IATA, 2021). The air transportation sector has thus started to recover, but it will be a while before pre-pandemic levels are reached again.

From a logistics perspective, the initial ban on the sale of many items reduced the movement of goods, and consequently the amount of business done by logistics companies (Luke, 2020; Nayak *et al.*, 2022). The trucking industry in South Africa suffered severely because of COVID-19, and many companies had to retrench employees, or shut down completely (Mzobe, 2020). Especially the larger companies struggled since they could not compete with the smaller, more resilient companies who were able to reduce their rates and still maintain a sustainable business (Mzobe, 2020). This was confirmed by the Managing Director of Imperial Cargo when he addressed his staff regarding the closure of some of the companies' operations (Mzobe, 2020). For larger companies, reducing their rates usually has devastating consequences – retrenchments being one of them (Mzobe, 2020). The overall transportation, storage and communication sector in South Africa contracted with 67.9% in the second quarter of 2020 (Stats SA, 2020d). The sector recovered slightly in the first quarter of 2021 when a growth of 4.8% was recorded (Stats SA, 2021a).

Although the pandemic and associated lockdowns created many challenges for the transportation sector, some opportunities emerged along the way. Consumer behaviour changed significantly, and large online retailers such as Takealot have seen significant increases in sales, while previously store-based retailers made a shift to selling their products online (Browdie, 2021; Thompson, 2020). Before the pandemic, online shopping was a slowly growing trend in South Africa, with only 1.4% of national retail sales originating from online shopping (Kibuacha, 2021). However, this market share grew to 2.8% in 2020 (Kibuacha, 2021). In turn, the increase in online shopping has created a demand for informal delivery services to facilitate contactless delivery (Broll Property Intel, 2020). Once again, smaller, resilient operators were able to adapt and take advantage of this opportunity.

In light of the discussion above, it is clear that the pandemic had a severe impact on remuneration in general, and specifically in the transportation sector, not just in South Africa, but globally. Research in this area, specifically within South Africa with its struggling developing economy prior to the pandemic, is therefore highly relevant and would shed light on how the pandemic has further hindered growth in the South African economy. The motivation for the study is therefore argued in the following section.

1.3 Motivation of topic actuality

From the background section and the research summarised above, it can be noted that various studies have been performed, both locally and internationally, to determine the impact of COVID-19 on the economy and different sectors thereof (transportation specifically), unemployment, and variable and fixed pay. The existing research on remuneration structures, however, only speculates on the changes brought by COVID-19 and no conclusive research is available as to what has actually changed.

Furthermore, existing research on the impact of COVID-19 on remuneration tends to focus only on the remuneration of executives or CEOs in total and does not seem to differentiate between the different types of remuneration elements offered to employees. Available studies also focus on individuals who lost their jobs due to COVID-19, while the current study aimed to investigate the impact on individuals who remained employed, but whose income composition was altered. Similarly, research done on the transportation sector emphasises the impact of COVID-19 on the companies and the retrenchments that had to be made, but not necessarily the impact on those who remained employed in these companies.

This study aimed to evaluate the impact of COVID-19 on the remuneration structures of executive employees in the transportation sector to contribute to the body of research on COVID-19 globally. The study focused on the remuneration of executive employees since companies listed on the JSE are obliged to make more detailed disclosures regarding executive remuneration in terms of the King IV Code (Erasmus, 2017).

1.4 Problem statement and research question

According to Creswell (2003:72), it is important to consider the central intent of a study and ensure that this is properly conveyed in the problem/purpose statement of the study. Deception occurs when the participants and researcher have different purposes in mind (Creswell, 2003:72). Thus, the aim of the problem statement and research question provided below is to convey the purpose of the study.

Based on the discussions thus far, there seems to be insufficient research on the impact of COVID-19 on individuals who remained in employment, specifically in the transportation sector of South Africa. Furthermore, research on the impact of COVID-19 on the remuneration composition of executives seems lacking in the South African context. Therefore, this study aimed to evaluate the impact of COVID-19 on the remuneration structures of executive employees in the transportation sector to contribute to the body of research on COVID-19 globally.

A research question has a dual purpose, namely to guide the researcher on how to conduct the study and to help the researcher focus the study (Maxwell, 2013:75). With this in mind, the research question for this study was formulated as follows:

What impact, if any, did the COVID-19 pandemic have on the composition of remuneration structures of executive employees of companies in the transportation industry in South Africa?

1.5 Research objectives

1.5.1 Main objective

Considering the research question and problem statement as described above, the primary objective (PO) of this study was as follows:

PO: *Analyse the change due to COVID-19, if any, in the remuneration structures of South African JSE-listed transportation companies, with specific reference to executive employees.*

1.5.2 Secondary objectives

The primary objective was addressed by achieving the following secondary research objectives (SOs):

SO 1: *Identify and explain the relevant research methodology to be applied in this study (see chapter 2; theoretical);*

SO 2: *Define remuneration and discuss the various components which can form part of the remuneration structure (see chapter 3; theoretical);*

SO 3: *Compare pre-COVID remuneration structures with the during-COVID and post-COVID remuneration structures and analyse changes to intangible remuneration components (see chapter 4; empirical); and*

SO 4: *Conclude and make recommendations based on the results and findings of the study (see chapter 5; theoretical).*

1.6 Literature review

The purpose of a literature review is to provide a framework for explaining the importance of the study, as well as a benchmark that can be used to compare the results of the current study with those of previous studies (Creswell, 2003:33).

For this study, the sources consulted were academic articles, theses and dissertations, various companies' published annual integrated reports (in the transportation sector), statistics collected by various institutions (e.g., Stats SA), news articles, relevant legislation, international accounting standards, and textbooks.

Permission to use and obtain information was not required since only information that was publicly available was consulted.

1.7 Research methodology

1.7.1 Research methodologies

'Methodology' refers to the way in which problems are approached and solutions are sought (Taylor *et al.*, 2016:3). 'Research methodology' refers to the procedures or techniques used to identify, select, process and analyse information (University of the Witwatersrand, 2022).

Research methodologies can be qualitative, quantitative or mixed method in nature. *Qualitative* methodologies are applied in research that produces descriptive data (Taylor *et al.*, 2016) and that attempts to explore and understand the meaning individuals assign to social or human problems (Creswell & Creswell, 2018). This research usually involves data collection and analysis that lead the researcher to making interpretations on the meaning of the data (Creswell & Creswell, 2018). Qualitative research normally aims to provide a detailed and interpreted understanding of the social world by examining people's social and material circumstances, their experiences, perspectives and history (Ritchie *et al.*, 2014:23).

Quantitative research, on the other hand, is an approach that tests objective theories by scrutinising the relationship among variables (Creswell & Creswell, 2018). These variables can usually be measured so that numerical data can be produced and analysed using statistical methods (Creswell & Creswell, 2018).

Mixed-method research involves both qualitative and quantitative data that are integrated (Creswell & Creswell, 2018). This type of research may involve theoretical frameworks and philosophical assumptions and allows the researcher to draw additional insights that would not have been accessible by applying only qualitative or quantitative methodologies (Creswell & Creswell, 2018).

The study at hand followed a quantitative approach. To address the primary objective and answer the research question, the relationships among the variables (i.e., the remuneration structures of the companies in the sample for the pre-COVID, during-COVID and post-COVID periods) were analysed. The data were analysed using statistical methods and the analysed data were interpreted to draw inferences. A qualitative approach was followed to address some of the secondary objectives; however, this served merely as a tool to enable the researcher to meet the primary objective. The ultimate purpose of the research was met using quantitative research and therefore the research methodology of the study was quantitative in nature.

Research can be approached in one of two contrasting ways. It can either be inductive or deductive (Saunders *et al.*, 2019). An *inductive* approach is generally associated with qualitative research and involves generating new theory that is evident from data (Gabriel, 2013). This approach usually emphasises new phenomena, or views previously researched phenomena from a different focal point (Gabriel, 2013).

Deductive reasoning is applied when the conclusion is logically obtained from premises that are based purely on theory (Saunders *et al.*, 2019). In this approach, the hypothesis is the starting point, and focus is placed on causality (Gabriel, 2013).

An inductive approach was followed in this study as the researcher identified the effect of COVID-19 on the remuneration structure of JSE-listed companies in the transportation industry. The conclusion is a newly developed theory, based on the data analysed.

In this quantitative study, a comparison was drawn between the remuneration structures of JSE-listed transportation companies for the pre-COVID, during-COVID and post-COVID period. A comparative study highlights how subjects are similar or different by examining and contrasting the subjects or ideas (Bukhari, 2011). According to Mouton (2002, in Kilian, 2019), comparative studies are performed to enable the researcher to generalise the results of the study to a defined universe or population. The study aimed to identify the similarities and differences between the composition of remuneration in South African JSE-listed transportation companies before, during and after the pandemic.

De Villiers and Fouché (2015) noted that there is more to research than simply a choice between qualitative and quantitative methodologies. To be able to grasp the philosophical understanding of qualitative and quantitative research, researchers need to have detailed knowledge of what a research paradigm is (De Villiers & Fouché, 2015).

1.7.2 Research paradigms

Kuhn (1970) explains that a paradigm is an accepted model or pattern, more specifically a universally identifiable scientific achievement that provide model problems and solutions to practitioners. It illustrates a worldview that defines the nature of the world and the possible relationships to that world and its parts for the specific person who holds this view (Guba & Lincoln, 1994). A paradigm can also be described as a set of basic assumptions which influence the way in which a group theorises and works or operates, providing a frame of reference for practitioners (Saunders *et al.*, 2019).

A paradigm contains guidance on *what* has to be observed and analysed, the types of *questions* that need to be answered, *how* these questions should be structured, *how* the findings should be interpreted, and *how* the experiment should be conducted (Kuhn, 1970).

All research, whether qualitative or quantitative, is based on underlying assumptions about what is considered to be valid research (De Villiers & Fouché, 2015). Research paradigms can be summarised by three fundamental, interrelated questions (Guba & Lincoln, 1994):

- *The ontological question:* This question investigates what reality is, and what the nature and form of reality is (Guba & Lincoln, 1994). Ontological assumptions influence the way in which the researcher views and studies the research object (Saunders *et al.*, 2019). Ontology can be described as the researcher's view and perspective of the world and reality (De Villiers & Fouché, 2015).
- *The epistemological question:* This question aims to evaluate the nature of the relationship between the enquirer/researcher and the known/knownable (Guba & Lincoln, 1994); in other words, epistemology refers to the way in which the researcher sees knowledge (De Villiers & Fouché, 2015). The knowledge can either be gathered through experiments or observations, which would be based on the experience of the senses, or it can be multi-dimensional and complicated, where a single occurrence can be interpreted in many ways (De Villiers & Fouché, 2015). The answer to this question is limited to the answer already given in the first (ontological) question (Guba & Lincoln, 1994).

- *The methodological question:* The purpose of this question is to determine the way in which the enquirer will go about finding information about what they believe can be known (Guba & Lincoln, 1994). This question is, once again, constrained by the answers of the first two questions (Guba & Lincoln, 1994).

The ontological and epistemological stances taken by the researcher will determine the research paradigm and the methodology selected, which, in turn, should suit the particular study (De Villiers & Fouché, 2015).

In the following sections, the two main research paradigms used in existing literature, positivism and interpretivism (De Villiers & Fouché, 2015), will be discussed with regard to their ontological and epistemological assumptions.

1.7.2.1 Positivism

Positivists attempt to uncover definite, universal 'laws' that apply to all people and all circumstances (Saunders *et al.*, 2019). The ontological position of positivism is one of realism, which assumes a sensible reality (Guba & Lincoln, 1994). On the other hand, the epistemological position is that of dualism and objectivism where the researcher and the research object/study are deemed to be independent and the researcher can perform the research without influencing the investigated object (Guba & Lincoln, 1994). Saunders *et al.* (2019) posit that, with positivism, the acceptable knowledge (epistemology) would be as follows: scientific methods, observable and measurable facts, law-like generalisations, numbers, casual explanations and predictions.

The research methodology associated with this paradigm is usually quantitative research (De Villiers & Fouché 2015) with a structured, deductive method of analysis (Saunders *et al.*, 2019).

1.7.3 Interpretivism

This paradigm has at its core the fact that people create meanings, and interpretivists study these meanings and create new understandings and interpretations of the world (Saunders *et al.*, 2019). The ontological position of interpretivism is one with multiple meanings and interpretations of reality (Saunders *et al.*, 2019). It focuses on internal reality and experiences and is subjective in nature (De Villiers & Fouché, 2015). The epistemological position of this paradigm is subjectivism, which is based on real world phenomena (De Villiers & Fouché, 2015).

Interpretivists ordinarily make use of inductive reasoning based on specific observations that are repeated, and then draw a conclusion based on these observations (De Villiers & Fouché 2015). Interpretivism is usually associated with qualitative research, since they have similar characteristics (De Villiers & Fouché, 2015).

The paradigm adopted in this study was that of positivism, as this paradigm is usually associated with a quantitative research approach. The researcher and the research object were deemed to be independent of one another, as the researcher was able to complete the study without influencing the investigated object (the remuneration structures of the companies in the sample). The data used in the study were observable and measurable and were not subjective in nature.

1.7.4 Population and sampling

Researchers in the early 19th century attempted to take entire populations into account when conducting research, which was not only time consuming, but also reduced the quality of the research (Banerjee & Chaudhury, 2010). In modern research, it is accepted practice to only work with a small portion of the population (a sample) and to project the findings over the entire population (Banerjee & Chaudhury, 2010).

1.7.4.1 Population

A population consists of all the objects on which the researcher wishes to gain information (Banerjee & Chaudhury, 2010). The target population is the population from which the sample is selected and from which the researcher will draw inferences (Banerjee & Chaudhury, 2010). In other words, the target population is a subset of the population on which the researcher aims to draw conclusions (Willie, 2022).

The population of this study comprised all 293 JSE-listed companies. The study used two target populations. The first was the 10 South African JSE-listed companies operating in the transportation sector, as these were the companies that the sample was selected from, and for which the inferences were drawn (CEIC, 2022; JSE, 2023). The second target population of this study was all employees of the 293 JSE-listed companies in the transportation sector.

1.7.4.2 Sampling

A sample is a smaller selection from the population (Banerjee & Chaudhury, 2010). To select a sample for research purposes, sampling methods need to be applied. One method is non-probability sampling, which is characterised by the fact that all items in the population will not have the same opportunity to form part of the sample (Viviers *et al.*, 2022).

Purposeful sampling, a non-probability sampling technique, involves selecting items from the population that are especially rich in information regarding the phenomenon that is being investigated (Palinkas *et al.*, 2016). One disadvantage of this method, however, is that the findings should not be generalised to the total population (Kumar, 2014:188).

The sample of this study was all South African companies on the JSE that operated in the transportation sector. These companies were selected since the aim of the study was to determine the impact, if any, of COVID-19 on the remuneration structures of South African transportation companies.

The sample included all types of transportation companies, i.e., logistics, air freight, vehicle retailers, etc., and the study used purposeful sampling, which involved selecting only companies in the sector at which this study was aimed. The sample size of this study was 10 (Listcorp, 2022). The sample size was deemed adequate for the research at hand as it enabled the study to achieve its purpose and the sample comprised the total target population (Lakens, 2022).

From the second target population, namely the employees as described in the preceding section, the sample selected was all executive employees. These employees were selected to enable the researcher to meet the primary objective of the study, which was to analyse the remuneration structure composition for executive employees of companies in the transportation sector, and to evaluate the impact of COVID-19 on these structures (see section 1.5.1, page 15).

1.8 Ethical considerations

The data used in this research, namely the annual integrated reports of South African JSE-listed transportation companies, are publicly available and classified as secondary data. Secondary data are data which have been collected by other researchers for purposes other than the study at hand (Juneja, n.d.). Limited ethical concerns were therefore applicable to this study.

1.9 Chapter overview

This study and its endeavour to achieve the primary and secondary objectives as described in section 5 (see section 1.5, page 15) are reported in five chapters:

Chapter 1: Introduction

In the first chapter, the background of the study is given. This includes a brief overview of the history of COVID-19 and its impact on economies, people and employment all over the world. Special attention is paid to the transportation sector, as this is the sector that was the focus of the study. This chapter provides a summary of previous research on the topic, which serves as a basis for the motivation of the topic actuality.

This chapter also contains the problem statement and the research question which the study aimed to answer, as well as the primary and secondary objectives of the study. The research methodology and paradigms adopted to reach these objectives are briefly discussed, followed by the proposed chapter layout of the study.

Chapter 2: Research design and methodology

In this chapter, the research design and methodology are outlined, and a detailed explanation is provided to address SO 1, which is 'to identify and explain the relevant research methodology to be applied in the study' (refer to 1.5.2, page 15). The chapter starts off with a discussion of the literature on research methodology and the metaphorical research onion, followed by the methodology which was applied in this study.

Chapter 3: Remuneration structure and its components

The objective of this chapter is to conceptualise 'remuneration' and the different components which can form part of it. This is done to address SO 2: – 'to define remuneration and discuss the various components which can form part of the remuneration structure' (see section 1.5.2, page 15). The chapter includes a brief overview of the value of the different components to the employee. This discussion ensures that the reader obtains a comprehensive understanding of the different elements that can be included in the remuneration structure.

Chapter 4: Remuneration structure comparison

This chapter provides the comparison between the composition of remuneration structures of JSE-listed transportation companies for the pre-COVID period and the composition of remuneration structures for the during-COVID and post-COVID periods. This comparative analysis addressed SO 3, namely 'a comparison of pre-COVID remuneration structures with during-COVID and post-COVID remuneration structures' (see section 1.5.2, page 15).

The comparison of remuneration was conducted in two ways: Firstly, an analysis was done on the qualitative disclosures included in the integrated reports of the companies in the sample with the aim to identify any other amendments made to remuneration due to COVID-19. Secondly, an analysis of the composition of remuneration structures for the abovementioned periods was done. The interpretation of the results is given in this chapter.

Chapter 5: Conclusions and recommendations

In the final chapter, the findings of the previous chapters are summarised and discussed. The primary and secondary objectives are concluded upon and recommendations for further research are made. The chapter addresses the final secondary objective, SO 4, which is to 'conclude and make recommendations based on the results and findings of the study'.

1.10 Definition of key terms

The following definitions of key terms were used for the purposes of this study:

Direct remuneration: This type of remuneration consists of cash elements given to employees directly, including the cash or base salary of employees, commission and overtime (Fogleman & McCorkle, 2009; Naji, 2014; Zaric, 2021).

Extrinsic rewards: Extrinsic rewards refer to external incentives offered to employees by their employers to motivate them or to recognise their performance (Kessler, 2005; Munir *et al.*, 2016).

Fixed remuneration: This type of remuneration remains constant and is not influenced by the performance of an individual employee, a particular department or the company as a whole (Burke & Hsieh, 2005).

Indirect remuneration: This type of remuneration includes all additional benefits provided to employees that are not classified as direct remuneration. These remuneration elements have a financial value but are not necessarily paid out in cash (Fogleman & McCorkle, 2009; Zaric, 2021).

Intangible non-monetary remuneration: Intangible rewards are similar to intrinsic rewards, as described below, and refer to elements of remuneration that do not necessarily have a monetary value, but are nonetheless valuable to the employee. This type of reward includes flexible working hours, wellness programmes, and recognition and flexibility in terms of working from home (Sittenthaler, 2019; Fogleman & McCorkle, 2009; Kessler, 2005; Munir *et al.*, 2016).

Intrinsic rewards: In general, these are rewards that originate from the employee personally, such as fulfilment derived from engaging in work that is interesting or meaningful (Fogleman & McCorkle, 2009; Gerhart & Milkovich, 1992; Kessler, 2005).

Monetary remuneration: Monetary rewards are, as suggested by the term, cash-based, financial rewards offered to employees and include, among other things, salaries, wages, cash bonuses, commission and overtime (Aguinis *et al.*, 2013; Sittenthaler, 2019:4; Driel, 2016; Fogleman & McCorkle, 2009).

Non-monetary remuneration: Non-monetary remuneration refers to incentives offered to employees in forms other than cash, yet one can determine their monetary and financial value (Sittenthaler, 2019). These include luxury goods, company cars, mobile phones, employer-provided meals, gift vouchers and more (Sittenthaler, 2019).

Remuneration: This term refers to the way in which employees are rewarded at the workplace for services rendered to the employer (Kessler, 2005). Remuneration can also be referred to as compensation or employee benefits.

Remuneration structure: A remuneration structure refers to the manner in which total remuneration is composed and arranged (Kessler, 2005). The remuneration structure illustrates the relationships between the different elements or components that make up the total remuneration (Barczak *et al.*, 2021).

Tangible non-monetary remuneration: Incentives provided to employees in forms other than cash, but for which a cash value (or financial value) can be determined, are categorised as tangible non-monetary remuneration components. Examples are the right to use company assets for personal purposes, housing provided by employers, employers' contributions to third parties (such as medical aid, pension, etc.) and more (Sittenthaler, 2019).

Transportation sector: Businesses operating in the transportation sector are involved in the transportation of goods or people (Johnston, 2021). All modes of transport are included in this sector, spanning air, land, rail and sea (PWC Kenya, 2022). This category also encompasses businesses whose operations involve the sale of vehicles (Johnston, 2021).

Variable remuneration: Variable remuneration is any form of remuneration for which the value is determined in relation to the performance of an individual employee, a specific department, or the overall performance of the company (Burke & Hsieh, 2005; Suff & Reilly, 2004).

1.11 Chapter summary

This chapter introduced the COVID-19 pandemic and highlighted its profound influence on the livelihoods of people all over the world, particularly through its devastating impact on the economy. More than a year after the national state of disaster has been lifted in South Africa, it becomes imperative to examine the repercussions of this unprecedented event on the way businesses operate, how people work, and the methods used for remunerating employees for their services.

The origin of the pandemic was discussed briefly in this chapter, followed by a short analysis of its effects on both the South African economy and its citizens. This analysis included aspects such as unemployment, poverty and the remuneration of executive employees. This topic has been receiving significant attention from researchers globally; however, the existing body of research primarily focuses on either employees who have lost their employment due to COVID-19 or the total remuneration of executive employees. Thus, there is limited research dedicated to exploring the impact of COVID-19 on executive employees who remained in employment, but whose remuneration composition was altered.

This chapter identified the transportation sector's crucial role in South Africa, highlighting its direct connection to the health of the economy. The impact of the pandemic on this sector, as well as its employees, was briefly examined. The chapter also explained that South African JSE-listed companies in this sector (transportation sector) was selected as a sample for the study.

The research question for the study was provided: What impact, if any, did the COVID-19 pandemic have on the composition of remuneration structures of executive employees of companies in the transportation industry in South Africa? An overview was then given of the research design and methodology, population and sample selection used to answer the research question.

The chapter concluded with an outline of the research contents included in the various chapters. The following chapters include an in-depth discussion of the research design and research methodology adopted in this study, followed by a literature review of remuneration, including the various components which can form part of a remuneration structure and the value of these components from the employee's perspective. A comparison of pre-COVID remuneration structures with during- and post-COVID remuneration structures, as well as an analysis of qualitative disclosures made regarding the amendment of remuneration due to COVID-19, is also provided. Lastly, based on the aforementioned research, conclusions and recommendations are made.

Chapter 2 provides an in-depth discussion on the research design and methodology adopted in the study.

CHAPTER 2: RESEARCH DESIGN AND RESEARCH METHODOLOGY

2.1 Introduction

Numerous definitions of research are available, and these definitions indeed vary, depending on the field of study. The first part of this chapter explores a few of these definitions.

Hursten (cited by Hofstee, 2018) described research as follows: 'Research is formalized curiosity. It is poking and prying with a purpose.' More formally, research is defined by Adams *et al.* (2007) as the diligent task aimed at the collection of new information, interpretation of facts or reconsideration of existing theories. Specifically in an academic context, research is concerned with developing deeper knowledge of areas already known, to enable a better understanding of the world in which we live (Adams *et al.*, 2007).

Based on the discussions above, it is clear that research is an organised process aimed at discovering new facts, confirming or disproving existing theories or investigating phenomena.

Different types of research also exist, based on the nature of the research and the type of knowledge the researcher is seeking (Adams *et al.*, 2007; Ditsa, 2004). These include the following:

- *Descriptive research:* This type of research is concerned with describing or explaining, rather than understanding, a certain phenomenon (Adams *et al.*, 2007). The researcher merely provides a description of the samples and/or the variables observed (Siedlecki, 2020). This type of research can be either purely descriptive or descriptive comparative (Siedlecki, 2020). It is a form of objective research, not directed at forming hypotheses or developing theories (Lans & Van der Voordt, 2002).
- *Explanatory research:* This type of research attempts to describe the phenomenon it is investigating, as well as providing an explanation of the nature and behaviour of the phenomenon (Adams *et al.*, 2007). The research is usually undertaken to discover and document relationships among different aspects of the phenomenon and to identify factors that explain the behaviour of the phenomenon (Ditsa, 2004). Explanatory research is usually aimed at testing a hypothesis by using statistical methods (Waljee *et al.*, 2014).

- *Predictive research:* Research of this nature attempts to explain the behaviour of a phenomenon, as well as predicting future behaviour of the phenomenon if one of the variables observed were to change (Adams *et al.*, 2007). This research is aimed at predicting or forecasting future events or outcomes, but not necessarily investigating the reason behind the outcomes or the causality between the outcomes and the variables (Waljee *et al.*, 2014).

The research conducted in this study was descriptive in nature, as the impact of COVID-19 on remuneration structures of JSE-listed transportation companies in South Africa was investigated and described. The aim was not to predict future remuneration structures, and no hypothesis was formed or tested.

Descriptive research can be performed using various methods and methodologies. The current chapter aims to describe and provide a map of the methods and methodologies applied by the researcher to reach the conclusions and recommendations provided in chapter 5 (Hofstee, 2018). A comparative research design was followed (see section 2.5, page 38), as a comparison was drawn between the remuneration structures of JSE-listed transportation companies prior to COVID, during COVID and after COVID.

The layout of this chapter is as follows:

- Research methodology (see section 2.2, page 29);
- Research paradigms/philosophies (see section 2.3, page 32);
- Research approach (see section 2.4, page 36);
- Research design/strategy (see section 2.5, page 38);
- Time horizon (see section 2.6, page 40);
- Data collection instruments (see section 2.7, page 41);
- Population and sampling (see section 2.8, page 44); and
- Ethical considerations (see section 2.9, page 46).

The first secondary objective of the study (see section 1.5.2, page 15) was:

SO 1: *Identify and explain the relevant research methodology to be applied in this study (see chapter 2; theoretical).*

This objective was addressed as follows:

SO 1: An in-detail explanation of the research methods and methodologies applied by the researcher was given. The researcher also explained why certain research methods and methodologies were chosen and adopted in the study.

2.2 Research methodology

Saunders *et al.* (2012) use a metaphor, known as the ‘research onion’ (Figure 2.1, page 29), to explain the decisions researchers need to make to formulate a methodology and framework for conducting research. The research onion has become a widely applied outline for research design (Mardiana, 2020). The metaphorical onion consists of six layers, and researchers ought to start at the outermost layer and work their way to the centre (Saunders & Tosey, 2013). The choices made at the outer layer will have an impact on the choices made in the next layer. Therefore, if one follows the process of peeling back each layer the result will be a coherent research design (Mardiana, 2020; Saunders & Tosey, 2013).

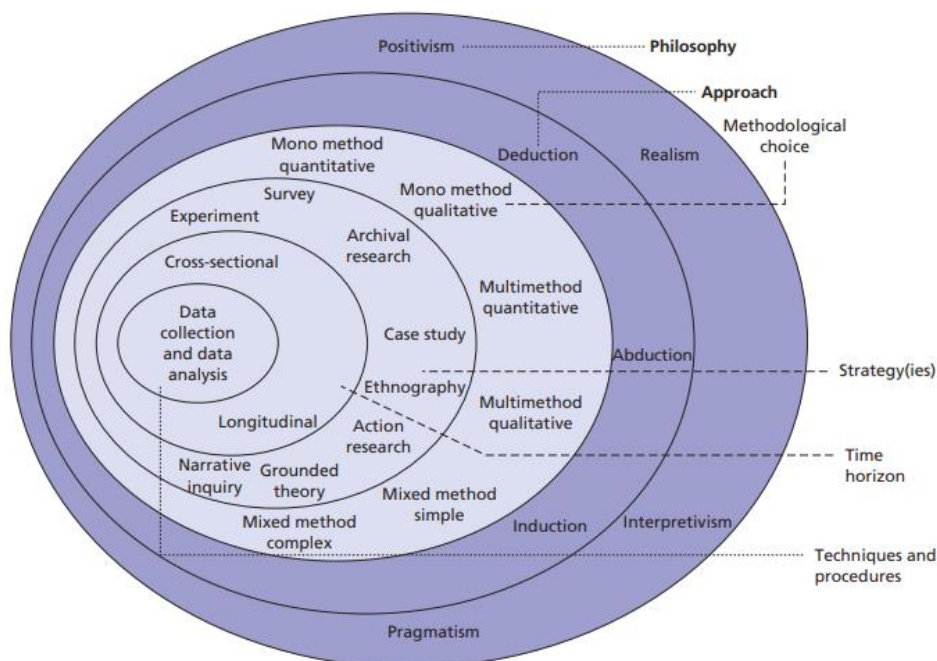


Figure 2.1 The research onion

(Source: Saunders *et al.*, 2012)

This framework enjoys preference above other frameworks available to researchers, mainly due to its simplicity and understandability (Mardiana, 2020). The research onion can be applied to a wide range of research in different fields and disciplines, although it was originally designed for business research (Mardiana, 2020; Saunders *et al.*, 2012).

The outermost layer of the onion deals with the research philosophy or paradigm adopted by the researcher (Mardiana, 2020; Saunders *et al.*, 2012; Saunders & Tosey, 2013). A research philosophy or paradigm refers to a system of beliefs and assumptions that the researcher has regarding the development of knowledge (Saunders *et al.*, 2012). These include assumptions about realities encountered during research, about human knowledge, and the way in which these assumptions influence the research process (Saunders *et al.*, 2012).

The researcher's views of the world, his or her taken-for-granted assumptions about human knowledge (epistemology) and about the nature of realities encountered (ontology) inevitably mould the way in which the research question is understood and, consequently, how the research design is formulated (Saunders & Tosey, 2013). Therefore, it makes sense that this would be the first factor to consider when designing a research methodology. The researcher's assumptions will underpin and influence the research strategy and the methods chosen as part of the strategy (Saunders *et al.*, 2012). The research philosophy/paradigm adopted for this study is discussed in section 2.3 (see page 32) of this chapter.

The next layer of the onion guides the researcher to make a choice about the approach to be followed regarding theory development (Mardiana, 2020). The extent to which the researcher is clear about the theory at the inception of the research addresses an important question with regard to the design of the research project (Saunders *et al.*, 2012). Saunders *et al.* (2012) identify three core approaches to theory development, namely deductive, inductive and abductive.

When adopting a deductive approach to theory development, the researcher starts with a traditional concept or theory (often referred to as the hypothesis) and perform tests to evaluate whether this theory can be applied to cases (Abdelhakim & Badr, 2021). The researcher therefore starts with the theory and subsequently moves to the data (Abdelhakim & Badr, 2021; De Villiers & Fouché, 2015).

The inductive approach, on the other hand, focuses on observing cases and performing research prior to theory development (Abdelhakim & Badr, 2021). The starting point is therefore the data from which the researcher moves to theory (Abdelhakim & Badr, 2021; Gabriel, 2013). An abductive approach to theory development is in essence a combination of an inductive and deductive approach (Kilian, 2019). Section 2.4 (page 36) of this chapter contains an explanation of the approach to theory development applied in this study.

Layer three of the research onion is the next step in research design, namely making a methodological choice (Saunders *et al.*, 2012). Saunders and Tosey (2013) explain that this is a basic choice, but nevertheless an important one that all researchers face when designing research, namely whether to use a quantitative, qualitative or a mixed-method approach. In turn, this decision will depend on the type of data that the researcher plans to collect and analyse (Mardiana, 2020; Saunders *et al.*, 2012; Saunders & Tosey, 2013).

In this study, the researcher deviated from the research onion somewhat, and considered the methodological choice as a subsection of the research paradigm/philosophy, instead of viewing it as a separate layer or choice to be made. The methodological assumption/choice in the study was constrained by the ontological and epistemological assumptions (section 2.3.1, page 32, and section 2.3.2, page 33) and was influenced by the researcher's approach to theory development. Therefore, even though the layers of the onion were applied less rigidly, the principles were still followed. It is also worth noting that the research onion is a framework for research design and not a set of rules to be followed blindly.

The researcher's choice regarding theory development is explained in section 2.4 (page 36) while the methodological assumption is discussed in section 2.3.3 (page 35) as a subsection of the research paradigm/philosophy adopted for the study.

After peeling away the methodological choice of the research onion, the research strategy is revealed as the next layer (Saunders & Tosey, 2013). A researcher must choose one or more strategies to conduct the study, and once again, this choice will be constrained by the decisions made in the first three layers (Mardiana, 2020; Saunders & Tosey, 2013). The research strategy is concerned with how the researcher will answer the research question at hand (Altuwayjiri, 2015). Various strategies exist, some of which are more fitting for certain fields of research (Abdelhakim & Badr, 2021). These include, but are not limited to, experiments, surveys, archival data, case studies, action research, comparative studies and more (Abdelhakim & Badr, 2021; Bryman *et al.*, 2018; Hofstee, 2018; Saunders *et al.*, 2012). Refer to section 2.5 (page 38) of this chapter for a discussion of the research strategy adopted for the study.

The final layer of the onion, before reaching the core, emphasises the time horizon over which the researcher will perform the planned research (Saunders & Tosey, 2013). Research can be conducted to either answer a question or deal with a problem at a specific time (cross-sectional design), or data might have to be collected for a prolonged period of time (longitudinal design) (Saunders *et al.*, 2012; Saunders & Tosey, 2013). Section 2.6 (page 40) describes the time horizon of this study.

Lastly, the centre of the research onion deals with data collection and analysis (Mardiana, 2020; Saunders *et al.*, 2012). The activities to be completed to collect and analyse data are defined by the methodological choice made (qualitative or quantitative data) which involves decisions regarding sampling, using secondary data or collecting primary data, and analysing the collected data (Abdelhakim & Badr, 2021; Saunders *et al.*, 2012). Decisions made by the researcher for this study regarding data collection and analysis, as well as factors influencing these decisions, are explained in sections 2.7 (page 41) and 2.8 (page 44).

2.3 Research paradigms/philosophies

De Villiers and Fouché (2015) posit that there is more to research than simply classifying it according to the approach it follows (i.e., qualitative or quantitative). A firm comprehension of what a research paradigm is, is necessary to understand the philosophical foundation of qualitative and quantitative research.

A paradigm is defined by Bryman (1998:4, cited by Bryman *et al.*, 2018:19) as ‘a cluster of beliefs, and dictates which for scientists in a particular discipline influence what should be studied, how research should be done, [and] how results should be interpreted’. Similarly, Guba and Lincoln (1994) describe a paradigm as a set of basic beliefs that represent a worldview defining the nature of the world, the individual’s position in it, and a spectrum of possible relationships between the world and its parts.

Different paradigms have different ontological and epistemological assumptions. The assumptions about reality (ontology) and knowledge (epistemology) of this study are discussed below.

2.3.1 Ontological assumptions

According to Saunders *et al.* (2019), ontology refers to the nature of reality as viewed by the researcher. De Villiers and Fouché (2015) state that ontological assumptions are concerned with the way in which the researcher views the world. This view can either be in the form of a realist perspective, where the researcher and the external reality function and exist independently from each other, or it can be a relativist perspective, suggesting that the reality depends on various factors and circumstances (De Villiers & Fouché, 2015).

Bryman *et al.* (2018) explain that questions of ontology are concerned with the nature of social phenomena and that different ontological positions can be adopted by a researcher. The first position that can be adopted implies that social phenomena are independent of, and objective from, external social factors, which is known as *objectivism* (Bryman *et al.*, 2018).

Constructionism (or *constructivism*), on the other hand, suggests that the researcher's own views of the social world have an impact on the version of social reality, and that social phenomena are being produced continually by social actors, through social interaction (Bryman *et al.*, 2018).

The researcher in this study assumed a *realist* (or *objectivist*) view based on the belief that the realities found in each of the remuneration structure compositions and changes therein exist independently from the researcher. The researcher aimed to uncover these realities through the research conducted in this study.

De Villiers and Fouché (2015) argue that ontology translates into epistemology, which is discussed in the next section of the chapter.

2.3.2 Epistemological assumptions

Bryman *et al.* (2018) explain that epistemology is concerned with the question of what is, or what should be viewed as acceptable knowledge in a discipline. In other words, epistemology refers to assumptions about what constitutes valid and legitimate knowledge (Saunders *et al.*, 2019).

De Villiers and Fouché (2015) state that knowledge can either be dependent on the experience of the senses, which can be gathered through either experiments or observations, or it can be seen as multi-faceted and complex, where a single phenomenon can be construed in various ways. Guba and Lincoln (1994) argue that the epistemological question can be formulated as follows:

What is the nature of the relationship between the knower or would-be-knower and what can be known? The answer to this question is constrained by the answer already given to the ontological question; that is, not just any relationship can now be postulated.

The main source of knowledge in this study was secondary data in the form of the annual integrated reports of transportation companies listed on the JSE – in particular, the different components that form part of remuneration and the way in which remuneration is structured. These figures are not open to interpretation and subjectivity, and therefore the relationship between the would-be-knower (researcher) and what can be known (data) is objective.

The outcome of the epistemological assumption predicts the paradigm the researcher will adopt in conducting the research (De Villiers & Fouché, 2015). Three primary epistemological positions exist, namely positivism, realism and interpretivism (Bryman *et al.*, 2018).

De Villiers and Fouché (2015) contend that two main research paradigms stand out in existing literature, being positivism and interpretivism. Each of these are discussed in the following sections.

2.3.2.1 Positivism

Positivism is described by Bryman *et al.* (2018) as an epistemological approach that advocates for the application of research methods such as those used in the natural sciences to enable the researcher to understand social reality. Positivism involves working with an observable social reality to draw law-like generalisations (Saunders *et al.*, 2019).

From a positivism paradigm, the only phenomenon that can produce valid research is one that can be observed using senses, being sight, touch, smell, taste, and hearing (De Villiers & Fouché, 2015). Positivism, usually associated with quantitative research, is concerned with discovering the truth through the use of empirical methods (De Villiers & Fouché, 2015; Saunders *et al.*, 2019).

Bryman *et al.* (2018) argue that positivism involves the following principles:

- Only phenomena that are observable through the use of one's senses can be seen as legitimate objects and sources of knowledge.
- The purpose of the research is to create a hypothesis that can be tested, to enable the proposals to be verified (using a deductive approach).
- Knowledge is gained through the gathering of facts that provide theory for universal propositions (through induction).
- Research must be conducted in an objective manner.
- A clear distinction can be made between scientific statements and normative statements (i.e., statements that set standards or rules of behaviour), and only scientific statements are the property of scientists.

As the study at hand was conducted in an objective manner, by means of empirical methods (a quantitative research strategy), the paradigm adopted by the researcher was that of positivism.

2.3.2.2 Interpretivism

Interpretivism arose as a critique against positivism, emphasising the distinction between human beings and physical phenomena.

It underscores the idea that people create meaning and that their interpretations should be acknowledged and taken into account when conducting research (Bryman *et al.*, 2018; Saunders *et al.*, 2019). Interpretivism, which is generally associated with qualitative research, generally uses inductive reasoning, drawing conclusions from observations that are repeated (De Villiers & Fouché, 2015).

An interpretivist researcher cannot be separated from the subject under consideration, and the notion is held that rich insights into humanity will be lost if different cultural backgrounds, circumstances, and times are not considered when conducting research (De Villiers & Fouché, 2015; Saunders *et al.*, 2019).

As the researcher and the subject under consideration (the remuneration structures of the companies in the sample) are independent of and can be separated from one another, the interpretivist paradigm/philosophy was not assumed by the researcher for this study.

2.3.3 Methodological assumption

Methodological assumptions pertain to the strategies and approaches the researcher will employ to investigate what they believe can be known (Guba & Lincoln, 1994). These assumptions are shaped by the ontological and epistemological assumptions held by the researcher (Guba & Lincoln, 1994).

A quantitative research approach involves the collection and analysis of numerical data, the emphasis being on the testing of theories and the employment of measurement (Bryman *et al.*, 2018). Quantitative methods of collecting and analysing data on a subject matter are scientific and empirical in nature (De Villiers & Fouché, 2015). Quantitative researchers normally follow a deductive approach and incorporate the practices and principles of positivism (Bryman *et al.*, 2018; De Villiers & Fouché, 2015). Social reality is seen as an external, objective reality (Bryman *et al.*, 2018).

Qualitative research, on the other hand, usually emphasises textual rather than numerical data and focus its efforts on the development of concepts, rather than the development of measures (Bryman *et al.*, 2018). This approach is associated with the interpretivist epistemological stance and usually follows an inductive approach (Bryman *et al.*, 2018; De Villiers & Fouché, 2015). Qualitative researchers aim to understand people, their actions and their methods of reasoning (De Villiers & Fouché, 2015). They further seek to provide a detailed and interpreted understanding of the social world by examining people's social and material circumstances, their experiences, perspectives, and history (Ritchie *et al.*, 2014:23).

A mixed-method approach involves the integration of qualitative and quantitative methods into a single project (Bryman *et al.*, 2018; Creswell & Creswell, 2018). This approach to research offers insight into data which would not have been available if the two approaches were not combined (Creswell & Creswell, 2018).

Chapter 3 sets out the qualitative approach taken in this study to describe all relevant elements of remuneration. The detailed descriptions provided on these concepts are instances of non-numerical data being analysed, which is associated with the qualitative approach.

Chapter 4 discusses the analysis of the non-monetary changes to remuneration. These changes would not have been identified through the quantitative analysis described below. The qualitative analysis focused on non-numerical data, namely the disclosures made by the companies in their annual integrated reports. The purpose of this analysis was to enable the researcher to address a portion of SO 3, which was to determine the impact of the pandemic on intangible remuneration components (see section 1.5.2, page 15). As this involved the analysis of non-numerical data, a qualitative approach was applied. However, as this analysis pertained only to a secondary objective, the methodological assumption of this section cannot be regarded as indicative of the study's overarching methodological assumption. The qualitative research described and performed was merely used as a tool to enable the researcher to meet the primary objective of the study, which was addressed as described below.

The analysis of the remuneration structures, presented in chapter 4, was done on numerical data (the remuneration offered to executive employees of the companies in the sample) and by means of empirical methods. Therefore, it was a quantitative analysis. This analysis enabled the researcher to address the primary objective of the study (section 1.5.1, page 15) and answer the research question (section 1.4, page 14). Hence, while the study incorporated elements of qualitative research, as explained in the preceding paragraphs, its primary objective was accomplished through quantitative research. Consequently, the study's methodological assumption was predominantly quantitative in nature.

2.4 Research approach

Researchers can adopt one of two contrasting approaches to reasoning, namely inductive or deductive, depending on the extent to which the research focuses on theory testing or theory creation (Saunders *et al.*, 2019). There is a third approach, abductive reasoning, which begins with a 'surprising fact' that is being observed (Saunders *et al.*, 2019). This approach is in essence a combination of inductive and deductive approaches (Kilian, 2019).

Deductive reasoning, which is the most common view of the relationship between research and the relevant theory, involves the development of a hypothesis which is then subjected to empirical analysis (Bryman *et al.*, 2018). This type of theory normally begins with what is known about the phenomenon being researched, and then moves on to the unknown (De Villiers & Fouché, 2015). When following a deductive approach, researchers collect data to enable them to evaluate propositions or hypotheses relating to existing theories (Saunders *et al.*, 2019).

When following an inductive approach, on the other hand, the researcher observes or analyses data and generates a new theory that is evident from the data (Gabriel, 2013). This theory is usually associated with a qualitative research approach, with the emphasis on new phenomena or different approaches to previously researched phenomena, and theory is usually the outcome of the research, not the starting point (Bryman *et al.*, 2018; De Villiers & Fouché, 2015; Gabriel, 2013; Saunders *et al.*, 2019). Inductive research normally uses a small sample, since the context in which the phenomenon occurs is important, while for a deductive approach larger samples may be more appropriate (Saunders *et al.*, 2019). Data collected by researchers following an inductive approach are used to explore a phenomenon and to identify themes and patterns to create new theory (Saunders *et al.*, 2019).

An abductive approach does not move from theory to data (like with deduction) or data to theory (like with induction), but rather moves around between the two (Saunders *et al.*, 2019). This approach begins with a surprising or strange observation, and then investigates the observation in order to arrive at a plausible theory to explain the observation (Saunders *et al.*, 2019). When researchers follow an abductive approach, they use data collected to explore a phenomenon, identify themes and patterns, trace this back to theory, and then test the theory through subsequent data collection (Saunders *et al.*, 2019).

The current study explored the different components that can form part of remuneration and the impact that the varying structures of remuneration can have on the employee. The purpose of the study was to determine the impact, if any, of the COVID-19 pandemic on the ways that entities remunerate their employees. The researcher neither formulated nor tested a hypothesis, but rather aimed to develop a new theory (whether the COVID-19 pandemic had an influence on remuneration structures of South African JSE-listed transportation companies) based on the observation and analysis of the data. This suggests that an inductive approach to research was followed primarily.

2.5 Research design/strategy

Saunders *et al.* (2016) summarise the research design as the general plan researchers follow to answer the research question(s). A research design is concerned with the overall plan for the research project (Saunders *et al.*, 2016). This overall plan is the framework that researchers use to collect and analyse data (Bryman *et al.*, 2018).

According to Bryman *et al.* (2018), a research design provides the structure that guides the use of a research method and the analysis of the data. There are five major research designs, namely experimental, cross-sectional, longitudinal, case study, and comparative, each of which is considered in terms of the criteria for the evaluation of the research findings (Bryman *et al.*, 2018). Action research and ethnography are two other widely applied research designs (Hofstee, 2018). Hofstee (2018) has identified 16 types of research designs mentioned in dissertations, as well as variations of these designs. For the purposes of this study, only the most relevant research designs will be discussed, since it was not within the scope of the study to provide an exhaustive list of research designs or strategies available.

2.5.1 Experimental design

An experimental study is a form of research that is aimed at testing a hypothesis or theory or to observe the effect of a given intervention (Buchanan, 1981, cited by Abdelhakim & Badr, 2021; Hofstee, 2018). Experimental designs are most prominent in the fields of the natural sciences and psychological and social sciences and they entail the researcher recording and explaining the outcome of an experiment (Hofstee, 2018; Saunders *et al.*, 2012).

The simplest experiments involve testing whether a link exists between two variables, while more complex experiments consider the size of the change and the relative importance of two or more independent variables (Saunders *et al.*, 2012).

In this study, the researcher did not intend to test a hypothesis or evaluate whether a link exists between independent variables. Therefore, the research strategy adopted was not that of an experimental study.

2.5.2 Action research design

The term 'action research' was first used in 1946 by Lewin and has subsequently been interpreted and adapted in many different ways (Saunders *et al.*, 2012). In general, action research, also referred to as participatory research, is an iterative process of inquiry aimed at designing and developing solutions for real organisational problems (Hofstee, 2018; Saunders *et al.*, 2012).

Outcomes are achieved by adopting a participative, collaborative approach of which the results will have implications for the participants and organisations that extend beyond the research project (Saunders *et al.*, 2012).

In an action research study, the researcher works with the members of an organisation on an ongoing basis, as a facilitator and a teacher, in an attempt to improve the state of affairs for the participants and their organisation (Saunders *et al.*, 2012).

In the study at hand, the researcher did not obtain participation of organisations in order to solve the problems they experience. Therefore, since the study did not involve action and participation, it cannot be classified as an action research study.

2.5.3 Case study design

When researchers make use of this type of design, they examine and analyse a single case in a tightly structured and intensive way to test a hypothesis about the case and discover principles which can be extrapolated to similar cases (Bryman *et al.*, 2018; Hofstee, 2018). De Villiers and Fouché (2015) describe a case study as a framework that enables the exploration of a programme, event or one or more individuals. They conclude that a case study is a research design and methodology that examines a phenomenon in its real-life context by means of a variety of data collection techniques (De Villiers & Fouché, 2015).

The current study did not analyse and investigate only one case to gain an in-depth understanding of the case, and thus a case study design was not adopted in this study.

2.5.4 Ethnography

Ethnography is used to study groups and involves close observations by the researcher to gain an understanding of a particular group (Hofstee, 2018; Saunders *et al.*, 2012). Personal experience and observation of the groups in their natural environment are key factors to adopting this type of research design (Hofstee, 2018). Ethnographers attempt to study people in groups who share the same space, focusing on how they interact with one another (Saunders *et al.*, 2012). This type of research is particularly demanding with regard to resources required, specifically time and financial resources (Hofstee, 2018; Saunders *et al.*, 2012).

The purpose of this study was not to study groups or interactions within groups, and therefore the research design adopted was not ethnography.

2.5.5 Comparative design

A comparative design involves using more or less identical methods or two or more contrasting cases (Bryman *et al.*, 2018). This type of research design involves the logic of comparison and suggests that researchers can better understand social phenomena when two or more meaningful contrasting cases or situations are compared (Bryman *et al.*, 2018). When this type of design is used by researchers, emphasis is placed on formulating a structure that allows analytical comparisons to be made (Saunders *et al.*, 2016).

In this study the remuneration composition of JSE-listed transportation companies in the period before COVID-19 was compared to the remuneration composition of these companies during and after COVID-19. To meaningfully compare the remuneration structures of the companies in the sample, an average remuneration structure (for all the companies in the sample) was calculated for the pre-COVID, during-COVID and post-COVID periods. These structures included a differentiation between fixed and variable remuneration. Comparisons between these three periods were drawn and the results were interpreted. This comparison ultimately allowed the researcher to draw conclusions on whether the pandemic might have had an effect on these structures.

2.6 Time horizon

The time horizon of a study refers to the periods to be studied. The research can either provide an explanation or overview of a phenomenon at a certain point in time (cross-sectional design), or represent events or phenomena over a certain period (longitudinal design) (Altuwayjiri, 2015; Saunders *et al.*, 2012).

2.6.1 Cross-sectional design

In a cross-sectional research design, the researcher collects data on more than one case but at a single point in time. This is done to collect a body of quantitative or quantifiable data in connection with two or more variables (Bryman *et al.*, 2018). These variables are then examined and analysed to detect patterns of association, which will enable the researcher to examine relationships between variables without considering causality (Bryman *et al.*, 2018). This type of research design involves correlation statistics to compare two or more variables in order to determine whether a relationship exists between them (Hofstee, 2018).

This study did not aim to collect quantitative data at a certain point in time to determine relationships between two or more variables, and thus a cross-sectional design was not adopted.

2.6.2 Longitudinal design

A longitudinal research design employs continuous or repeated measures to observe specific individuals or subjects over extended periods of time, usually years or decades (Caruana *et al.*, 2015). This type of design is generally observational in nature and involves the collection of qualitative or quantitative data on any combination of exposures and outcomes, without any external influence being present (Caruana *et al.*, 2015). With this type of design, researchers have the opportunity to study change and development (Saunders *et al.*, 2012).

The researcher in this study observed specific items (the remuneration structures of South African JSE-listed transportation companies) over prolonged periods of time (five to six years, depending on the availability of data) to study change and development, which suggests that this study followed a longitudinal design.

2.7 Data collection instruments

According to Onwuegbuzie *et al.* (2010), the four major sources of data in qualitative research are interviews, focus groups, observations, and documents/material culture, while Creswell (2009) lists observations, interviews, documents, and audio-visual materials. The data used in this study were in the form of documents and textual data, on which secondary analysis and examinations were performed. The documents used by the researcher to gather data for analysis were as follows:

- Peer-reviewed international and South African academic articles;
- Academic books;
- Publications in newspapers and magazines;
- Relevant legislation;
- Government statistics (South African and international);
- Internet sources;
- International accounting standards; and
- Press releases by governments and presidents on COVID-19.

According to Bryman *et al.* (2018), some writers have suggested that the data used in qualitative studies should be evaluated using different criteria than those used to evaluate quantitative data, namely reliability and validity. As the study made use of a qualitative and quantitative analysis (as discussed in section 1.7.1, page 16, and section 2.3.3, page 35), the criteria for both of these approaches were considered.

Guba (1985, cited by Bryman *et al.*, 2018) and Guba and Lincoln (1994, cited by Bryman *et al.*, 2018) proposed that two primary criteria should be used to assess the data used in a *qualitative* study, namely trustworthiness and authenticity. Because the second criteria, authenticity, has been seen as controversial and not influential (Bryman *et al.*, 2018), it was not addressed for this study.

For qualitative research to be trustworthy, it has to adhere to four criteria:

- Credibility;
- Transferability;
- Dependability; and
- Confirmability (Bryman *et al.*, 2018).

Figure 2.2 describes each of the criteria listed above.

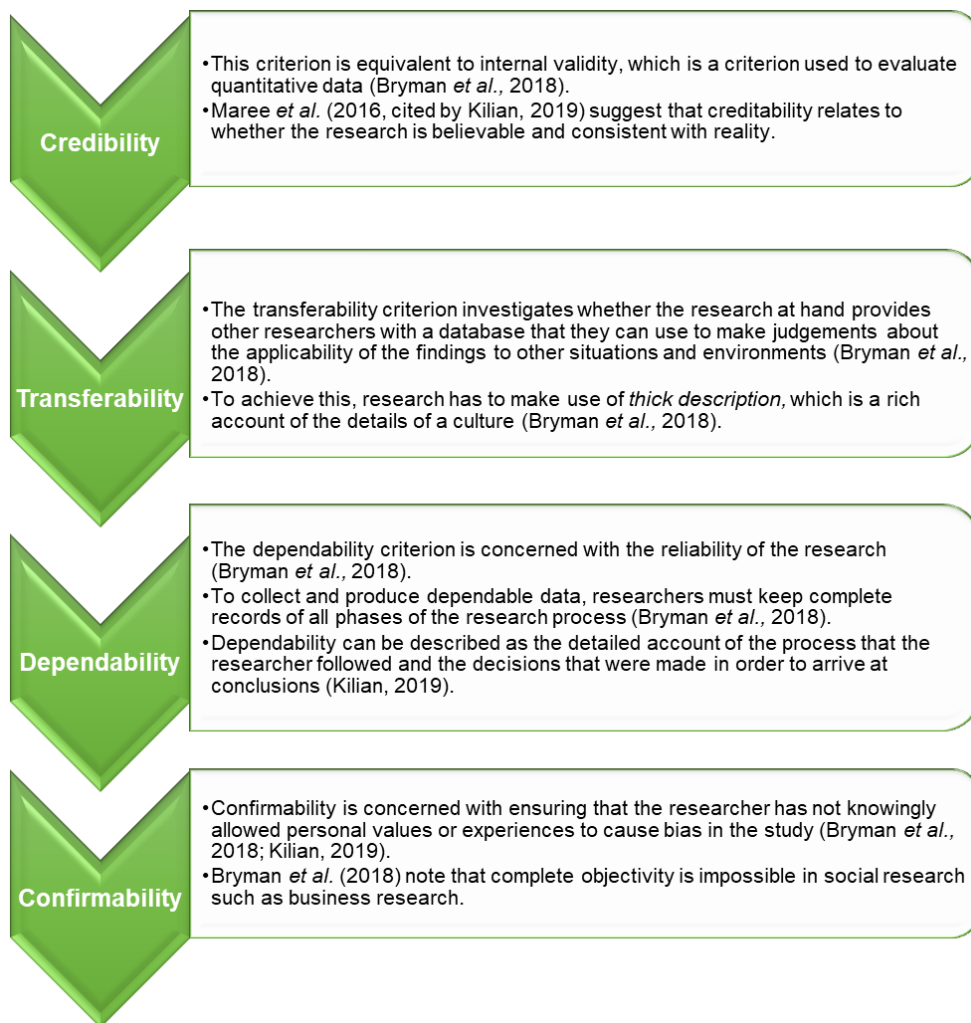


Figure 2.2 Criteria for trustworthiness

(Source: Bryman *et al.*, 2018; Kilian, 2019)

The researcher took the following steps to ensure the trustworthiness of the qualitative data:

2.7.1 Credibility

Strategy: Identify and describe the limitations of the study upfront.

Discussion: The researcher clearly described and identified the limitations of the study in chapter 5 (see section 5.4, page 129).

Strategy: Consult reliable sources and acknowledge the sources.

Discussion: The researcher ensured that all sources used in the study were properly referenced, acknowledged and accounted for using the North-West University Referencing Guide.

2.7.2 Transferability

Strategy: Use thick, rich descriptions to convey the findings.

Description: The researcher provided detailed descriptions of the changes to remuneration identified in chapter 4 (see section 4.3.1, page 92, and section 4.4, page 104) and avoided generalisations.

2.7.3 Dependability

Strategy: Contextualise the qualitative data.

Description: The researcher provided a proper contextualisation of the study in chapters 1 to 3. This was done to ensure that the research process was properly documented and the choices recorded.

2.7.4 Confirmability

Strategy: Do not knowingly allow personal values or expectations to influence the research.

Description: The researcher attempted to ensure that personal values and experiences did not cause bias in the research. This was achieved by regularly consulting and seeking advice from experts, being the researcher's supervisors, about interferences or interpretations made by the researcher.

(Source: Bryman et al., 2018; Creswell, 2009; Kilian, 2019)

As mentioned above, the criteria to be applied in evaluating quantitative research are reliability and validity (Bryman *et al.*, 2018). Reliability is concerned with matters of consistency in measurements, while validity assesses whether a measurement truly measures the concept it is intended to measure (Bryman *et al.*, 2018).

To demonstrate the reliability of data collection methods, one must consider the consistency and stability in the measurement instruments used (Bryman *et al.*, 2018). The researcher took the following steps to ensure that the data were collected reliably:

- The data (remuneration per component, per year) were captured consistently for all companies in the sample (as explained in section 4.3, page 88). As the data used in the study consisted of secondary data obtained from the annual integrated reports of the companies in the sample, the task of capturing the data was quite simple and therefore the risk pertaining to reliability was reduced.
- All the data were analysed using the same method (described later in the study, refer to section 4.3, page 88) and by the same individual (see annexure B, page 156).

Measurement validity is concerned with whether the results obtained truly represent the underlying phenomenon being studied (Bryman *et al.*, 2018; Heale & Twycross, 2015). Validity in the quantitative study at hand was ensured as follows:

- An appropriate method of measurement was selected, based on consultations with experts. The researcher consulted with the Statistical Consultation Services of the North-West University (Potchefstroom Campus) regarding the quantitative data and the analysis thereof. The analysis was performed independently by using the software package IBM SPSS (2020) (see annexure B, page 156).
- Appropriate sampling methods were used to select the sample of the study (refer to section 2.8, page 44) after thorough research was conducted. The researcher obtained expert advice from her supervisors in this regard.

2.8 Population and sampling

In research it is accepted practice to work with a small portion of the population (a sample) and project the findings over the entire population (Banerjee & Chaudhury, 2010). Selecting and obtaining an adequate sample are fundamental to conducting credible research, therefore researchers must justify the sample size used in their study (Marshall *et al.*, 2013:1).

A population consists of all the objects that the researcher wishes to gain information on (Banerjee & Chaudhury, 2010). The target population is the population from which the sample will be selected and inferences will be drawn (Banerjee & Chaudhury, 2010). Willie (2022) explains that the target population is a subset of the population that the researcher aims to draw conclusions on.

The population under scrutiny in this study consisted of all 293 JSE-listed companies, while the first target population was only the 10 JSE-listed companies operating in the transportation sector, as these were the companies that the sample was selected from and from which the inferences were drawn (Listcorp, 2022). The second target population of this study comprised all employees employed by companies in the transportation sector.

A sample is a smaller selection from the population (Banerjee & Chaudhury, 2010). Non-probability sampling is a method of sample selection characterised by the fact that all items in the population will not have the same opportunity to form part of the sample (Viviers *et al.*, 2022). Purposeful sampling involves selecting items from the population that are especially rich in information regarding the phenomenon that is being investigated (Palinkas *et al.*, 2016). However, this method of sample selection does not allow the researcher to generalise the findings to the total population (Kumar, 2014:188).

The sample included all types of transportation companies, i.e., logistics companies, air freight companies, vehicle retailers, etc. The study applied purposeful sampling, which was to select only companies in the sector at which this study was aimed. The sample size of the study was 10 (Listcorp, 2022). The sample size was deemed adequate for the research at hand as it enabled the study to achieve its purpose, and the sample comprised the total target population (Lakens, 2022).

From the second target population, namely the employees as described above, the sample included all executive employees of the companies in the sample. Executive employees were selected as JSE-listed companies are obliged to disclose information regarding their remuneration in terms of the King IV Code and the study was aimed at executive remuneration structures. These employees were therefore selected to enable the researcher to meet the primary objective of the study, which was to analyse the remuneration structure composition for executive employees and to evaluate the impact of COVID-19 on these structures.

2.9 Ethical considerations

The Economic and Management Sciences Research Ethics Committee of the North-West University granted ethical approval for this research project (ethics number NWU-01888-22-A4, see ANNEXURE A – ETHICS APPROVAL, page 153).

Owing to the fact that no third parties or individuals were involved in the empirical part of this study, for example through interviews or questionnaires, there was a reduced risk of unethical conduct by the researcher. The secondary data used in this study, being the published annual financial statements and integrated reports of JSE-listed companies, were publicly available, which further reduced the risk of unethical conduct by the researcher.

A potential pitfall was research bias and the risk that the researcher would exclude articles or remuneration structures that did not support the research. This risk was reduced since all articles were included that were deemed relevant to the impact of COVID-19 on the remuneration structures and performance of JSE-listed transportation companies, irrespective of whether they supported the researcher's theories or not. These articles are discussed in detail in the study and instances of disagreement between articles and the current study are pointed out. This risk was further mitigated by including all JSE-listed transportation companies in the sample of the study, and not selecting only a few.

2.10 Chapter summary

The purpose of this chapter was to provide an in-depth view of the methodology and research design adopted for this study, in order to meet SO 1: 'Identify and explain the relevant research methodology to be applied in this study' (section 1.5.2, page 15).

The research design and methodology of the study were selected in accordance with the metaphorical research onion as developed by Saunders. After thorough consideration of the various layers of the onion, the researcher selected a quantitative, inductive approach for the study. Based on the ontological, epistemological and methodological assumptions of the researcher, the positivism paradigm was deemed most appropriate for the study.

The research design/strategy of this study was that of a comparative study, since the remuneration composition of JSE-listed transportation companies of the pre-COVID period was compared to the during-COVID and post-COVID periods to identify any changes brought about by the pandemic.

The sample of this study was selected using purposeful sampling to enable the researcher to meet the primary objective of the study, namely to identify the impact, if any, of COVID-19 on the composition of remuneration structures of executives of South African JSE-listed transportation companies.

Secondary textual data in the form of documents and annual financial statements (integrated reports if available) were collected and analysed. Various sources were consulted in order to obtain the data, including, but not limited to, academic articles and books, international accounting standards, internet sources, government statistics, and publications in newspapers and magazines.

Chapter 3 presents the literature review of the study. Conducting the literature review provided the researcher with a clear understanding of the analysis of the impact of the pandemic on the remuneration structures of JSE-listed transportation companies. The purpose of this chapter is to convey this understanding to the reader by conceptualising the principles of remuneration and to define and critically discuss the various components which can form part of a remuneration structure.

The next chapter thus ensures that SO 2, 'define remuneration and discuss the various components which can form part of the remuneration structure', is met. The chapter also includes a brief overview of the value of the different components to the employee to ensure that a comprehensive understanding of the different components is obtained.

CHAPTER 3: REMUNERATION AND REMUNERATION COMPONENTS

3.1 Introduction

Employees are valuable assets to an organisation and can be the difference between its success and failure (Omar, 2019). An organisation has the potential to remain viable and competitive only as long as its employees and members choose to participate and engage in the roles necessary to contribute to its success (Gerhart & Milkovich, 1992). To ensure that members make these contributions and participate as desired, the organisation or employer must provide inducements that are of value to the members (Gerhart & Milkovich, 1992). These inducements can be referred to as remuneration, compensation, employee benefits or rewards interchangeably. Remuneration plays a critical role not only in the retention and attraction of valuable employees, but also in the motivation of these employees (Naji, 2014; Omar, 2019).

According to Jensen and Murphy (2004), the way in which executives are remunerated has changed significantly over the past three decades, mostly caused by the fundamental changes in the global economy. These changes to remuneration were evident in the explosion of granting of share options; and total compensation is often made up of cash compensation, restricted stock, retirement benefits, and pay-outs from a variety of long-term incentive plans (Jensen & Murphy, 2004). Throughout the 1970s, executive remuneration consisted mainly of base salaries and bonuses tied to annual performance (Jensen & Murphy, 2004). Today, this is not the case anymore, and there seems to be value in examining the various components which can form part of the remuneration structure of executive employees.

In general, the term 'remuneration' refers to the way in which employees are compensated in the workplace (Kessler, 2005). Examples of such rewards include, but are not limited to, share options, cash salaries, bonuses, overtime, and variable compensation. These rewards can be structured in various ways, and a distinction is usually made between intrinsic and extrinsic rewards (Kessler, 2005).

The purpose of this chapter is to define and conceptualise the term 'remuneration', as well as the various components that can form part of the remuneration structure of an employer. In order to analyse the change in remuneration structures of JSE-listed transportation companies, one must first obtain a comprehensive understanding of the underlying principle of remuneration, as well as the different elements that can form part of the remuneration structure.

This chapter aims to achieve SO 2, which is to define remuneration and discuss the various components which can form part of the remuneration structure. The chapter also includes a section addressing the value of the different components to employees in terms of the taxation implications, cash flow impact and the timing of the benefit.

3.2 Remuneration definition

‘Remuneration’ means any amount of income which is paid or is payable to any person by way of any salary, leave pay, wage, overtime pay, bonus, gratuity, commission, fee, emolument, pension, superannuation allowance, retiring allowance or stipend, whether in cash or otherwise and whether or not in respect of services rendered (Income Tax Act, 58 of 1962, hereafter ‘the Income Tax Act’).

The Basic Conditions of Employment Act, 75 of 1997 defines remuneration as ‘[a]ny payment in money or in kind, or both in money and in kind, made or owing to any person in return for that person working for any other person, including the State, and ‘remunerate’ has a corresponding meaning’.

Remuneration can also be referred to as employee benefits, including all forms of consideration given by an enterprise in exchange for services rendered by the employee (IASB, 2019c; Muthupandian, 2009). These payments can be made directly or indirectly to employees and are often used as an incentive for employees to perform optimally and deliver outstanding results (Gerhart & Milkovich, 1992; Zaric, 2021).

A broad distinction can be drawn between intrinsic and extrinsic rewards offered to employees (Kessler, 2005). Intrinsic rewards, which are non-monetary, psychological rewards, are usually generated by the employee personally, such as fulfilment derived from performing work that is interesting or meaningful (Fogleman & McCorkle, 2009; Gerhart & Milkovich, 1992; Kessler, 2005). These types of rewards can have an important effect on employee attitudes and behaviours (Gerhart & Milkovich, 1992; Kessler, 2005). Extrinsic rewards, on the other hand, refer to more tangible, monetary and non-monetary payments provided to the employee by others, usually the employer, which include pay, promotion, bonuses and other benefits (Kessler, 2005:317; Munir *et al.*, 2016).

The focus of this study was solely on extrinsic rewards, as this is the only type of reward that can be quantified and is reflected in financial statements and integrated reports and can thus be analysed to determine the impact of the COVID-19 pandemic thereon.

The analysis of descriptive disclosures made by companies regarding remuneration/rewards also focused on extrinsic remuneration, since they cannot determine and quantify the intrinsic rewards that employees receive. The inclusion of intrinsic rewards in this study would have greatly expanded the scope and methodologies required for proper investigation, but the researcher is not of the opinion that the omission of this type of compensation invalidates the findings and conclusions of the study.

Total remuneration can comprise various components or elements, and the combination of the different types of rewards constitutes the remuneration structure of an entity (Barczak *et al.*, 2021). The next section differentiates between the categories of remuneration, based on the characteristics of the remuneration (direct, indirect, fixed, variable, etc.). After establishing the categories of remuneration, the components or elements which can form part of the remuneration structure of organisations are identified and discussed.

3.3 Components of remuneration

Barczak *et al.* (2021) argue that employers tend to think, erroneously, that the key to effective remuneration is the monetary value of the remuneration provided to employees. Instead, the essence of effective remuneration decisions is including the correct components in the remuneration structure, and assembling and using these components in a way that employees view as appropriate (Barczak *et al.*, 2021).

As mentioned in the preceding section, remuneration can be stratified into two broad areas, being intrinsic rewards and extrinsic rewards (Kessler, 2005:317; Munir *et al.*, 2016). Extrinsic rewards can be further categorised into direct and indirect compensation (Fogleman & McCorkle, 2009; Naji, 2014; Zaric, 2021). *Direct* compensation is used to describe the cash components of remuneration given to employees directly, which includes the employees' base wage or pay (Fogleman & McCorkle, 2009; Naji, 2014; Zaric, 2021). *Indirect* compensation is a wider term, referring to all additional benefits provided to employees that have a monetary value but are not necessarily paid out in cash to the employee (Fogleman & McCorkle, 2009; Zaric, 2021). Indirect compensation includes all other remuneration components not included in direct compensation (Zaric, 2021).

Indirect compensation can also be further stratified into monetary and non-monetary rewards, as well as tangible and intangible rewards. Monetary (indirect) rewards, as suggested by the name, are rewards offered in the form of financial incentives. They consist of cash-based rewards, among other things, salaries, wages, bonuses, commission, and overtime (Aguinis *et al.*, 2013; Driel, 2016; Fogleman & McCorkle, 2009; Sittenthaler, 2019:4).

Non-monetary (indirect) incentives or rewards consist of tangible and intangible rewards, each defined and discussed below (Sittenthaler, 2019).

Tangible non-monetary rewards refer to physical incentives that are not cash, but have a monetary and financial value such as luxury goods, company cars and mobile phones, employer-provided meals and gift vouchers (Sittenthaler, 2019). Intangible non-monetary rewards, on the other hand, are similar to intrinsic rewards, as described in the preceding paragraphs. This type of remuneration does not have an inherent market or financial value, but is still valuable to the employee, for example, flexible working hours, wellness programmes, recognition, and flexibility in terms of working from home (Fogleman & McCorkle, 2009; Kessler, 2005; Munir *et al.*, 2016; Sittenthaler, 2019).

Remuneration can be either variable or fixed in nature. Suff and Reilly (2004) describe variable remuneration as the portion of the remuneration package that is not guaranteed. This type of remuneration is usually earned by meeting or exceeding performance criteria or benchmarks and, as suggested by the term, it varies based on the performance of the individual or team (Burke & Hsieh, 2005; Suff & Reilly, 2004). In contrast, fixed remuneration refers to pre-set remuneration that does not vary based on the performance of the individual or group and is guaranteed (Burke & Hsieh, 2005).

For income tax purposes, variable remuneration is defined in Section 7B of the Income Tax Act as follows:

- Overtime pay, bonus or commission contemplated in the definition of 'remuneration' (see section 3.2, page 49);
- an allowance or advance paid in respect of transport expenses;
- any amount which an employer has become liable to pay to an employee in consequence of the employee having become entitled to any period of leave which had to be taken by the employee;
- any night shift allowance;
- any standby allowance; or
- any amount paid or granted in reimbursement of any expenditure.

It can thus be deduced that variable remuneration in general, and variable remuneration for income tax purposes, differ slightly. For the purposes of this study, variable remuneration was accepted to be remuneration that depends on the performance of the employee as explained by Burke and Hsieh (2005) and Suff and Reilly (2004).

A distinction is drawn between variable remuneration for income tax purposes and variable remuneration in substance in section 3.4.1 (see page 61) of this chapter, where the value of the different components is evaluated.

In summary, remuneration can be classified into two broad categories, namely intrinsic and extrinsic rewards, as defined in the preceding sections. Extrinsic rewards can be stratified into direct and indirect remuneration. Direct remuneration is monetary in nature, whereas indirect remuneration can be either monetary or non-monetary. Non-monetary indirect remuneration can be further subdivided into tangible or intangible remuneration.

The next section of this chapter will delve into the different components that can fall under each category identified above.

3.3.1 Direct remuneration

Direct remuneration consists of either of the elements (or a combination thereof) as set out in table 3-1 below:

Table 3-1 Direct remuneration components

Remuneration component	Explanation
Hourly wages (Monetary) (Fixed remuneration)	This type of remuneration is a fixed rate per hour paid to the employee for the numbers of hours worked. This type of remuneration is commonly used to compensate temporary or part-time unskilled or semi-skilled employees. The rate per hour must comply with the minimum wage requirements of the relevant country and must be adjusted when the hours worked are on Sundays/public holidays/outside normal working hours (overtime).

Remuneration component	Explanation
Annual salary (Monetary) (Fixed remuneration)	This remuneration component is commonly provided to employees who are skilled and in employment of the employer on a full-time basis. A salary consists of a monthly cash payment made to employees. The salary should comply with the minimum wage requirements of the relevant country, but entities are not required to pay overtime to employees who receive this type of remuneration. This condition can, however, be established in the employment contract.
Commission (Monetary) (Variable remuneration)	Commission is usually provided to employees in addition to a base salary and is intended to incentivise employees to reach certain tasks/goals. Commission is paid to employees only when they complete certain tasks or reached certain performance goals. This is also a cash payment made to employees.
Bonus (Monetary) (Variable remuneration)	This type of remuneration is rewarded to employees occasionally to honour exceptional performance or for special occasions. A bonus is usually a cash payment made to employees. Bonuses can also be paid based on the performance of a company/division as a whole.

(Source: *Basic Conditions of Employment Act 75 of 1997*; Fogleman & McCorkle, 2009; Jay, n.d.; Munir et al., 2016; Zaric, 2021; Zheng, 2010)

3.3.2 Indirect remuneration

Indirect remuneration includes, among other things, the components as set out in table 3-2 below:

Table 3-2 Indirect remuneration components

Remuneration component	Explanation
UIF contributions (Non-monetary) (Fixed remuneration)	The UIF of South Africa gives short-term relief to employees who have become unemployed, or are incapable of work due to maternity, adoption and parental leave, or illness. All employees, as well as their employers, are responsible for payments to the UIF. Employers are required to pay a total contribution of 2% of remuneration per month to the fund, of which 1% should be contributed by the employee and the other 1% by the employer.
Retirement and/or pension fund contributions (Non-monetary) (Fixed remuneration)	This type of remuneration consists of contributions made by the employer on the employee's behalf to retirement funds, pension funds or any similar fund. Employers usually pay an amount in proportion to the premium paid by the employee.
Long-term incentives (Share/stock options) (Non-monetary) (Variable remuneration)	Employers can choose to reward employees with shareholding in the employer company or another company within the same group of companies. These rewards can be in the form of shares, share options or share appreciation rights.
Motor and travel allowances (Monetary) (Fixed remuneration)	Employers pay these allowances to employees when they are required to use their private vehicle for purposes of the employer's business. These allowances are also paid when employees have to incur additional expenditure due to travelling away from their usual place of residence, for business purposes.

Remuneration component	Explanation
Credit provided to employees (Monetary) (Fixed or variable remuneration, depending on the terms of the arrangement)	Employers can choose to provide credit (loans or similar) to employees at interest rates and on credit terms that are beneficial to the employee.
Paid annual leave/paid absences (Monetary or non-monetary) (Fixed remuneration)	An employer must pay an employee leave pay at an amount equal to at least the remuneration that the employee would have received if the hours had been spent working instead of leave taken. The terms of the employment agreement can stipulate whether employers are required to reimburse employees in cash for leave not taken during an annual leave cycle, which would result in these paid absences being classified as <i>vesting</i>. If employers have no obligation to reimburse employees for leave not taken, the paid absences would be classified as <i>non-vesting</i>. The annual leave can either be carried forward to be used in the next year if the employees did not use it during the current year/leave cycle (accumulating), or it can be forfeited if not used.
Clothing (Non-monetary) (Fixed remuneration)	Some employers may award uniforms or clothing to employees to be worn during work hours as part of their remuneration package.

Remuneration component	Explanation
Housing (Non-monetary or monetary) (Fixed remuneration)	Employers may choose to pay employees a housing allowance as part of their remuneration package, which would result in this component being a monetary reward. This would be a cash payment made to employees on a monthly basis, to enable them to pay for accommodation. Alternatively, employers can allow employees to live in a dwelling owned or rented by the employer at no cost, or at a discounted price, which would result in a non-monetary benefit.
Right of use of motor vehicles or other items (Non-monetary) (Fixed remuneration)	Employment agreements can stipulate that employees are granted the right to use motor vehicles or other assets (such as computers or mobile phones), owned or rented by the employing company/entity/individual, as part of their remuneration package. Employees can usually use the assets or vehicles for personal purposes as well as for the business of the employer.
Reimbursement of expenditure (Monetary) (Fixed remuneration)	This type of remuneration consists of payments made by employers to reimburse employees for personal expenditure incurred or for expenditure incurred on behalf of the employer.
Bursaries to employees or their dependents (Monetary) (Fixed remuneration)	Employers can choose to provide bursaries to employees or dependents of employees by virtue of employment. This would consist of payments made to enable the employee or dependents to study. Depending on the terms of the agreement, the payment could be made either to the employee or dependent, or directly to the institution where the person is studying.
Life insurance contributions (Non-monetary) (Fixed remuneration)	This type of remuneration consists of contributions made by the employer on the employee's behalf to long-term insurance companies. Employers usually pay an amount in proportion to the premium paid by the employee.

Remuneration component	Explanation
Medical aid contributions or medical expenditure (Non-monetary) (Fixed remuneration)	This type of remuneration consists of contributions made by the employer on the employee's behalf to medical aid funds, or employers can reimburse employees for medical expenditure incurred. Employers usually pay an amount in proportion to the premium paid by the employee.

(Source: Burghof & Hofmann, 2004; Ernst & Young, 2008; Fogleman & McCorkle, 2009; IASB, 2019d; Income Tax Act; Jay, n.d.; SARS, 2022b; Theunissen & Oberholzer, 2013)

Tables 3-1 and 3-2 above (direct and indirect remuneration) are not exhaustive, but they provide a good framework of the components that can form part of the remuneration structure of entities. These are the only components that were used in the study. Using only the above identified components of remuneration in the study does not preclude the study from providing relevant conclusions.

3.3.3 Other components of remuneration

The discussion below includes an explanation of intangible rewards/remuneration practices that employers can offer their employees. The explanation of these elements is relevant for the first part of the analysis in chapter 4, which deals with qualitative disclosures regarding changes to the way employees were remunerated due to the pandemic.

'Flexible work schedules' refer to practices that allow employees to manage and determine their own work schedules and hours of work (Omondi & K'Obonyo, 2018). These practices give employees some control over their work and over the timing and location of such work (Omondi & K'Obonyo, 2018). During the pandemic, many employees opted to conduct their work/business from home, giving rise to a growing and popular phenomenon, known as working from home (WFH), teleworking or telecommuting (Gorjifard & Crawford, 2021). WFH refers to work that is done at premises other than the employer's premises, whether at the employee's home or another location chosen by the employee, which results in a product or service for the employer and remuneration paid to the employee (International Labour Organisation [ILO], 2021a:17).

Many employers began to show an interest in this work style. Soon organisations from across the globe adopted this way of working not only in an attempt to maintain business continuity during the pandemic, but also as a benefit offered to employees permanently (Gorjifard & Crawford, 2021). Many companies also adopted a hybrid system of work, combining the physical (traditional) work arrangement – where the employee works in person at the business or organisation’s location – and remote working arrangements – where the employee works remotely via the internet (Iqbal *et al.*, 2021).

Employee health, both mental or physical, is of essence to employers as it could have a direct impact on employee effectiveness and productivity (Chellam & Divya, 2022:181; Saju *et al.*, 2019). Especially due to the pandemic, employers have become increasingly aware of their responsibility towards taking care of employee mental wellness at the workplace by offering, for example, Employee Assistance Programmes (EAP). These programmes aid in promoting the psychological and mental health of employees and have been widely accepted by employer organisations (Chellam & Divya, 2022:183).

The programmes offer support to staff with regard to personal issues and professional concerns that may influence their performance (Chellam & Divya, 2022:183). Studies have shown that investing in these types of programmes not only enhances the well-being of employees, but also boosts productivity and reduces healthcare expenses (Chellam & Divya, 2022:183).

While mental health is essential to an employee’s functioning and productivity, one must not underestimate the importance of a safe, healthy working environment (Van der Voordt & Jensen, 2021). A healthy workplace contributes to the physical, mental, and social well-being of employees (Van der Voordt & Jensen, 2021). A work environment that makes an employee feel secure, safe, engaged, motivated and satisfied in doing their job will cultivate a workforce that are productive and dedicated to their job (Shammout, 2022:83). It is therefore crucial for organisations to create a safe, healthy working environment that enables employees to obtain these rewards.

Training and development is of equal importance to employees and employers. Investing in training and development can result in employers having more competent and motivated staff who are committed to their employer and will be more easily retained (Ahmad *et al.*, 2017). Employees, on the other hand, benefit from this type of reward as they become equipped to better perform their job while gaining personal satisfaction from the newly acquired knowledge and skills (Ahmad *et al.*, 2017). Employees who are not adequately prepared for their jobs and obligations are prone to feeling demotivated.

Therefore, proper training can increase not only motivation, but also job satisfaction and feelings of accomplishment among employees (Przewozna-Krzeminska, 2017).

Timely, open communication is another way that employers can ensure that employees have a positive experience at the workplace (Chellam & Divya, 2022:186). Because communication is key to organisational success, employers need to prioritise communication with employees regarding their personal needs and problems, as well as the state of affairs of the organisation (Chellam & Divya, 2022:186). Poor communication can lead to dissatisfied and disconnected employees who are uncommitted to their organisation (Chellam & Divya, 2022:186). Team performance can also be improved if the organisation ensures that communication is an integral part of the additional benefits offered to employees (Chellam & Divya, 2022:186).

As demonstrated by the discussion above, remuneration can include intangible rewards that will not necessarily be reflected in the remuneration package of employees. The value of these rewards to employees will be different for each individual, depending on their preferences.

To conclude, remuneration can consist of various components, and the remuneration package of employees can be structured in various ways. Figure 3.1 on the next page provides a summary of the composition of remuneration:

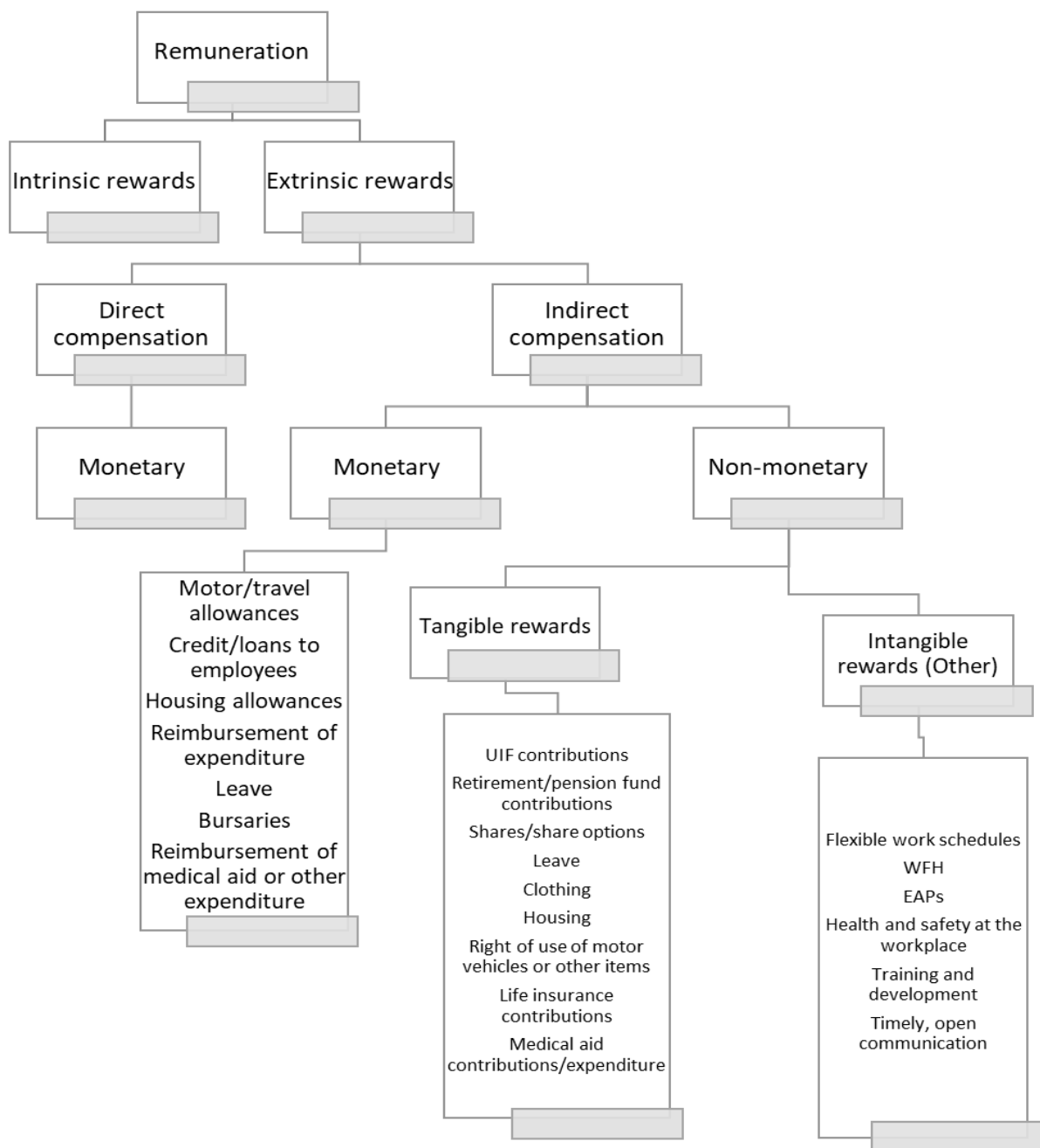


Figure 3.1 Summary of remuneration components
(Source: Author)

3.4 Value of remuneration components

As established in the preceding section, remuneration can comprise various components or elements to which employees attach different degrees of value. It can therefore be deduced that both the composition of remuneration and the value of each of the components to the employee hold importance for the employee. Therefore, any change in the remuneration structure will have an impact on the financial well-being of employees.

Omar (2019) explains that organisations attempt to use compensation as a tool to motivate, retain and attract employees, as well as boost productivity and increase job satisfaction. The success of the employer's efforts in achieving this is largely influenced by the value that the employees attach to the remuneration package offered.

In this section, the components of remuneration will be considered in terms of the following criteria:

- The taxation impact of the component;
- The cash flow implications of the component; and
- The timing of the benefit.

3.4.1 The taxation impact

As mentioned in the preceding section, the definition of variable remuneration, for income tax purposes, is different than the one applied in the rest of the study. For this subsection, the income tax definition of variable remuneration will be used. All taxation impacts will be considered in the context of the Income Tax Act.

To make the subsection easier to follow, the remuneration components are stratified into groups with similar tax treatments. Income from employment can be stratified into different categories (SARS, 2022a:12):

- Direct remuneration: salary, overtime, commission, bonus, etc. (section 3.4.1.1, page 62);
- Indirect remuneration: taxable benefits (section 3.4.1.2.1, page 63);
- Indirect remuneration: allowances (section 3.4.1.2.2, page 71); and
- Indirect remuneration: gains (other) (section 3.4.1.3, page 73).

3.4.1.1 Direct remuneration

Annual salary or hourly wages (excluding overtime): In terms of paragraph (c) of the 'gross income' definition contained in Section 1 of the Income Tax Act, any amount, including any voluntary reward, received or accrued in respect of services rendered or services to be rendered, or any amount received or accrued in respect of any employment or the holding of any office, shall be included in a taxpayer's gross income.

This means that the annual salary earned by the employee will be included in the employee's taxable income, and it will be subject to income tax, which will be deducted monthly by the employer (Jones, 2021:4).

Overtime pay, bonus or commission: In terms of Section 7B of the Income Tax Act, these types of remuneration constitute 'variable remuneration' (as explained in section 3.3, page 50). This means that, in the determination of the taxable income of an employee, any amount to which an employee becomes entitled to from an employer in respect of variable remuneration is only deemed to accrue to the employee on the date that the amount is paid (Groenewald & Viviers, 2020:66; Income Tax Act).

These amounts received by the employee will also be included in gross income and will consequently be subject to income tax. However, owing to the special timing rule contained in Section 7B, this will only be applicable once the remuneration is actually received (Groenewald & Viviers, 2020:66).

From the discussion above, it can be concluded that employees will be liable for income tax on the receipt or accrual of direct remuneration. The only difference between fixed and variable pay is the timing of the inclusion in the employee's taxable income. It should also be noted that the employer will be responsible for deducting and withholding Employees' Tax on the remuneration paid to employees, which means that the employee will effectively pay income taxes on a monthly basis (Income Tax Act). The month/period during which the Employees' Tax will be withheld is also determined by the classification (fixed vs variable) of the remuneration (Groenewald & Viviers, 2020:66).

3.4.1.2 Indirect remuneration

For income tax purposes, indirect remuneration could either be classified as a fringe (or taxable benefit), an allowance, or gains (SARS, 2022a). Also, for income tax purposes, no distinction is drawn between monetary and non-monetary indirect remuneration, as the definition of 'remuneration' in terms of the Fourth Schedule of the Income Tax Act includes any income, whether in cash or otherwise (Atkinson, 2020:10; SARS, 2022a:14). Remuneration, for income tax purposes, includes both cash-based payments and non-cash benefits provided to employees. In the case of non-cash benefits, the value of the benefit is determined in terms of the Income Tax Act (Atkinson, 2020:10; SARS, 2022a:14).

Leibowitz (1983) describes fringe benefits as non-wage compensation offered to employees, in addition to their normal wages or salaries, as a source of motivation for employees (Akpan, 2020:1296). The Seventh Schedule of the Income Tax Act regulates the taxation of fringe benefits in the hands of the employee. This schedule stipulates that a 'cash equivalent or value' of the taxable benefit has to be determined, and that the cash value of the taxable benefit has to be included in the employee's taxable income, after deducting any amounts paid by the employee in respect of this benefit (Income Tax Act; Murray, 2020:94). Paragraph (i) of the 'Gross Income' definition in Section 1 of the Income Tax Act states that the value determined in accordance with the Seventh Schedule has to be included in the employee's taxable income (Murray, 2020:94).

The Seventh Schedule of the Income Tax Act prescribes different rules to determine the cash value or equivalent of different fringe benefits, each of which will be considered individually in the sections to follow.

Allowances are regulated in Section 8 of the Income Tax Act, and allowances paid to employees are specifically excluded from the definition of 'taxable benefits' in terms of the Seventh Schedule (SARS, 2022a:13).

The employer has the responsibility to deduct and withhold Employees' Tax on total remuneration, which includes the value of taxable fringe benefits, allowances and other components of remuneration offered to employees (Abraham, 2020:99; Income Tax Act; Murray, 2020:94).

3.4.1.2.1 Taxable fringe benefits

As mentioned in the discussion above, the Seventh Schedule of the Income Tax Act governs the taxation of taxable fringe benefits.

In terms of paragraph (i) of the 'Gross Income' definition in Section 1 of the Income Tax Act, the cash equivalent of any benefit or advantage granted to the employee by virtue of employment during the year of assessment must be included in the employee's taxable income. The employee is taxed on the benefit as if they received the benefit in cash, hence the determination of the 'cash value' thereof (Murray, 2020:94).

The determination of the cash equivalent is discussed below for each of the remuneration components classified as 'taxable benefits' by the Income Tax Act. The Seventh Schedule also contains exceptions which lead to the benefits having no value (Income Tax Act). These exceptions are not discussed below, as they did not fall within the scope of this study.

Retirement/pension fund contributions: If the employer has made any contributions, for the benefit of the employee, to any pension fund or provident fund, this constitutes a taxable benefit (Brincker, 2019:102; Cooper, 2018:54; Deloitte, 2022:2; Income Tax Act).

Paragraph 12D of the Seventh Schedule of the Income Tax Act explains that the cash equivalent of the taxable benefit will depend on whether the contribution made by the employer consists solely of defined contribution components, or components other than only defined contribution components (Cooper, 2018:54; SARS, 2023:19). A defined contribution component includes a risk benefit from a fund where the value of the benefit is equal to the value of the contributions paid by the member (Income Tax Act; SARS, 2023:19).

If the benefits payable to members of a fund consist solely of defined contribution components, the cash equivalent to be included in the gross income of the employee is the value of the amount contributed by the employer for the benefit of the employee (Cooper, 2018:54; Income Tax Act; SARS, 2023:19). On the other hand, if the benefits payable to members of a fund consist of components other than only defined contribution components, the cash equivalent of the value of the taxable benefit must be determined in accordance with the following formula (Cooper, 2018:54; Income Tax Act; SARS, 2023:19):

$$X = (A \times B) - C$$

in which formula –

'X' represents the amount to be determined, i.e., the cash value;

'A' represents the fund member category factor of which the employee is a member;

'B' represents the amount of the retirement funding income of the employee; and

'C' represents the sum of the amounts contributed by the employee, excluding any voluntary contributions contributed to the fund by the employee, and buyback in respect of that year of assessment.

Loans to employees: If an employee incurs debt in favour of the employer, and no interest, or interest at a rate lower than the official interest rate, is payable by the employee, this constitutes a taxable fringe benefit. The cash equivalent of the fringe benefit shall be the amount of interest that would have been paid calculated using the official interest rate, less any amount of interest (if any) actually paid by the employee (Cooper, 2018:54-55; Income Tax Act; SARS, 2022a:16, 2023:13).

Medical aid contributions/expenditure: If the employer has, directly or indirectly, incurred any amount in respect of any medical, dental and similar services for the benefit of the employee or their spouse, child, relative or dependent, this constitutes a taxable benefit. The cash value of the taxable benefit is the amount of expenditure incurred by the employer (Cooper, 2018:53; Income Tax Act; Murray, 2020:94; SARS, 2023:17).

Assets acquired at less than the value thereof: If the employee has acquired any asset (other than money) from the employer, either for no consideration, or for a consideration which is less than the value of such asset, this acquisition constitutes a taxable benefit. The amount to be included in the gross income of the employee is the cash equivalent of the benefit, less any amount of consideration paid by the employee to acquire the asset (Cooper, 2018:55; Income Tax Act; Murray, 2020:94; SARS, 2023:4). Table 3-3 on the next page sets out the cash equivalents of specific assets, which depend on the circumstances of the acquisition:

Table 3-3 Cash equivalent of assets acquired at less than the value thereof

Scenario	Cash equivalent
Employer acquired asset with the sole purpose of disposing it to the employee	Cost of the asset
Asset disposed to the employee is trading stock of the employer	Cost of the asset
Any other case	Market value of the asset on the date the asset is acquired by the employee

(Source: *Income Tax Act; SARS, 2023:4*)

If the employee only has the right to use the asset, and ownership of the asset did not transfer to the employee, the cash equivalent will be determined in accordance with the prescriptions explained in the next section, which is the right of use of assets.

Right of use of motor vehicles or other items: If an employee has been granted the right to use any asset owned or leased by the employer for private purposes, either free of charge or for consideration that is less than the value of such use, the right to use this asset constitutes a taxable benefit (*Income Tax Act; Murray, 2020:94*).

Right of use of any asset (other than residential accommodation or any motor vehicle): The cash equivalent of the benefit will be so much of the private or domestic use of such asset as exceeds the consideration paid by the employee for the right of use of the asset (*Income Tax Act; SARS, 2023:6*). The value to be placed on private or domestic use of the asset is listed in table 3-4 below:

Table 3-4 Value of private or domestic use of an asset

Scenario	Value of private or domestic use
The asset is held by the employer under a lease	Amount of rental payable by the employer
The asset is owned by the employer	15% of the lesser of the: - cost of the asset; or - market value of asset on date the right of use is granted to the employee The value shall be apportioned for periods shorter than one year

Scenario	Value of private or domestic use
An employee is granted the sole right of use of the asset over a major portion or the entire period of the useful life of the asset	Cost of the asset

(Source: Income Tax Act; SARS, 2023:6)

Residential accommodation: Employers might provide employees with residential accommodation at no consideration or for a fee lower than market rental (Murray, 2020:94; SARS, 2023:10). This shall be deemed to be a taxable benefit (Madden & Vally, 2020:36; Murray, 2020:94; SARS, 2023:10). The cash equivalent to be included in the gross income of the employee is the rental value of the accommodation, less any consideration paid by the employee in respect of the accommodation (Deloitte, 2022:3; Income Tax Act; SARS, 2023:10).

The rental value, if the accommodation is owned by the employer, is determined in accordance with the formula (Deloitte, 2022:3; Income Tax Act; SARS, 2023:10):

$$(A - B) \times C/100 \times D/12$$

in which formula –

‘A’ represents the remuneration proxy of the employee;

‘B’ represents an abatement equal to an amount of R95 750, provided that in any case where –

- the employer is a private company and the employee, or their spouse controls the company; or
- the employee, their spouse or minor child has a right of option or pre-emption granted by the employer to become the owners of the accommodation,

the abatement shall be reduced to zero.

‘C’ represents a quantity of 17, or

- ‘C’ represents a quantity of 18 if the house or apartment or flat has at least four rooms, and the employer provides the employee with either furniture, or power or fuel, but not both; or

- 'C' represents a quantity of 19 if the house or apartment or flat has at least four rooms, and the employer provides the employee with a furnished house and pays for the power or fuel.

'D' represents the number of months that the employee was entitled to make use of the accommodation.

If the employer offers the employee accommodation in a house or flat or apartment that is not owned by the employer, the rental value shall be the lower of (Income Tax Act; SARS, 2023:11):

- The amount determined in accordance with the formula above; or
- The rental payments made during the year of assessment by the employer.

Right of use of motor vehicle: Employers may offer employees the use of a company car, and while this may be considered a great perk, employees often do not realise that they will be taxed on the right to use the vehicle for private purposes (Madden & Vally, 2020:37; Murray, 2020:94). The employee will be taxed on the value of private use of the vehicle, less any consideration paid by the employee for the right to use the vehicle. The taxable benefit is apportioned for periods less than a year, or periods less than a month (Income Tax Act; Murray, 2020:94-95).

The first step in determining the value of the fringe benefit is to determine the value of the vehicle, which is known as the determined value (Income Tax Act; Murray, 2020:94) and can be depicted as in figure 3.2 below:

If employer acquired the vehicle in terms of a <i>bona fide</i> sales agreement	• The determined value of the vehicle is the retail market value thereof, including VAT, but excluding any finance charge or interest payable by the employer.
If the employer leases the car, or acquired the car after a lease	• The determined value is the retail market value at the time that the employer first acquired the right to use the vehicle in terms of the lease. • If the vehicle is rented in terms of an 'instalment credit agreement', the determined value is the cash value of the vehicle.
Any other case	• The determined value is the retail market value at the time when the employer first obtained the vehicle.

Figure 3.2 Determined value of a vehicle

(Source: Income Tax Act; Murray, 2020:94)

Once the value of the vehicle has been established, the next step is to calculate the value on which the employee will be taxed, which is referred to as the value of private use. The value of private use is determined as follows (Income Tax Act; Murray, 2020:95; Viviers, 2021a):

If the vehicle has a maintenance plan: The determined value (see above) x 3.25%

If the vehicle has no maintenance plan: The determined value (see above) x 3.5%

As mentioned earlier, the employee is only taxed on the personal use of the vehicle; therefore, the employee might qualify for certain deductions of business-related expenditure incurred (Income Tax Act; Murray, 2020:95). In terms of paragraph 7(7) of the Seventh Schedule of the Income Tax Act, the employee is entitled to a deduction equal to an amount calculated as follows (Murray, 2020:95; Viviers, 2021a):

Value of private use (as determined above) x (Business kilometres ÷ Total kilometres)

Paragraph 7(8) of the Seventh Schedule of the Income Tax Act also permits the deduction of the following amounts from the value of private use (as determined above) (Murray, 2020:96; Viviers, 2021a):

- The full cost of the *license* of the vehicle if this cost is borne by the employee: This cost should be apportioned between the portion that relates to business kilometres and private kilometres. The employee is permitted to deduct the portion attributable to private kilometres.
- The full cost of the *insurance* of the vehicle if this cost is borne by the employee: The cost should be apportioned in the same manner as discussed in the previous point.
- The full cost of *maintenance* of the vehicle if this cost is borne by the employee: The cost should be apportioned in the same manner as discussed in the first point.
- The full cost of *fuel* for private kilometres travelled by the employee: This deduction is determined by multiplying the rate per kilometre for fuel fixed by the Minister of Finance in the *Gazette*, with the total number of private kilometres travelled by the employee.

Unemployment Insurance Fund contributions: In terms of paragraph 2 of the Seventh Schedule of the Income Tax Act, taxable benefits only include benefits accrued to employees by virtue of employment. UIF contributions are not made to employees because of employment, but because employers are obliged to make these contributions in terms of the Unemployment Insurance Act, 63 of 2001. Therefore, UIF contributions are not taxable benefits, and will not have an impact on the income tax of an employee (Gami, 2023; Income Tax Act; Unemployment Insurance Act).

Paragraph 2 of the Seventh Schedule further states that any benefit of which the value or amount is exempt in terms of Section 10(1) of the Income Tax Act, will not constitute a taxable benefit. In terms of Section 10(1)(mB), any benefit or allowance payable in accordance with the Unemployment Insurance Act is exempt from income tax. Thus, the benefit arising from the employer's contributions to UIF will be exempt from income tax and will, therefore, not constitute a taxable benefit (Gami, 2023; Income Tax Act).

Bursaries: Paragraph 1 of the Seventh Schedule of the Income Tax Act states that amounts that are exempt from normal tax in terms of Section 10 of the Act do not constitute a taxable benefit (Soni, 2020:106).

Section 10(1)(q) or 10(1)(qA) contains guidance on when bursaries received are exempt from normal tax. Only bona fide study bursaries can qualify for the exemption, and the bursary agreement should contain a condition that stipulates that the bursary amount must be repaid if the employee fails to complete their studies due to any reason other than death, ill health or injury (Income Tax Act 58 of 1962; Parker *et al.*, 2021:28; Soni, 2020:106).

Furthermore, the employee's remuneration proxy may not exceed R600 000 in a year of assessment, and the exempt amount is capped at either R20 000 (for school and NQF level 1 to 4 bursaries) or R60 000 (for NQF level 5 and up bursaries) (Income Tax Act; Parker *et al.*, 2021:28; Soni, 2020:106; Viviers, 2021b). Therefore, if the bursary is exempt in terms of the aforementioned sections, it will not constitute a taxable benefit. However, if the bursary is not exempt from normal tax and the bursary is granted to the employee or their dependent by virtue of employment, it will constitute a taxable benefit (Soni, 2020:106).

The cash value to be included in the gross income of the employee will be the amount that the employer paid as the bursary (Income Tax Act; Soni, 2020:107).

Life insurance contributions: If the employer has made any contributions to an insurer under an insurance policy for the benefit of the employee, this is deemed to be a taxable fringe benefit. This payment is only a taxable benefit if the insurance policy does not provide cover for events arising solely from employment-related activities (Income Tax Act; SARS, 2023:15).

The cash equivalent of the value of the taxable benefit is equal to the expenditure actually incurred by the employer regarding premiums paid (Income Tax Act; SARS, 2023:15).

3.4.1.2.2 Allowances

SARS provides guidance on the difference between an allowance and a reimbursement for income tax purposes. These two terms will be defined and discussed below, as the classification of payments has a taxation impact for the employee.

An allowance can, for income tax purposes, be defined as an amount of money provided to an employee by an employer to enable the employee to incur business-related expenditure on behalf of the employer (Abraham, 2020:98; SARS, 2021). An allowance is therefore provided to an employee in anticipation of business-related expenditure to be incurred, and the purpose of an allowance is not to fund private expenditure (Abraham, 2020:98). SARS argues that a portion thereof would inevitably contribute to funding private expenditure, which would result in a taxable portion (Abraham, 2020:99).

If an employee has incurred business-related expenditure on behalf of the employer, and the employer reimburses the employee for the expenditure incurred, this payment would constitute a reimbursement (Abraham, 2020:99; SARS, 2021). In this case, the employee did not receive any benefit from the allowance or advance, and therefore will most likely not be taxed on it (SARS, 2021).

The taxation of allowances is governed by Section 8 of the Income Tax Act. It is important to note that allowances and reimbursements are reflections of business-related expenditure for the employer and should not arise as a result of services rendered by the employee to the employer (SARS, 2021). If the payment arises due to services rendered by the employee to the employer, the payment does not fall within the scope of Section 8 (SARS, 2021). These types of payments will be included in the employee's gross income under paragraph (c) of the definition of 'Gross Income' (Income Tax Act). One must therefore establish whether the intention of the employer is to provide the employee with an additional benefit or reimburse the employee for business expenditure incurred (Abraham, 2020:100).

Housing allowances: As per the discussion above, the provision of a housing allowance by the employer to the employee will, in most instances, be made due to services rendered by the employee to the employer and the allowance will provide the employee with an additional benefit (Abraham, 2020:100; SARS, 2021). Section 8 of the Income Tax Act will therefore not be applicable. The amount paid by the employer will thus be included in the employee's gross income in terms of paragraph (c) of the 'Gross Income' definition in Section 1 of the Income Tax Act, because this is an amount that accrued to the employee due to the provision of services to the employer.

Clothing allowance: Section 8 of the Income Tax Act states that an allowance or advance received by an employee must be included in their taxable income, excluding any portion of the allowance or advance that is exempt from income tax in terms of Section 10(1) of the Act (SARS, 2022a:14).

Clothing allowances may be exempt in terms of Section 10(1)(nA) if the following conditions are met (Income Tax Act; SARS, 2022a:14):

- In terms of the employment agreement, the employee is obliged to wear the special uniform;
- The uniform is clearly distinguishable from ordinary clothing; and
- The allowance granted by the employer to the employee is reasonable.

If the allowance is exempt from income tax, the provision of this allowance will have no taxation impact on the employee. If the allowance is not exempt from tax, the amount of the allowance granted to the employee must be included in the employee's gross income (Income Tax Act; SARS, 2022a:14).

Travel allowances: A travel allowance is paid to an employee by the employer in respect of travelling expenses incurred for business purposes (Abraham, 2020:100; Jembula, 2021:4). Employees will only be taxed on the portion of the allowance that relates to private travel (Abraham, 2020:100; Jembula, 2021:4). The amount to be included in the employee's taxable income is the total allowance received by the employee, less the greater of the actual or the deemed business-related costs (Groenewald, 2020; Income Tax Act).

The deduction that the employee is able to claim will be the kilometres travelled for business purposes multiplied by either the actual cost per kilometre (if the actual expenditure can be proved to the Commissioner) or the deemed cost per kilometre (as determined by the Minister of Finance in the *Gazette*), whichever is greater (Groenewald, 2020; Income Tax Act) – provided that the deduction will only be available to the taxpayer if an accurate logbook was kept of the actual kilometres travelled (Abraham, 2020:98; Income Tax Act; Jembula, 2021:4).

Subsistence allowances: A subsistence allowance is paid to an employee for expenses incurred with regard to subsistence and incidental costs, such as lunch, drinks, parking, etc. (Income Tax Act; SARS, 2022a:14). The amount to be included in the employee's taxable income is equal to the subsistence allowance received, less the greater of the actual or deemed costs (Deloitte, 2022:4; Groenewald, 2020; Income Tax Act; SARS, 2022a:14).

If an employee is obliged to spend at least one night away from their usual place of residence (home) in South Africa, they are entitled to deduct the expenditure incurred (whether actual or deemed) on meals, accommodation and other incidental costs (Deloitte, 2022:4; Groenewald, 2020; SARS, 2022a:14).

Reimbursement of expenditure: In certain circumstances allowances received by the employee will not be included in their taxable income, as explained by Section 8 of the Income Tax Act. This will be the case if the following criteria are met (Income Tax Act):

- The employer instructed the employee to incur the expenditure, or the employee was obliged to spend a part of the day away from their usual place of work, due to duties relating to their employment, and incurred expenditure on meals and other incidental costs;
- The employee must provide proof of the expenditure incurred; and
- The expenditure had to be incurred wholly for trade purposes of the employer.

If the reimbursement is not excluded from an employee's taxable income as described above, the reimbursement, less actual business expenditure incurred, will be included in the employee's taxable income (Income Tax Act; Murray, 2020:99).

3.4.1.3 Other remuneration

Shares/share options: If an employer company decides to issue shares, share options, or any other equity instrument to their employees by virtue of employment, the taxation of this benefit will be governed by Section 8C of the Income Tax Act. This section will only be applicable if the fundamental reason for the acquisition of an equity stake in the company was for retention or motivational purposes. The section was introduced with the objective of deferring the employee's tax obligation to the date of disposal of the instrument, or until the qualifications imposed on the instrument have been lifted (Milton, 2011:1, 12; Rudnicki, 2019:18, 20).

The employer company can either grant the employee a restricted equity instrument or an unrestricted equity instrument. The taxation thereof will be determined based on whether the instrument is restricted or unrestricted (see table 3-5 below). An equity instrument is unrestricted if the vesting of the instrument is not subject to any conditions or restrictions, whereas a restricted instrument is subject to restrictions (other than a restriction imposed by legislation) (Income Tax Act; Rudnicki, 2019:18).

Table 3-5 Taxation impact of equity instruments

	Restricted equity instrument	Unrestricted equity instrument
Amount to be included in gross income upon granting of the equity instrument	The amount to be included in gross income on the date that the instrument is granted to the employee is as follows: Market value on grant date less any consideration paid by the employee to acquire the equity instrument.	The amount to be included in gross income on the date that the instrument is granted to the employee is as follows: Market value on grant date less any consideration paid by the employee to acquire the equity instrument.
Exemptions applicable	If the equity instrument is restricted, and therefore did not vest on grant date, the amount included in gross income as discussed above will be exempt from income tax in terms of Section 10(1)(nD).	Not applicable
Amount to be included in gross income upon vesting	The amount to be included in gross income on the date that the instrument vests in the employee is as follows: Market value on vesting date less any consideration paid by the employee to acquire the equity instrument.	The grant date would be the same as the vesting date, so no additional inclusion on vesting date would be necessary.

(Source: Income Tax Act; Rudnicki, 2011:13; SARS, 2022:16)

Leave: In terms of Section 7B of the Income Tax Act, any amount that the employer pays to the employee in respect of leave days not taken constitutes 'variable remuneration'. This means that these amounts will be included in the taxable income of the employee only once they have actually been paid by the employer (Groenewald & Viviers, 2020:66; Income Tax Act).

3.4.2 Cash flow implications for the employee

To evaluate the cash flow implications of the different remuneration components for the employee, the components will be stratified into groups that have similar cash flow implications:

- Direct remuneration;
- Non-monetary indirect remuneration; and
- Monetary indirect remuneration.

3.4.2.1 Direct remuneration

Jaafar and James (2014) refer to salaries and bonuses as 'cash remuneration', which suggests that the employee will enjoy the cash flow benefit of these types of remuneration as soon as they have been paid. Chung *et al.* (2005, cited by Jaafar & James, 2014) and Leone *et al.* (2006, cited by Jaafar & James, 2014) also included all components listed under direct remuneration as 'cash remuneration or emoluments', which confirms that employees will receive the cash promptly once it has been paid by the employer.

3.4.2.2 Non-monetary indirect remuneration

As discussed above (see section 3.3.2, page 54), non-monetary rewards are rewards other than cash offered to employees (Kessler, 2005; Munir *et al.*, 2016; Sittenthaler, 2019). These are tangible items that have a monetary or financial value but are not paid out in cash. Since components of remuneration included in non-monetary indirect remuneration are not actual cash paid to employees, they will not have a cash flow implication for the employee (Sittenthaler, 2019). The employees do not receive any money, but rather receive goods or services in exchange for the services provided to the employer (Kenjo, n.d.).

3.4.2.3 Monetary indirect remuneration

As explained above (see section 3.3.2, page 54), monetary indirect remuneration constitutes rewards offered in the form of financial incentives, but excludes components that form part of direct remuneration (Aguinis *et al.*, 2013; Driel, 2016; Sittenthaler, 2019).

In most cases, the employee does not receive the actual cash value of the remuneration component; instead, the payment is made to a third party on behalf of the employee (Income Tax Act). The components in this subcategory have different cash flow implications, as discussed below:

Motor/travel allowances, housing allowances, reimbursement of expenditure: As discussed in Table 3-2 (see page 54), these are cash payments made to employees. The employee will therefore receive the cash once the payment has been made. In the case of a reimbursement of expenditure, the incurring of the cost would lead to an outflow of cash, while the reimbursement thereof would lead to a cash inflow (Abraham, 2020:98-99).

Credit/loans to employees: Employees who receive credit or loans from their employers would receive cash upon the granting of the loan. If the employees have an obligation to repay the loan or make payments of interest on the loan, this will lead to an outflow of cash (Leppan, 2007:6; Verwoerd, 2020:9).

Bursaries (depending on terms of arrangement): If the employer makes the payment directly to the institution where the employee or their related party is studying, the bursary will not have any cash implications for the employee. The same principle would apply if the bursary was paid to a person related to the employee, and not to the employee directly (Jacobs, 2020:35).

Leave: The cash flow implications of leave would be influenced by the type of leave and the terms of the employment contract. If the employee is obliged to use the leave days (i.e., non-vesting leave) without being compensated for unused days, no cash flow implications would arise. However, if the employee is remunerated, upon termination of employment, for leave days not taken, the employee would enjoy a cash inflow once the employer compensates them for the unused leave days (IASB, 2019b; Muc, 2022).

3.4.3 Timing of the benefit

Employers should design and implement both short- and long-term incentive plans to ensure that they employ, retain and recruit appropriate employees and reward them fairly (EBN, 2019). According to The Investment Association (2021), the purpose of long-term incentives or remuneration is to create shareholder value over a period that corresponds with the period set for the strategic objectives of the company. The most common example of long-term incentives is share incentive schemes (Foster, 2016:7; The Investment Association, 2021).

Short-term incentives, on the other hand, attempt to reward employees for their individual contributions to the employer, for instance, achieving short-term business strategies and goals (EBN, 2019). The measurement period for short-term incentive schemes is usually no longer than one year or 12 months (Bidvest, 2012; Grigoriadis & Bussin, 2007).

Faria *et al.* (2014) and Grigoriadis and Bussin (2007) explain that short-term compensation consists of annual salaries, wages, commission schemes, as well as bonuses and benefits offered by the employer to employees. Long-term compensation can include stock/share options, contributions to retirement plans on behalf of the employee, as well as contributions made to life insurance policies on behalf of the employee (Foster, 2016:7; Tamplin, 2022).

As evident from the discussion above, different remuneration components have different impacts on the employee, and therefore a change in the remuneration structure of executive directors will have an impact on the value of their remuneration. Thus, there appears to be value in analysing the change in the remuneration structure of executives, since a change in the structure (and the impact thereof) would not necessarily be reflected in existing studies, but it would nevertheless have an impact on the well-being of the individuals receiving the benefit.

3.5 The impact of the pandemic on employment trends and remuneration

As per the discussion above, it is clear that total remuneration can be structured in different ways, depending on the components that form part of the remuneration package. Also, it has been established that the impact of the COVID-19 pandemic on remuneration and overall employment conditions is expected to persist and evolve further. The following section aims to provide an overview of the existing literature on the impact of the pandemic on various aspects of employment, including remuneration.

The background to the study indicated the devastating impact of the pandemic on economies and societies, including jobs, the workplace and businesses in general. The workplace especially has changed significantly, and workplace trends that emerged during the pandemic have been significantly accelerated (Baboolal-Frank, 2021:1; Hamouche, 2021:1, 3; ILO, 2021b:9, 2022:5).

The first of these trends is remote working (ILO, 2021b:9, 2022:5). Remote working involves employees working virtually at a location other than the premises of the employer, which is usually from their own home (Baboolal-Frank, 2021:1; Gorjifard & Crawford, 2021; ILO, 2021a:17). If employees choose to work from their homes, it is referred to as WFH (see section 3.3.3, page 57).

The rapid development of digital solutions like video conferencing and document-sharing software allowed for the seemingly overnight shift towards remote working (ILO, 2021b:9). As economic activity and businesses were recovering from the shock of the pandemic, many companies opted not to disregard all the changes ushered in by the pandemic (Hamouche, 2021:3; ILO, 2021b:10, 2022:6). Some employers decided to make use of a hybrid model of working: combining the option of working from home with that of working in the office (ILO, 2021a:10; ILO, 2022:7).

The second trend seen in the workplace is flexibility offered to employees (ILO, 2022:7). This trend is closely related to the first, as discussed above, as remote working has led to increased flexibility (ILO, 2021b:10; Hamouche, 2021:10).

In addition to the changes in the way that work is conducted, the pandemic also had an impact on the physical workplaces of organisations (ILO, 2021b:11, 2022:6). Employers are responsible for the protection of employees while they are working, and the pandemic has brought about new physical and mental health risks for individuals (Hamouche, 2021:8). For instance, remote working could have a detrimental effect on employees' mental health, potentially resulting in feelings of isolation arising from the lack of interaction and contact with their colleagues (Hamouche, 2021:4). Furthermore, the increased use of information technology can lead to a surge in the volume of information to be processed by employees. This, in turn, could cause employees to feel overwhelmed and create a sense of perpetual urgency, which can be damaging to their mental health (Hamouche, 2021:4).

The risks related to the mental health of employees can be mitigated through the implementation of EAP, psychosocial support, referrals and rehabilitation (Chellam & Divya, 2022:183; ILO, 2020:4). As mentioned earlier, EAP offer support to staff with regard to personal issues and professional concerns that may influence their performance (Chellam & Divya, 2022:183).

While the responsibility of the employer has always existed, the pandemic emphasised this even more. For example, during the pandemic, organisations needed to take steps to ensure the physical safety of their employees, including installing protective barriers, checking employees' temperatures, providing personal protective equipment (PPE), establishing hand washing or sanitising stations and other measures (ILO, 2020:4, 2022:10).

Training also plays an important role in periods of crisis and employers should ensure that they make the correct decisions regarding training methods (Hamouche, 2021:6). Organisations have changed the way in which they train employees, share knowledge, and collaborate (ILO, 2021a:32). The ILO (2021a:32) reported that the following changes in training, sharing knowledge, and collaboration have become apparent since the pandemic:

- New digital training courses;
- Employee development plans that reflect the new ways of working;
- New digital plans to share big-picture team and organisational strategies;
- New digital plans for managers to communicate with employees;
- The design and implementation of casual digital interactions; and
- The design and implementation of purposeful digital collaboration sessions.

The discussion above summarises the workplace trends brought about by the pandemic. The next part of the discussion provides an overview of the impact of the pandemic on extrinsic remuneration, as obtained from previous studies.

Table 3-6 below summarises the findings of existing research regarding the impact of the COVID-19 pandemic on extrinsic remuneration.

Table 3-6 The impact of the COVID-19 pandemic on extrinsic remuneration

Author(s)	Date of publication	Title of study / source	Summary of findings
Molina, O.	May 2021	Impact of the COVID-19 crisis on wages and wage setting	In European countries many governments introduced wage support mechanisms, which led to an overall increase in real wages. These countries also saw an increase in the minimum wage to combat the earnings equality, which was emphasised by the pandemic.

Author(s)	Date of publication	Title of study / source	Summary of findings
Bedford <i>et al.</i>	June 2023	Were CEO pay cuts during the COVID-19 pandemic merely symbolic? Shareholders' reaction and outrage	The Australian government introduced a COVID-19 wage subsidy programme titled JobKeeper, where monthly payments were made to employees to alleviate the financial effects of the pandemic. Many companies responded to the negative financial effects of the pandemic by implementing cost cutting initiatives, which included staff reductions, suspension of operations and ceasing capital expenditure. In addition, many firms made public announcements regarding temporary CEO pay cuts. The study examined whether Australian CEO pay cuts were simply used as window dressing to appease other stakeholders such as employees who were made redundant during the crisis. They found that CEOs of firms that publicly announced a CEO pay cut saw a reduction in the base salary of the employee, but an increase in bonus pay. This meant that, although CEOs sacrificed a portion of their fixed salary, their total remuneration was not altered.

Author(s)	Date of publication	Title of study / source	Summary of findings
Ilić, M. & Lepojević, V. (read with Mazars, 2021)	January 2022	Rewarding top managers in the banking sector during the COVID-19 pandemic	Ilić and Lepojević found that many companies had to adopt crisis management, which meant that the number of employees and the salaries of employees had to be reduced. This study evaluated the relationship between the earnings of top management and the performance of the 50 largest banks in Europe. They found a positive correlation between the overall earnings and the performance of banks, with the strongest correlation between the total compensation of top managers and the gross profit of the bank. A positive correlation between bonuses and company performance was also observed, with bonus growth being conditioned on the company's performance, even during the pandemic. As the performance of European banks saw a decline during the pandemic (Mazars, 2021:5), and a positive correlation existed between the performance of banks and the total remuneration of top management, the remuneration of top management, consequently, decreased during the pandemic.

Author(s)	Date of publication	Title of study / source	Summary of findings
Bussin, M. & Sedlmaier, Y.	May 2021	COVID-19's impact on fixed and variable pay: Where are we now?	Bussin and Sedlmaier evaluated the impact of the pandemic on fixed and variable pay. They found that fixed pay had been reduced by the pandemic through the implementation of pay cuts, retrenchments and the closure of businesses. Employees were not reluctant to accept pay cuts, as they were willing to work for reduced remuneration instead of no remuneration. Employers were, however, offering more remuneration options to employees, which included flexible working hours, paid or unpaid sabbaticals, or reduced hours for reduced pay.
Deloitte	October 2021	CEOs feel the pinch as COVID-19, environmental and social matters bite	More than a third of South Africa's largest listed companies' CEOs did not receive a salary increase in 2020. Despite the pandemic, 80% of JSE-listed companies still managed to pay out bonuses to executives – even as workers in other parts of the economy experienced reduced working hours or were laid off.

Author(s)	Date of publication	Title of study / source	Summary of findings
			Deloitte found that there was an increase in the median TR of CEOs of JSE-listed companies of 7.09% from 2019 to 2020. This increase can be attributed to the increases of the top 5 dual-listed firms on the JSE. CEOs at small, medium, and large JSE-listed firms saw a reduction in their TR between 2019 and 2020.

From the research summarised above, it can be deduced that the pandemic had a significant impact on remuneration. The impact was not limited to the explicit remuneration components (such as salary or bonus), but included non-monetary intangible rewards (such as flexibility, remote working, and training and development). The pandemic also had an impact on the split between fixed and variable remuneration.

3.6 Chapter summary

Remuneration is of equal importance to employees and employers. From the perspective of the employer, remuneration costs normally represent a significant portion of the operating costs. Consequently, the formulation of an efficient remuneration strategy can be a source of great competitive advantage. For employees, on the other hand, remuneration usually represents their main source of income and may be viewed as a key performance indicator of their level of success and social standing.

This chapter commenced with the definition of remuneration and the identification of the different categories of remuneration. This was followed by an outline of the various components or elements that can form part of the total remuneration of an employee, as well as the category of remuneration that each component belongs to. To provide the reader with a full understanding of these components, the chapter included an overview of the value that each component holds for employees. This was considered in terms of the taxation impact (see section 3.4.1, page 61), the cash flow implications (see section 3.4.2, page 75) and the timing of the benefit (see section 3.4.3, page 76).

The next chapter provides the analysis of the changes to intangible, non-financial remuneration components offered to employees. The chapter presents the analysis and interpretation of the remuneration structures of the companies in the sample for the pre-COVID, during-COVID and post-COVID periods. The purpose of the chapter is to address SO 3, which is to compare the remuneration structures of the aforementioned periods and analyse any changes made to intangible remuneration components (section 1.5.2, page 15).

CHAPTER 4: REMUNERATION STRUCTURE COMPARISON AND ANALYSIS

4.1 Introduction

As established in the preceding chapter, remuneration refers to the way in which employees are compensated for services offered to employers, and their total remuneration can be structured in various ways (Kessler, 2005). Remuneration is an essential part of not only the employee's life, but also the day-to-day operations of the employer. From the perspective of the employer, remuneration costs normally represent a significant portion of the operating costs. Consequently, the effective management of remuneration costs is essential to ensure that the entity remains viable and profitable, especially in the current economic environment in which South African companies operate (Aguinis *et al.*, 2013; Gerhart & Milkovich, 1992; Naji, 2014; Zaric, 2021). For employees, on the other hand, remuneration usually represents their main source of income and may be viewed as a key performance indicator of their level of success and social standing (Gerhart & Milkovich, 1992; Zaric, 2021).

In the previous chapter, the term 'remuneration' was conceptualised and the components of the remuneration package or structure have been identified. The purpose of this chapter is to provide an analysis of the qualitative disclosures made by South African JSE-listed transportation companies regarding changes to the work environment and non-monetary intangible remuneration brought about by the pandemic. The analysis involves a comparison of the average pre-COVID composition of remuneration to the composition during COVID and after COVID of these companies. The analysis includes a consideration of the categorisation of the remuneration as fixed or variable.

The analysis included in this chapter aims to address SO 3, which is to compare pre-COVID remuneration structures with during-COVID and post-COVID remuneration structures and investigate changes to intangible remuneration components (section 1.5.2, page 15).

The chapter commences with a summary of the research methodology and research design applied during the execution of the analysis, followed by an explanation of the way in which the data were collected and the procedure followed to analyse the data. Thereafter, the population and sample of the study are discussed to create a context of the data used. A brief explanation of each of the companies in the sample is provided to better understand the environment in which these companies operate. The chapter concludes with the analysis of changes to intangible remuneration components and changes to the remuneration structures.

4.2 Research methodology and research design

In order to achieve SO 2, namely to identify and explain the relevant research methodology applied in the study, chapter 2 (see page 27) contains an in-depth explanation of the research design and research methodology adopted and applied in the study. The following section contains a summary of the most important choices made regarding the research framework, in terms of the research onion developed by Saunders *et al.* (2012). Section 2.2 (page 29) provides an explanation of the application and purpose of the research onion.

The first decision to be made by the researcher, in terms of the outermost layer of the research onion, is the research philosophy/paradigm to be adopted. The ontological assumption of the researcher in this study was that of the realist/objectivist, with the epistemological assumption being that the relationship between the would-be-knower (researcher) and what can be known (data) is objective. Based on the epistemological assumption of the researcher, the research paradigm adopted was that of the positivist (as discussion in section 2.3, page 32).

The next layer of the onion guides the researcher to make a decision regarding the approach to be followed in the research, namely inductive, abductive, or deductive. The approach adopted depends on the relationship between the data and theory (Mardiana, 2020). As discussed in section 2.4 (see page 36) the approach of the researcher in this study was to start with the data and subsequently move to theory, which means that an inductive approach to theory development was applied.

The methodological choice, which is the third choice to be made in terms of the research framework, is concerned with whether the research is qualitative or quantitative in nature. Although the researcher made use of a qualitative analysis in chapter 3 (see pages 48 to 83) and in a portion of the analysis contained in this chapter (see section 4.4, page 104) these were simply aids assisting the researcher to address the main objective of the research. The primary objective of the research (section 1.5.1, page 15) was achieved through the analysis of numerical data using empirical methods (section 4.5, page 107) and therefore the study is deemed to be quantitative in nature. This choice was discussed in detail in section 1.7.1 (page 16) and section 2.3.3 (page 35).

Once the researcher has made a methodological choice, the next layer of the onion requires the researcher to examine the research strategy to be followed. As explained in section 2.5 (see page 38) the research strategy adopted by the researcher for this study was that of a comparative design.

As the study examined a single phenomenon (being the remuneration structures) over a prolonged period (five to six years, depending on the availability of data), the time horizon of the study was a longitudinal design. This choice was made in terms of the last layer of the onion before the core was reached. Section 2.6 (see page 40) explains why the time horizon of the study was classified as such.

The final choice to be made, as contained in the core of the onion, is concerned with the techniques and procedures to collect and analyse data. This study made use of documents and textual data, as explained in section 2.7 (see page 41). As mentioned in section 2.8 (see page 44) the total population of the study comprised all JSE-listed companies, as these were the companies from which the sample was selected, while the target population was all South African JSE-listed transportation companies. In order to achieve the primary objective of the study, the researcher made use of purposeful sampling to select the sample of 10 companies (100% of the target population), all being South African transportation companies. These companies were selected, as the purpose of the study was to analyse their remuneration structures and the impact of the pandemic thereon (as discussed in section 1.5, page 15). Furthermore, executive employees were selected as the sample from the population of all employees, as JSE-listed companies are obliged to disclose information regarding their remuneration in terms of the King IV Code and the study was aimed at executive remuneration structures.

The research methodology and design adopted by the researcher can therefore be summarised as follows:

- Ontological assumption: Realist/objectivist (section 2.3.1, page 32);
- Epistemological assumption: Relationship between researcher and data is objective (section 2.3.2, page 33);
- Research paradigm: Positivism (section 2.3.2.2, page 34);
- Methodological assumption: Quantitative (section 2.3.3, page 35);
- Approach to theory development: Inductive (section 2.4, page 36);
- Research strategy: Comparative design (section 2.5, page 38);
- Time horizon: Longitudinal design (section 2.6, page 40);
- Data sources: Textual data and documents (section 2.7, page 41); and
- Population and sampling: Purposeful sampling (section 2.8, page 44).

In terms of the research framework, as summarised and discussed above, the researcher collected the data required from the integrated annual reports and annual financial statements of the companies in the sample.

The next section of the chapter explains how the sample was selected from the population and how the analysis was performed.

4.3 Population, sample and analysis

For the first sample of 10 companies, the researcher compiled a list of all JSE-listed companies, from a reputable website, namely Listcorp (2022). The listed companies were sorted, based on the sectors in which they operate. The industries were (Listcorp, 2022):

- Oil and gas;
- Basic materials;
- Industrials;
- Consumer goods;
- Health care;
- Consumer services;
- Telecommunications;
- Utilities;
- Financials; and
- Technology.

The researcher identified the sample through a process of elimination, starting with the sectors that transportation companies would not form part of. Based on the nature of transportation companies, they would not be listed under the following sectors: health care, telecommunications, oil and gas, financials, basic materials, or technology. Therefore, the remaining sectors were industrials (62 companies), consumer goods (22 companies), consumer services (47 companies) and utilities (0 companies).

The researcher used Listcorp (2022) to study the background of the companies and then applied professional judgement to determine whether they were South African companies (based on their country of operation and registration) operating in the transportation industry. If the background statement provided on Listcorp (2022) was not clear enough, the researcher navigated to the website of the relevant company to obtain a better understanding of the scope and operations of the company.

The final sample totalled 10 companies, as indicated in Table 4-1 (page 89) below.

Table 4-1 Final sample

	Number of companies
Initial sample size	12
Companies that de-listed since starting with the study	-1
No integrated annual report available	-1
Final sample size	10

(Source: Author)

The sample (as shown above) consisted of the following companies, indicated in table 4-2:

Table 4-2 Sample of companies

Company name	Sector on JSE	Year-end
Frontier Transport Holdings Limited	Consumer services	31 March
Combined Motor Holdings Limited	Consumer services	28 February
Santova Limited	Industrials	28 February
Imperial Logistics Limited	Industrials	30 June
KAP Limited	Industrials	30 June
Motus Holdings Limited	Consumer services	30 June
Onelogix Group Limited	Industrials	31 May
Bidvest Group	Industrials	30 June
Super Group Limited	Industrials	30 June
Grindrod Limited	Industrials	31 December

(Source: Listcorp, 2022)

The remuneration composition was analysed for the 2017 to 2022 financial years of the companies in the sample. The classification of the years into 'pre-COVID', 'during COVID' and 'after COVID' was determined by the year-end of the company (as discussed in Table 4-3, page 91). Based on the researcher's judgement, saturation was reached after the analysis of the 2017 integrated reports, and no further data were collected. Saturation can be described as the point in data collection when the data have been exhausted of all important issues or insights and further data collection is not deemed useful (Hennink & Kaiser, 2022; Islam & Aldaihani, 2022). Leese *et al.* (2021) note that, in many studies, researchers indicate that they have reached saturation without giving a clear explanation as to why. Therefore, the next part of the section will detail the researcher's method for determining when saturation was reached in this study.

The researcher adopted the 'Code Meaning' approach to assessing saturation. According to this method, saturation is reached when all identified codes are fully understood (Hennink & Kaiser, 2022).

It involves reviewing data and noting each item (or code) and assessing whether new items can be identified in subsequent data (Hennink & Kaiser, 2022). During the collection of the data for the study, no new remuneration components were identified by the researcher in the 2018 or 2017 annual integrated reports, and the analysis of the annual integrated reports from 2022 to 2017 gave the researcher an in-depth understanding of the remuneration composition of South African JSE-listed transportation companies. Therefore, the data collected were deemed to have achieved the saturation point.

To perform the analysis of the remuneration structures and evaluate the impact of the pandemic thereon, the researcher obtained the integrated annual reports for the companies indicated above from the respective company websites. The integrated reports were obtained for the financial years from 2022 to 2017, where available. The researcher captured the TR, including the different components that made up the total remuneration, for every executive of the companies in the sample, for each available year. The analysis included a split between fixed and variable remuneration. The data were captured in Microsoft Excel.

Turner *et al.* (2019) explain that it is often necessary to adjust costs or figures obtained from different time periods, as was the case with the study at hand, for the effect of inflation. As a result of inflation, the cost of purchasing the same amount of goods or services can increase progressively over time because the purchasing power of a currency tends to change and usually decreases (Turner *et al.*, 2019). Deflation is the process of adjusting for the effects of inflation, and this technique was applied in the study to mitigate any potential bias caused by inflation in the results of the analysis. The average inflation-adjusted remuneration per executive was used to calculate the average remuneration structures for each year included in the study.

In research, a significant portion of the data is hierarchical in nature (McCoach, 2010). In other words, there are inherent hierarchies in data, such as students nested within schools, patients within hospitals, or workers within companies (McCoach, 2010). The implication of hierarchical data is that the responses from people nested within the same organisational unit are likely to exhibit some degree of interrelatedness, given that they were sampled from the same organisational context (McCoach, 2010). Hierarchical linear modelling (HLM) is a modelling method that enables researchers to adjust for and model the non-independence of data points within hierarchically structure datasets (McCoach, 2010).

The employees whose remuneration was analysed in this study are nested within their employing companies and therefore one would expect that their remuneration would not be independent of each other. The remuneration of all employees would be influenced by the remuneration committee and directors, the company policies and practices, and the history of remuneration of the company. The application of HLM was therefore appropriate for the study at hand.

The quantitative data were analysed by the Statistical Consultation Services of the North-West University (Potchefstroom Campus). Hierarchical linear modelling was used to calculate the average remuneration, per remuneration component (including the split between fixed and variable remuneration) for the pre-COVID, during-COVID and post-COVID periods. The averages calculated were used to compute the remuneration structures for these periods, which were compared and analysed. The classification of financial years into the aforementioned categories was determined by the year-ends of the companies in the sample, as depicted in table 4-3 below:

Table 4-3 Financial year classification

Year-end	Pre-COVID	During-COVID	Post-COVID
28 February or 31 March	2017, 2018, 2019, 2020	2021	2022
30 June or 31 May	2017, 2018, 2019	2020, 2021	2022
30 September or 31 December	2017, 2018, 2019	2020	2021, 2022

(Source: Author)

The first lockdown was enforced from 27 March 2020. Therefore, companies whose financial years ended on/before 31 March 2020, would not have been adversely affected by the pandemic in the 2020 financial year (Department of Health, 2020; SAnews, 2020a). The pandemic's worst effects would be experienced by these companies in their 2021 financial year. Companies with a year-end of 30 September or 31 December, on the other hand, would have been most adversely impacted by the pandemic in their 2020 financial year already. The pandemic would have had a negative impact on businesses with financial years ending on June 30 or May 31 in both 2020 and 2021; therefore, both these years were considered to be 'during-COVID'.

The other part of the analysis, which examined the impact of the pandemic on intangible indirect remuneration components, was performed through the application of coding. Coding is an important tool to turn raw qualitative data into meaningful information that tells a story (Linneberg & Korsgaard, 2019:259). The coding process involves identifying meaningful segments in data and labelling them with a code (Linneberg & Korsgaard, 2019:262). A code can be described as a 'word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data' (Saldaña, 2015:3, cited by Linneberg & Korsgaard, 2019:262).

As the study at hand was a relatively small project with a limited amount of data, a simple colour coding sufficed, with a colour for each code. The software, Microsoft Word, was used to perform the coding and summarise the findings.

The next section of the chapter contains an overview of the operations of each of the companies included in the sample (as described in Table 4-1, page 89). The purpose of this is to provide an understanding of the operating environment of the sample companies.

4.3.1 Overview of sample companies

4.3.1.1 Frontier Transport Holdings Limited

Frontier Transport Holdings Limited (formerly known as Hosken Passenger Logistics and Rail Limited) is an investment holding company with shareholding in a number of companies mainly operating in the transportation sector (Frontier Transport Holdings, 2022:4). The current portfolio of the group focuses mainly on the bus and luxury coach segments (Frontier Transport Holdings, 2022:6).

Figure 4.1 displays the group structure of Frontier Transport Holdings as at 31 March 2022:

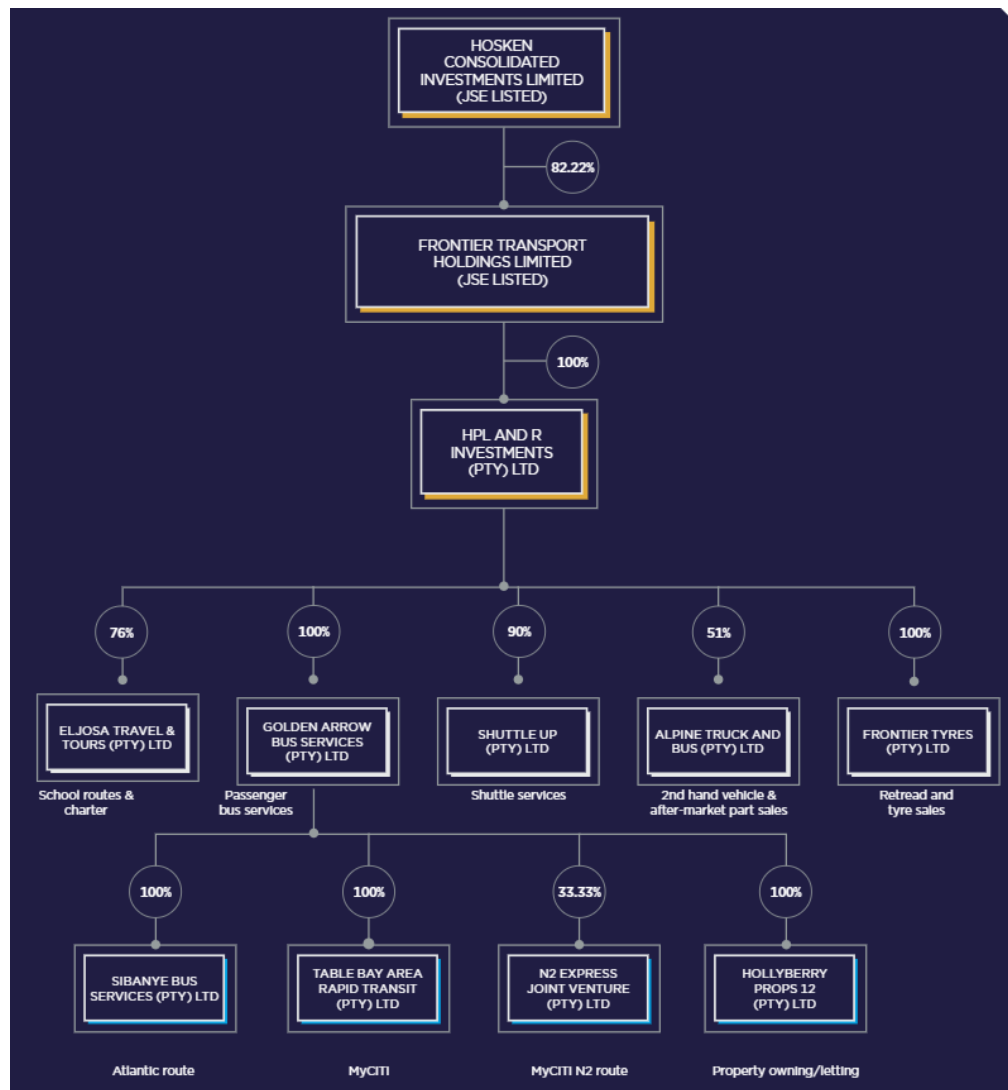


Figure 4.1 Frontier Transport Holdings Limited group structure

(Source: Frontier Transport Holdings, 2022:7)

Golden Arrow Bus Services and Sibanye Bus Services provide bus services in metropolitan Cape Town, while ElJoSa Travel and Tours operates luxury and semi-luxury coaches in the schools and luxury tour markets in Cape Town and Gauteng (Frontier Transport Holdings, 2022:8). Shuttle Up provides shuttle services to passengers, and Alpine Truck and Bus sells used trucks and buses, together with spare parts for these types of vehicles (Frontier Transport Holdings, 2022:8). The newest company in the group, Frontier Tyres, offers services ranging from tyre re-treading and tyre sales to trailer and tyre inspections (Frontier Transport Holdings, 2022:8). The group therefore operates in various sectors of the transportation industry, with the main focus being on buses and other public transport.

4.3.1.2 Combined Motor Holdings Limited

The Combined Motor Holdings (CMH) group and its subsidiaries operate in the retail motor, car hire and financial services segments of the South African market (CMH, 2022:5). The retail motor segment consists of retail motor dealerships and used car dealerships which also import and sell aftermarket vehicle parts (CMH, 2022:5). The CMH group offers a wide range of vehicles, from entry-level models to top-of-the-range luxury cars that are available for short- and long-term hire (CMH, 2022:5). The financial services included in the portfolio of the CMH group offer insurance underwriting services in respect of products sold in conjunction with the sale of new and used vehicles (CMH, 2022:5).

The group structure, as at 28 February 2023, is depicted in figure 4.2 below:

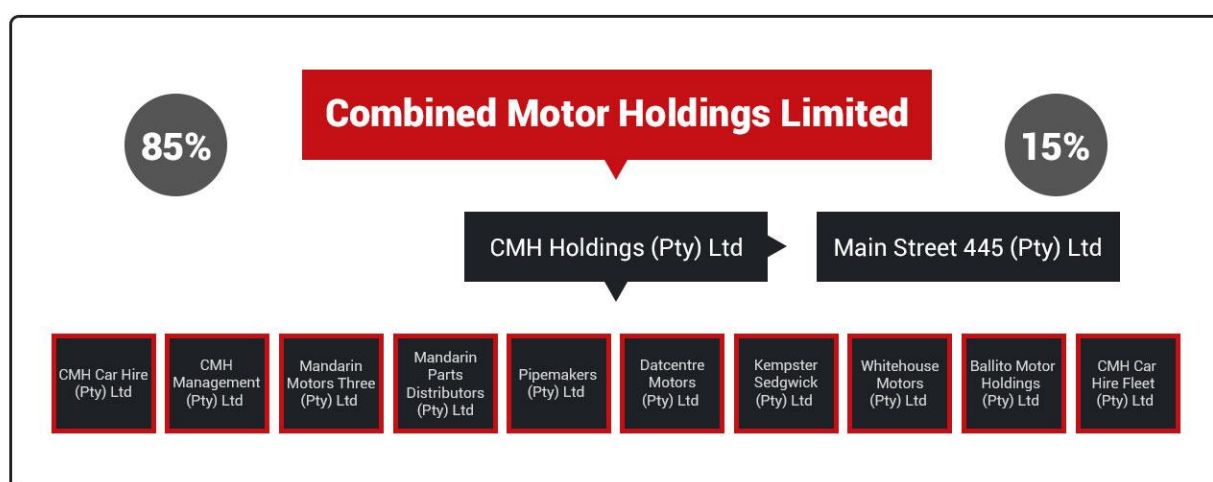


Figure 4.2 Combined Motor Holdings Limited group structure

(Source: CMH, 2023)

4.3.1.3 Santova Limited

The Santova Limited group is an international group of companies focusing on delivering end-to-end supply chain solutions to its customers (Santova, 2022:4). The business model of the group aims to combine intellectual capital and technology, together with the resources and capabilities of logistics service providers, to deliver their services (Santova, 2022:6). The group is non-asset based and specialises in utilising intellectual capital to provide the logistical services required by their customers (Santova, 2022:8). This involves the coordination and control of the transportation of customers' goods through the utilisation of the physical resources of other logistics providers (Santova, 2022:9).

Figure 4.3 displays the Santova group structure as at 28 February 2023:

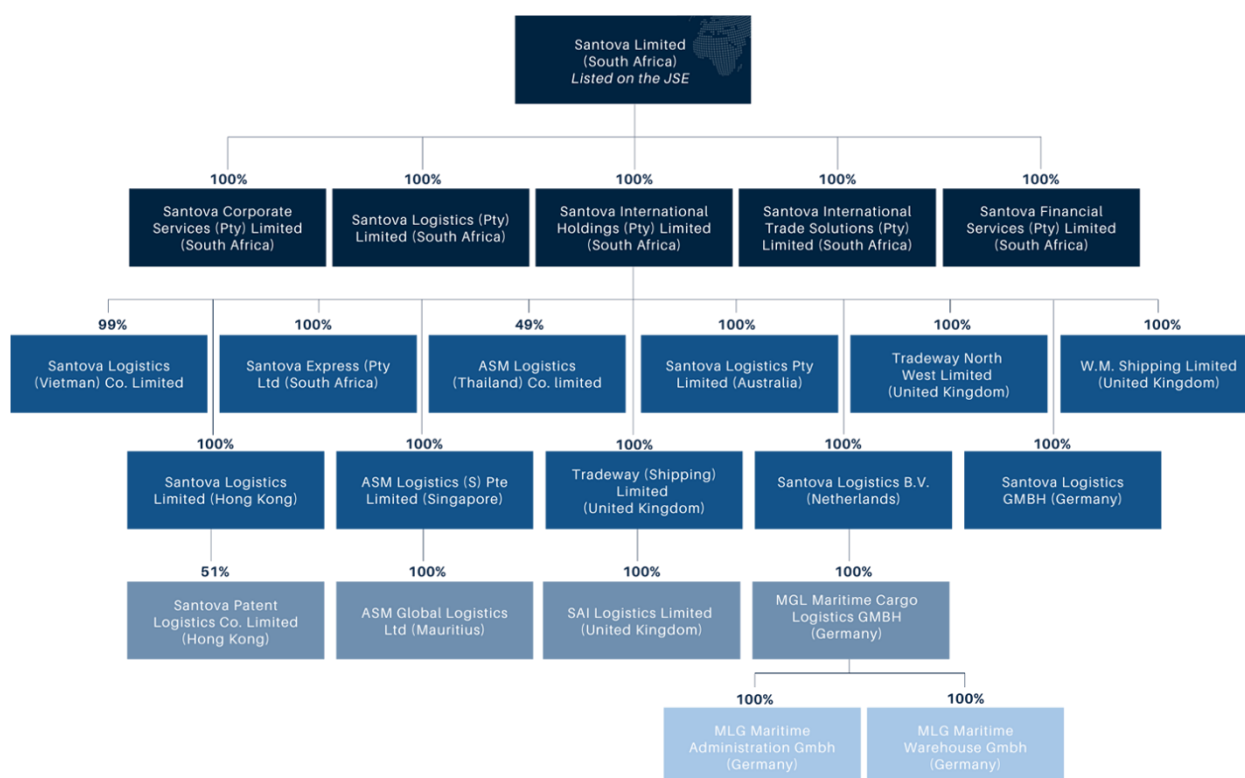


Figure 4.3 Santova Limited group structure

(Source: Santova, 2023)

4.3.1.4 Imperial Logistics Limited

The Imperial Logistics Limited group is an Africa-focused end-to-end logistics and market access provider (Imperial Logistics, 2021a:12). The market access solutions offered by the group involve taking ownership of inventory and assuming responsibility for the entire order-to-cash function by integrating sourcing, sales, distribution, marketing, demand generation and promotion services (Imperial Logistics, 2021a:12). The provision of this service creates opportunities to leverage the freight and contract logistics also offered by the group (Imperial Logistics, 2021a:12). This involves managing the movement of goods on behalf of customers between different destinations and employing different means of transport, including road and air (Imperial Logistics, 2021a:12).

Figure 4.4 displays the Imperial Logistics group structure as at 30 June 2021:

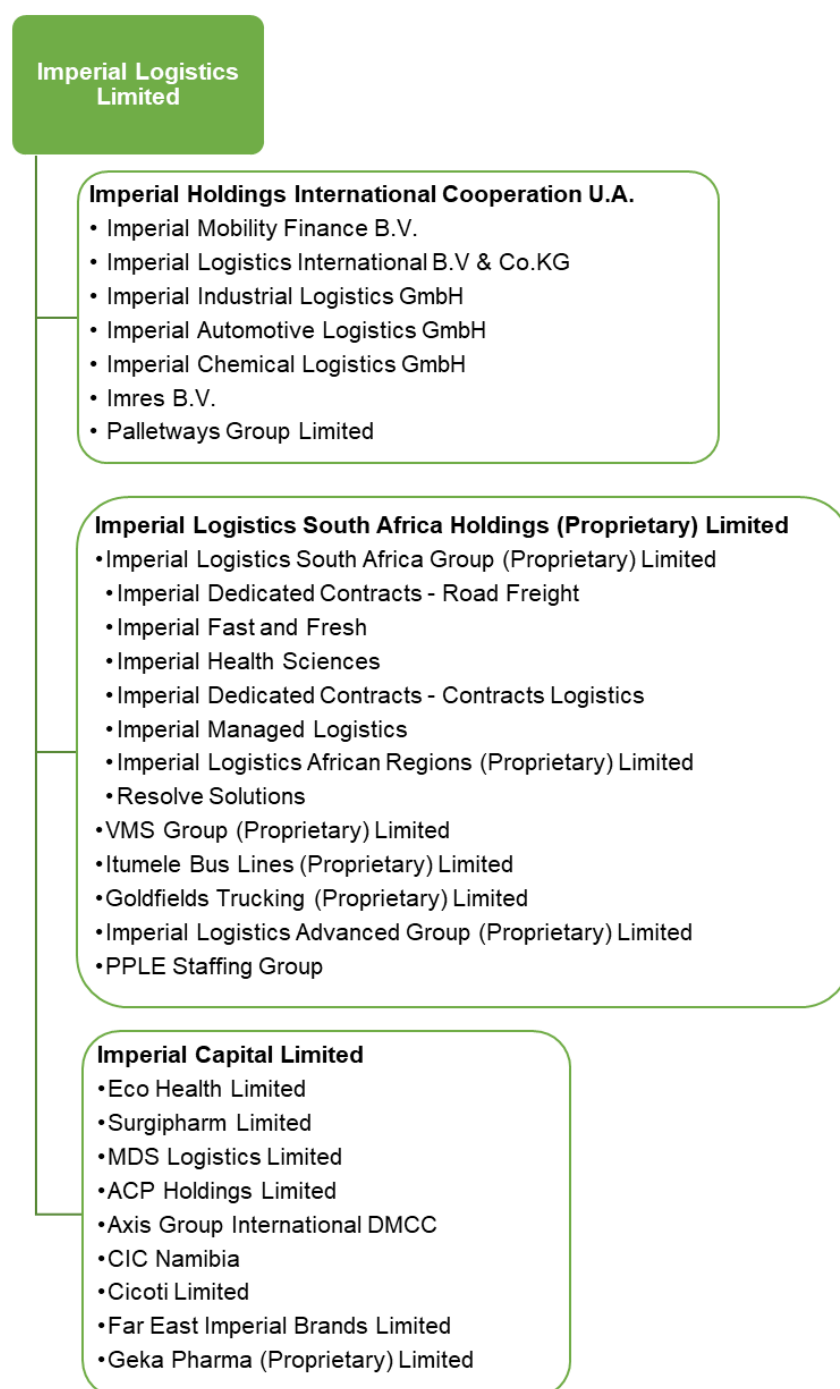


Figure 4.4 Imperial Logistics Limited group structure

(Source: *Imperial Logistics*, 2021b:80-84)

4.3.1.5 KAP Industrial Holdings Limited

KAP Industrial Holdings Limited comprises a diversified portfolio of businesses that operate in various sectors, including wood-based decorative panels, sleep products, automotive parts, polymers, road safety and supply chain management (KAP, 2022:6). The group consists of the following companies as listed in table 4-4 below:

Table 4-4 KAP Limited Group Structure

Company	Description of operations
PG Bison	The company produces wood-based decorative panels used for interior applications.
Restonic	Restonic is an integrated manufacturer and retailer of sleep products, including furniture and bedding.
Feltex	Feltex is involved in the production of automotive components.
Safripol	This company manufactures polymers that are used in packaging, textiles, infrastructure, agriculture and homeware.
Unitrans	Unitrans is a supply chain and operational service provider focusing on offering customised solutions to clients. Their clients operate in many sectors, including food, agriculture, petrochemical, mining, and commuter transport.
DriveRisk	DriveRisk operates in the road safety industry and utilises video telematics and predictive analytics to prevent road accidents and improve road safety. The company provides real-time event-based interventions, business intelligence tools, and driver support to improve fleet efficiency of logistics operators.

(Source: KAP, 2022:14)

4.3.1.6 Motus Holdings Limited

Motus Holdings Limited, formerly part of the Imperial Logistics group, is a multi-national provider of automotive mobility solutions and vehicle products and services (Motus, 2022a:7). Their services include the importation and distribution of passenger, light commercial vehicles and vehicle parts, the retailing of new and used passenger and commercial vehicles, the development, selling, management and administration of maintenance and warranty plans, and the distribution of vehicle parts and accessories (Motus, 2022a:7). The group also earns revenue from motor vehicle rentals and their motor vehicle workshops (Motus, 2022a:17).

Figure 4.5 displays the Imperial Logistics group structure as at 30 June 2021:

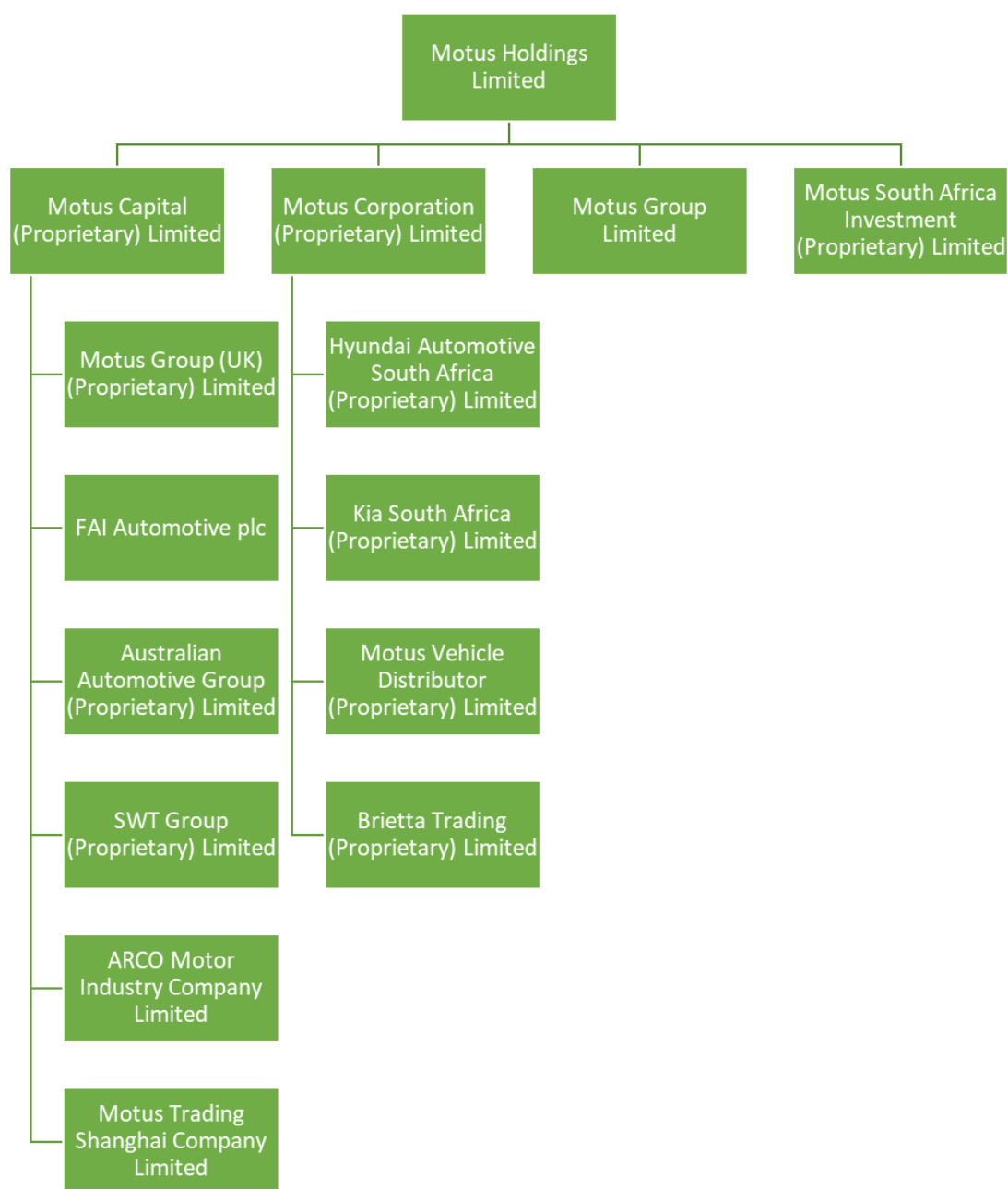


Figure 4.5 Motus Holdings Limited group structure

(Source: Motus, 2022b:134-135)

4.3.1.7 Onelogix Group Limited

Onelogix Group Limited operates in the logistics industry in southern Africa, offering services relating to abnormal logistics (the transportation of abnormally large items), primary product logistics (movement of general freight and items), value added services and other logistics services (Onelogix, 2022).

The structure of the Onelogix group is shown in figure 4.6:

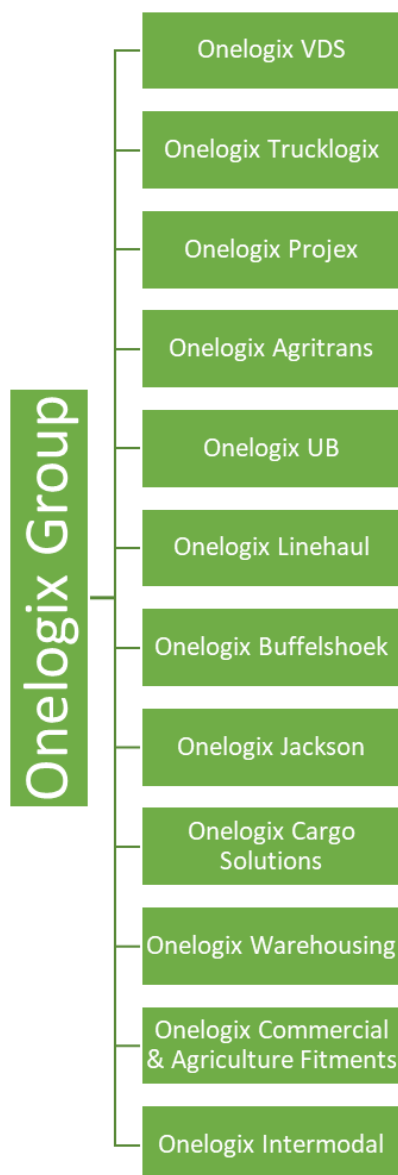


Figure 4.6 Onelogix Group Limited structure

(Source: Onelogix, 2022:8)

4.3.1.8 Bidvest Group

The Bidvest Group is a group of companies with a diverse portfolio operating in two segments, namely trading and distribution, and business services (Bidvest, 2022a:12). The trading and distribution segment operates in the areas of consumer, pharmaceutical and industrial products, specifically office products and services, branded household and pharmaceutical products, and industrial day-to-day products (Bidvest, 2022a:12). The business services offered by the group include a wide range of corporate outsourced services (cleaning, hygiene, and pest control), freight management (storage, handling and movement of cargo, logistics, and marine services), financial services (foreign exchange services, insurance, and specialised fleet management) and other services (security, travel, hospitality, and catering) (Bidvest, 2022a:13).

The structure of the Bidvest group is shown in figure 4.7:

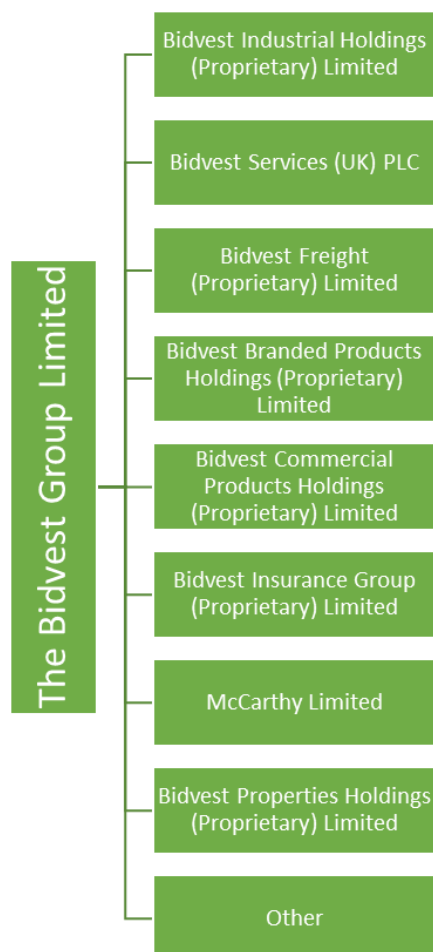


Figure 4.7 Bidvest Group Limited group structure

(Source: Bidvest, 2022b:23)

4.3.1.9 Super Group Limited

Super Group Limited is a group of companies that provides logistics and mobility solutions across sub-Saharan Africa, the UK, Europe, and Australasia, with its headquarters in South Africa (Super Group, 2023). The Super Group provides the following solutions and services: transportation, warehousing, primary and secondary distribution, supply chain consulting and technologies, cross border transport, vehicle rental, outsourced fleet management, as well as new and used vehicle sales and services (Super Group, 2023).

The group comprises the following companies as displayed in figure 4.8:

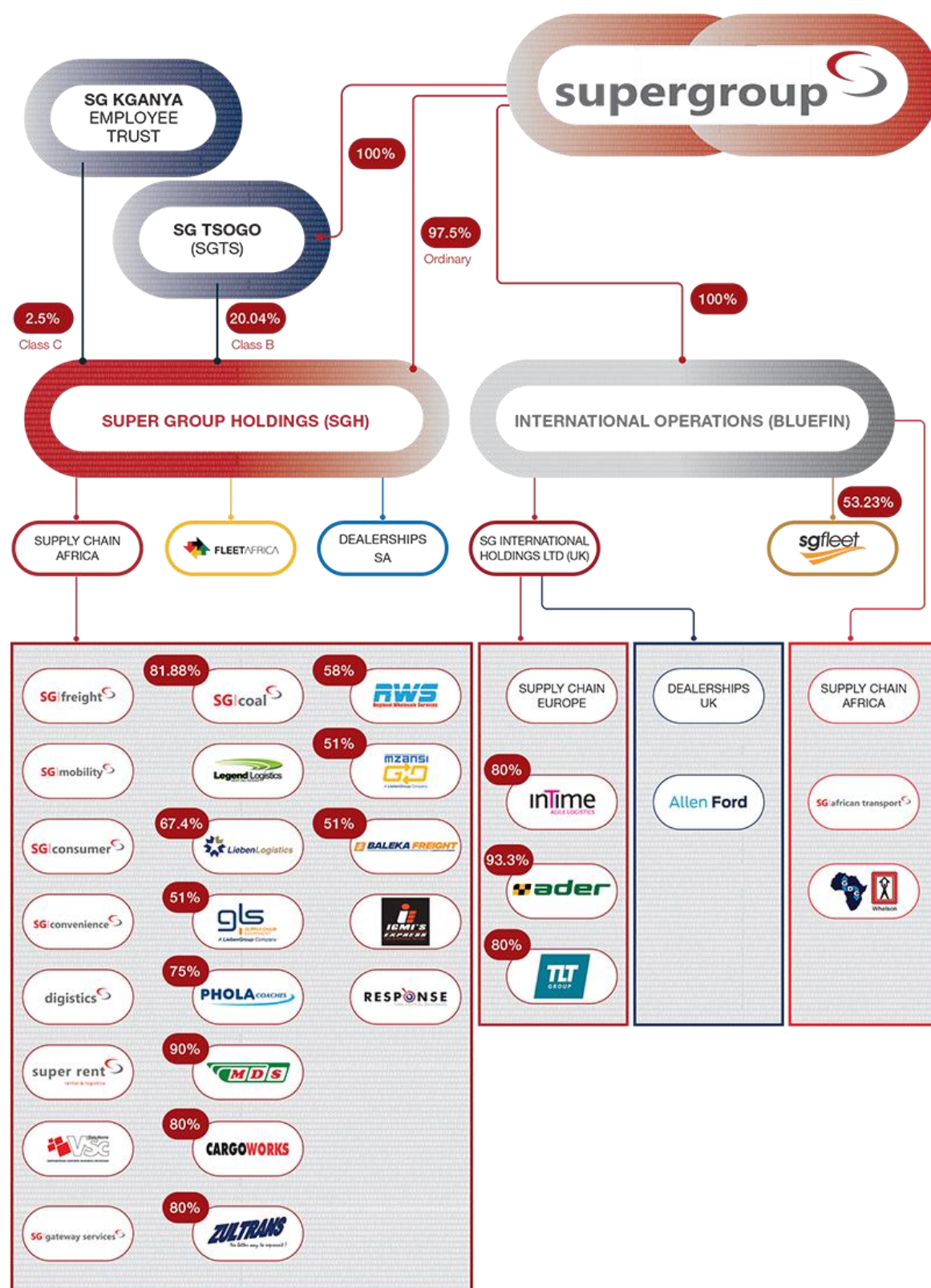


Figure 4.8 Super Group Limited group structure

(Source: Super Group, 2023)

4.3.1.10 Grindrod Limited

Grindrod Limited operates in the logistics sector, with investments in ports and terminals and marine fuels (Grindrod Limited, 2022:6). Table 4-5 shows their logistics operations and the relevant segments:

Table 4-5 Grindrod Limited operations

Segment	Description
Intermodal	The group provides intermodal solutions through warehousing, distribution, container depot and transport capabilities.
Cross-border, project logistics and marine solutions	Grindrod manages projects from the inception to completion for customers from different industries.
Clearing and forwarding	Grindrod offers freight forwarding, customs brokerage and related logistics solutions to customers.
Ships agency and maritime technical services	The group provides logistics and marine technical engineering services to the maritime, offshore, and oil and gas sectors.
Rail	The rail business of Grindrod provides full end-to-end logistics solutions to customers, which include cost-effective rolling stock leasing solutions and rail operations.
Transportation	Grindrod integrates road transportation into its logistics operations, and through strong strategic partnerships with airlines they provide air transport options as well.

(Source: Grindrod Limited, 2022:6)

The discussion above provided an overview of the operations of the companies included in the sample of the study (as described in Table 4-1, page 89). The purpose of this discussion was to provide an understanding of the operating environments of these companies. The next section of the chapter presents the analysis of changes observed in the intangible remuneration components during the COVID-19 pandemic.

4.4 Impact of the pandemic on intangible remuneration components

As discussed in chapter 3, intangible remuneration components refer to elements of remuneration for which a monetary or financial value cannot necessarily be calculated but are nevertheless valuable benefits provided to employees, for example, flexible working hours, EAP, and remote working (see section 3.3.3, page 57). Based on existing literature (see section 3.5, page 77), the pandemic clearly had an impact on this type of remuneration, as well as on more traditional remuneration components.

The next part of the chapter contains the analysis of the impact of the pandemic on other (intangible) components of remuneration of South African JSE-listed transportation companies. The purpose of this section is to address SO 3, which is to analyse the changes to intangible remuneration components brought about by the COVID-19 pandemic (see section 1.5.2, page 15). As discussed in the preceding sections of the chapter, this analysis was performed through the application of coding, which is a data collection technique that involves identifying meaningful segments in data and labelling them with a code (Linneberg & Korsgaard, 2019:262).

The graph below summarises the changes to intangible remuneration components identified from the annual integrated reports of the companies in the sample. Thereafter, a detailed discussion on the changes observed is provided.

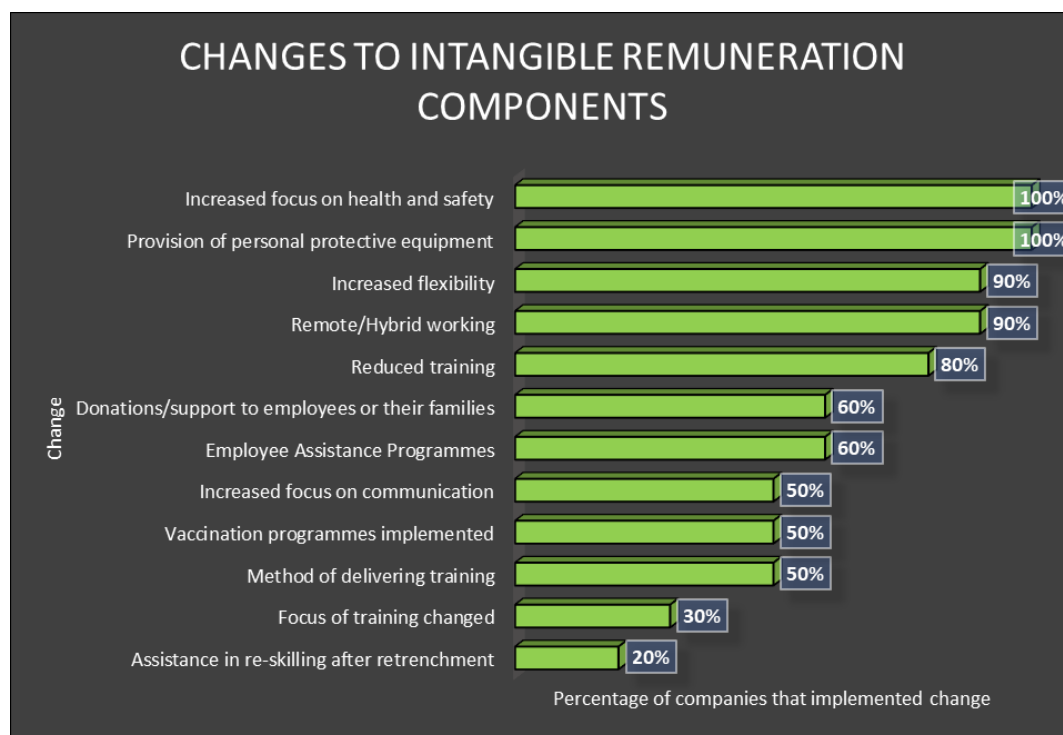


Figure 4.9 Changes to intangible remuneration components

(Source: Author)

As illustrated in the graph above, the most prevalent and widely adopted and reported change to intangible remuneration components was that employers placed more emphasis on health and safety. This included taking additional steps to ensure that employees had access to PPE, i.e., masks, sanitisers and gloves. This was done in an attempt to combat the spread of the virus at the workplace. Many companies designed and implemented health and safety protocols or altered existing protocols to make provision for the virus and the unique challenges it brought to the workplace.

Another intangible reward that gained popularity during the pandemic was more work flexibility offered to employees. This increased flexibility involved a relaxation in the governing of working hours and working conditions. Companies shifted their focus to outcomes in terms of performance management, rather than time spent working or at the office. In order to combat the effect of lockdowns, many companies allowed and enabled employees to work from home or work remotely. During the pandemic, hybrid work arrangements – where employees split their time between the employer's office and their homes or other locations – also became more common.

A large number (80%) of the companies in the sample reported that training and development was altered by the pandemic. They explained that training initiatives were either placed on hold or greatly reduced to alleviate pressure on cash flow. Half of the companies in the sample indicated that the method of training delivery (contact sessions vs online sessions) changed, while 30% of the companies reported that the training provided was amended to include and focus on information pertaining to the pandemic and navigation of associated lockdowns.

More than half of the companies in the sample (60%) launched programmes to offer support to employees and/or to their families. This support included the provision of food parcels or hampers, care packages, cash donations and medical support. The same proportion of companies (60%) reported that they had launched EAP/staff wellness programmes to ensure that employees adequately deal with mental health issues brought about by the pandemic and build mental strength. This included the provision of counselling, training regarding increased stress, demotivation, burnout and unhealthy home environments, as well as introducing staff wellness days.

As mentioned in section 3.3.3 (page 57) open, timely communication is a valuable form of intangible remuneration offered to employees. During the pandemic, employers placed more emphasis on communication (mostly digitally enabled) to keep employees updated on the latest developments and planned courses of action, as reported by 50% of the companies in the sample.

This communication included webcasts and platforms where employees could share their experiences and employers could share information and give guidance on COVID-required actions and the continuing impact of the pandemic.

After the successful development of COVID-19 vaccinations, 50% of companies in the sample reported that they had launched vaccination programmes to assist employees in obtaining the vaccinations. This involved, in most cases, the set-up of an on-site vaccination centre/hub at the premises of the employer or the launch of a vaccination drive.

A minority (20%) of the companies in the sample explained that they assisted employees with re-skilling if they had been retrenched. The purpose of this was to better equip these employees for future employment.

The COVID-19 pandemic brought about many changes, in all aspects of life, and as demonstrated in the discussion above, intangible remuneration components were no exception to this rule. In summary, employers increased their focus on health and safety and ensured that employees had access to PPE for protection against the virus at the workplace. Employees enjoyed increased flexibility in terms of working hours and working conditions, and many companies made arrangements to allow employees to work from home or remotely. Training and development initiatives were disrupted by the pandemic, and the method of training delivery, as well as the focus of training, also had to be altered to ensure that training initiatives in general could proceed and remain relevant. Employers launched programmes to offer support to employees and their families in various forms, including food parcels, hampers, or medical supplies, or mental health and psychological services.

In addition, employers placed a greater emphasis on open, timely communication with staff members and made arrangements to ensure that staff had access to COVID-19 vaccinations. The pandemic was a time of widespread and, in most cases, inevitable retrenchments. Some companies responded by offering post-retrenchment support in the form of re-skilling to assist affected employees in their search for other employment.

The next part of the chapter includes an analysis of the impact of the COVID-19 pandemic on the remuneration structures of South African JSE-listed transportation companies.

4.5 The impact of the pandemic on remuneration structures of South African JSE-listed transportation companies

In chapter 3 it was established that total remuneration of employees can be made up of various components (see section 3.3, page 50) in different proportions. These components include a basic/cash salary, bonuses, fringe benefits, share-based payment arrangements, and more. The composition of an employee's total remuneration is referred to as the remuneration structure.

The next part of the chapter provides the analysis of the remuneration structures of South African JSE-listed transportation companies for the pre-COVID, during-COVID and post-COVID periods. (The rationale behind the classification of financial years into these three periods was discussed in section 4.3, page 88.) To ascertain whether the pandemic had an effect on the composition of remuneration, the average remuneration structures for these periods were compared and contrasted. The results are discussed in the following paragraphs.

The purpose of this section is to address SO 3, which is to compare pre-COVID remuneration structures with the during-COVID and post-COVID remuneration structures (see section 1.5.2, page 15). The analysis also enabled the researcher to achieve the primary objective of the study, namely to analyse the change due to COVID-19, if any, in the remuneration structures of South African JSE-listed transportation companies, with specific reference to executive employees (refer to section 1.5.1, page 15).

As explained in section 4.3 (see page 91), the analysis of the changes to remuneration, per component, was conducted using HLM because the remuneration of employees within the same company is not independent of each other. Hierarchical linear modelling allows the researcher to adjust for and model such non-independent data. The average remuneration per component (including the split between fixed and variable remuneration) was used to compute the remuneration structures for the pre-COVID, during-COVID and post-COVID periods. The change per component between the different periods was also calculated and interpreted (see Table 4-7, page 112).

The discussion of the analysis in the following part of the chapter starts with the identification and definition of the remuneration components offered by the companies in the sample. Thereafter, the change per component between the different periods, as well as the practical significance (explained below) thereof, is addressed. The final part of the analysis illustrates and describes the remuneration structures of the three periods (pre-COVID, during-COVID and post-COVID), including the composition thereof (fixed vs variable remuneration), as well as changes observed therein.

The analysis of remuneration revealed that five components made up the total remuneration offered to executives throughout the sample companies:

- Cash/base salary;
- Contributions to third parties on behalf of the employee (medical aid, pension fund, insurance policies, etc.);
- Bonuses and/or short-term incentives;
- Share-based payment arrangements (shares and/or share options – long-term incentives); and
- Other (including travel/car allowance, leave pay, the use of a company vehicle, fuel, retention pay, etc.).

The remuneration components identified were in line with the components identified in the literature review in chapter 3 (see section 3.3, page 50). These components can be summarised as follows:

Table 4-6 Remuneration components in the sample companies

Remuneration component	Explanation
Cash/base salary	This is an example of a direct, monetary remuneration component. A salary consists of a monthly cash payment made to employees in exchange for employment services rendered. This remuneration component was seen as fixed remuneration for the purpose of the analysis as the amount of the component is not dependent on the performance of the employee.

Remuneration component	Explanation
Third party contributions	This type of remuneration can be categorised as indirect, non-monetary remuneration. This form of compensation involves the employer making contributions, on the employee's behalf, to retirement funds, pension and/or provident funds, medical aids, life insurance and other policies. The employer's contribution is usually calculated as a percentage of the employee's contribution. For the purposes of the analysis, this remuneration component was categorised as fixed remuneration as the value of the component is not dependent on the performance of the employee.
Bonuses and/or short-term incentives	A bonus is an example of a direct, monetary remuneration component. This type of remuneration (which is usually a cash reward) is offered to employees occasionally to honour exceptional performance or for special occasions. A bonus can be based on the performance of the employee, a division of the company or the company as a whole. As the provision of this component (and the value thereof) is linked to the performance of the employee, this remuneration component was seen as a variable remuneration component.

Remuneration component	Explanation
Share-based payment arrangements	A share-based payment arrangement is a form of indirect, non-monetary remuneration. Employers can choose to reward employees with shares, share options or share appreciation rights in the employer company or another company within the same group of companies. These arrangements with employees usually contain vesting conditions, which will be influenced by the performance of the employee. As a result, this component was considered to be variable.

Remuneration component	Explanation
Other remuneration components	Other remuneration components included travel/car allowances, the right to use a company vehicle, leave pay, fuel, retention pay, all of which are indirect remuneration components. Each component will be briefly explained below. Travel/car Allowance: This is a monetary component offered to employees when they are obliged to use their personal vehicles for business purposes. Right to use a company car: This non-monetary benefit allows employees to use a motor vehicle owned by their employer for both personal and business purposes. Leave pay: This is a monetary benefit offered to employees in lieu of leave days used or taken. Fuel: This component can be either a monetary or non-monetary benefit, depending on the terms of the arrangement. Employers can provide fuel to their employees (non-monetary) to use for business and/or private purposes, or they can reimburse them for costs incurred with regard to fuel (monetary). All of these components were classified as fixed remuneration as the provision thereof is not likely to be influenced by the employee's performance.

(Source: Author, Table 3-1, page 52; Table 3-2, page 54)

In explaining the change in remuneration components identified above between the three different periods, the researcher will refer to the practical significance thereof. Practical significance can be understood as a large enough effect to be of importance in practice. It is described for differences in means and for the relationship in two-way frequency tables (Ellis & Steyn, 2003). Practical significance is independent of sample size and is measured through effect size (Ellis & Steyn, 2003).

The effect size, using Cohen's d-value, for the difference between means was considered for the study at hand, and the following guidelines were followed to interpret the effect sizes (Ellis & Steyn, 2003):

- Small effect: $d = 0.2$
- Medium effect: $d = 0.5$
- Large effect: $d = 0.8$

Data with $d \geq 0.8$ is considered to be practically significant as it is the result of a difference having a large effect (Ellis & Steyn, 2003).

Table 4.7 below shows the changes to the remuneration components identified above, as well as the effect size of each change. The changes were calculated for the pre-COVID to during-COVID period, the during-COVID to post-COVID period, and from the pre-COVID to the post-COVID period.

Table 4-7 Change per remuneration component

Period	Percentage change	Effect size (calculated at 95% confidence interval)
Cash/base salary		
Pre-COVID to during-COVID	10%	0.23
During-COVID to post-COVID	3%	0.07
Pre-COVID to post-COVID	13%	0.31
Third party contributions		
Pre-COVID to during-COVID	6%	0.09
During-COVID to post-COVID	8%	0.14
Pre-COVID to post-COVID	14%	0.23
Bonus and/or other short-term incentives		
Pre-COVID to during-COVID	-21%	0.22
During-COVID to post-COVID	103%	0.86
Pre-COVID to post-COVID	61%	0.64

Period	Percentage change	Effect size (calculated at 95% confidence interval)
Share-based payment arrangements		
Pre-COVID to during-COVID	-22%	0.09
During-COVID to post-COVID	223%	0.71
Pre-COVID to post-COVID	151%	0.62
Other remuneration components		
Pre-COVID to during-COVID	-55%	0.30
During-COVID to post-COVID	56%	0.14
Pre-COVID to post-COVID	-30%	0.16
Variable remuneration		
Pre-COVID to during-COVID	-29%	0.28
During-COVID to post-COVID	132%	0.92
Pre-COVID to post-COVID	66%	0.64
Fixed remuneration		
Pre-COVID to during-COVID	6%	0.15
During-COVID to post-COVID	3%	0.08
Pre-COVID to post-COVID	9%	0.23

(Source: Author)

No further consideration is given to changes with a small or no effect, as these changes are not practically significant and therefore the changes for the components are negligible. The effect sizes can be summarised and interpreted as follows:

Medium effect:

- 61% increase in bonuses and other short-term incentives from the pre-COVID period to the post-COVID period ($d = 0.64$);
- 223% increase in share-based payment arrangements from the during-COVID period to the post-COVID period ($d = 0.74$);

- 151% increase in share-based payment arrangements from the pre-COVID period to the post-COVID period ($d = 0.62$); and
- 66% increase in variable remuneration offered to employees from the pre-COVID period to the post-COVID period ($d = 0.64$).

The changes listed above can therefore be interpreted as having a reasonable overall impact. These changes are moderate and noticeable, but they only have a limited practical application.

Large effect:

- 103% increase in bonuses and other short-term incentives from the during-COVID period to the post-COVID period ($d = 0.86$); and
- 132% increase in the mean variable remuneration offered to employees from the during-COVID period to the post-COVID period ($d = 0.92$).

The increase noted in bonuses and other short-term incentives and the increase in the mean variable remuneration offered to employees have a large effect size. This means that the changes calculated have a large enough effect to be important and have an effect in practice.

Now that the individual components and the changes therein have been examined, the next part of the chapter focuses on the remuneration structures. The average remuneration structure for the pre-COVID, during-COVID and post-COVID period was calculated using the mean per component (from all executives from all companies in the sample). Consideration was also given to the composition of remuneration in terms of fixed and variable remuneration.

The composition of remuneration for these periods is illustrated below through the use of pie charts. The charts show the average remuneration structure for the three periods. The changes identified and observed in the remuneration structures are discussed at the end of the illustrations.

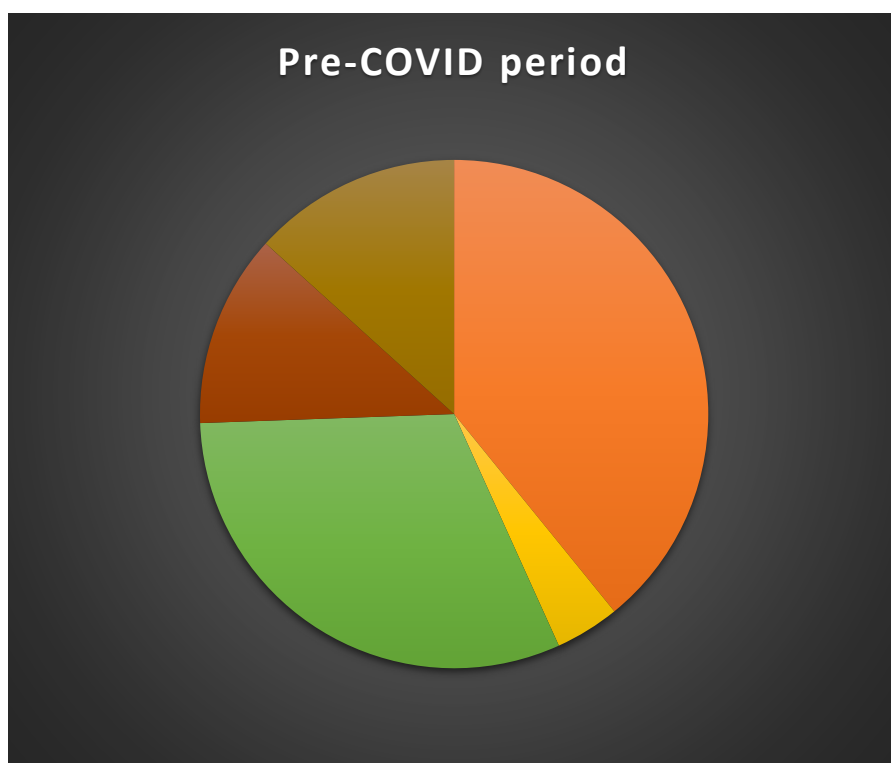


Figure 4.10 Average pre-COVID remuneration structure

(Source: Author)

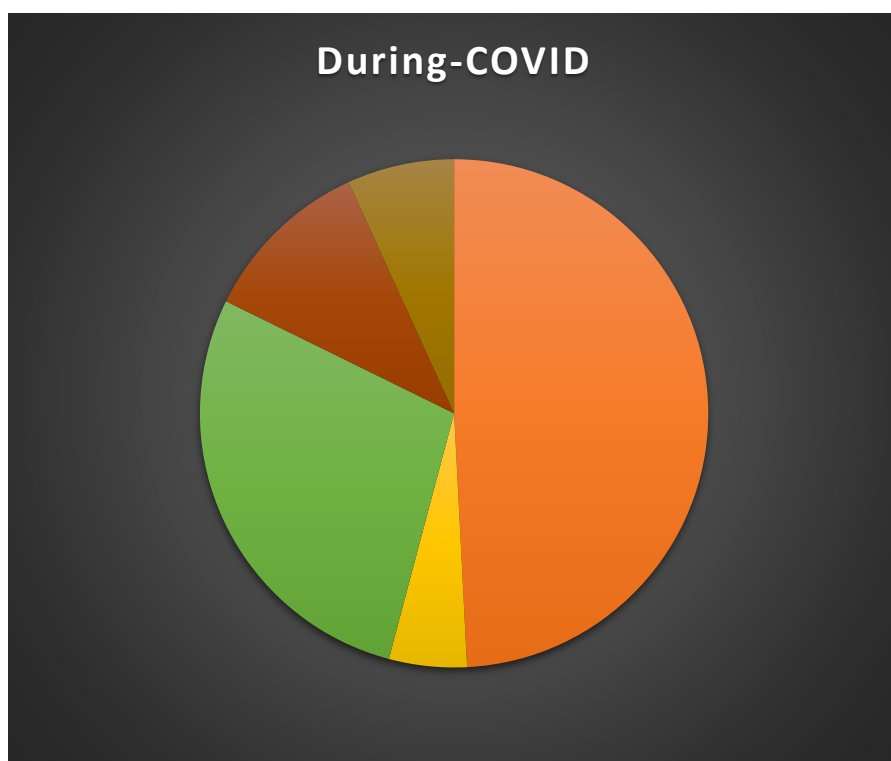


Figure 4.11 Average during-COVID remuneration structure

(Source: Author)

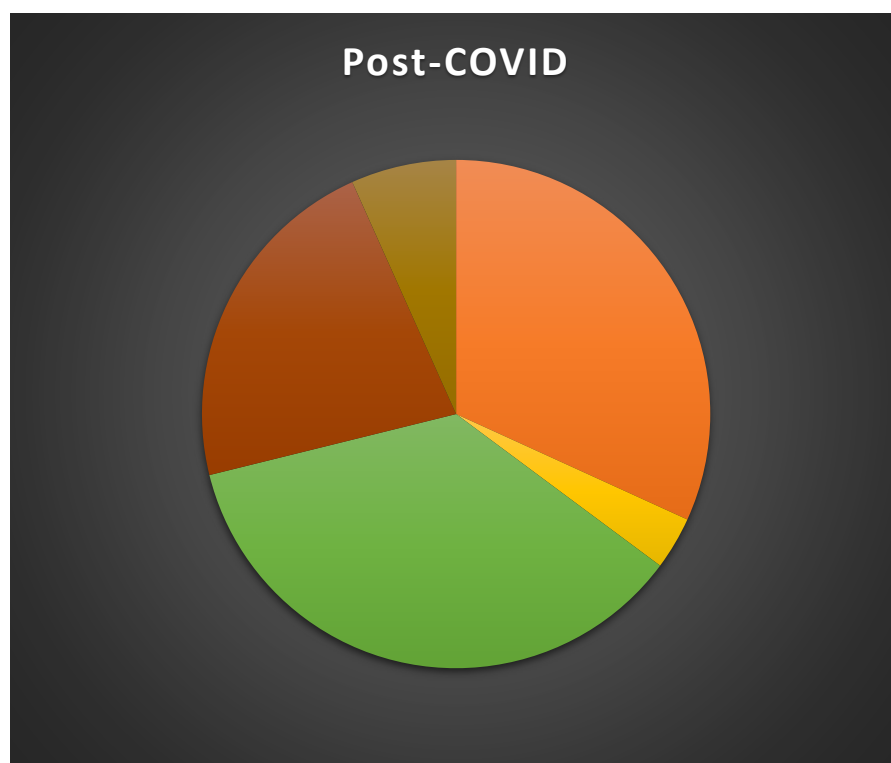


Figure 4.12 Average post-COVID remuneration structure

(Source: Author)

As can be observed from the charts above, a larger proportion of total remuneration consisted of a cash/base salary during the pandemic. A reduction in bonuses and other short-term incentives is evident, while this reduction is also prevalent in 'other' remuneration components. The proportion of total remuneration consisting of third party contributions and share-based payment arrangements remained quite stable.

Upon comparison of the during-COVID and post-COVID remuneration structures, one can see that there was a significant increase in the proportion of TR made up of bonuses and other short-term incentives, while a corresponding reduction in the cash/base salary proportion is observed. Share-based payment arrangements made up double the proportion of TR in the post-COVID structure when compared to the during-COVID remuneration structure. No change was observed in the 'other' remuneration components, while a slight decrease in third party contributions is evident.

Lastly, when the pre-COVID remuneration structure is compared with the post-COVID remuneration structure, it is clear that the changes described above are still evident, however, less extreme. There was a reduction in the cash/base salary, but an increase in the bonuses and other short-term incentives. 'Other' remuneration components and third party contributions made up a smaller proportion of TR, while the proportion of share-based payment arrangements increased.

The next part of the analysis investigated whether the ratios of fixed and variable remuneration had changed throughout the course of the three periods.

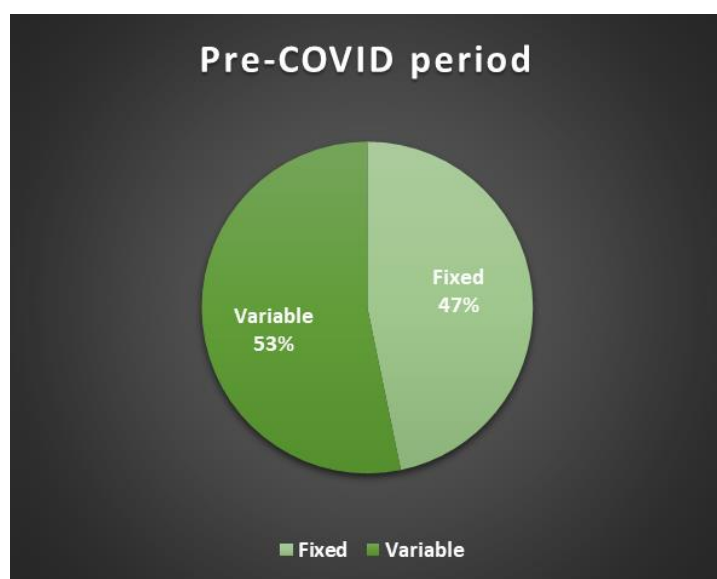


Figure 4.13 Average pre-COVID remuneration composition

(Source: Author)

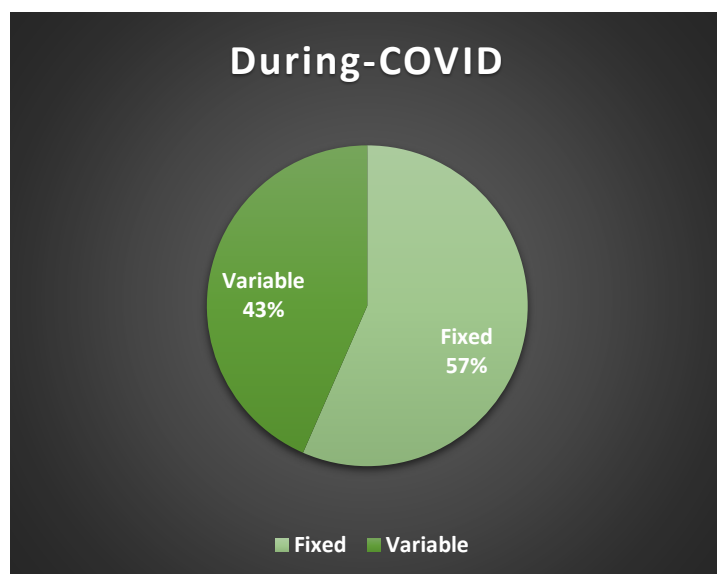


Figure 4.14 Average during-COVID remuneration composition

(Source: Author)

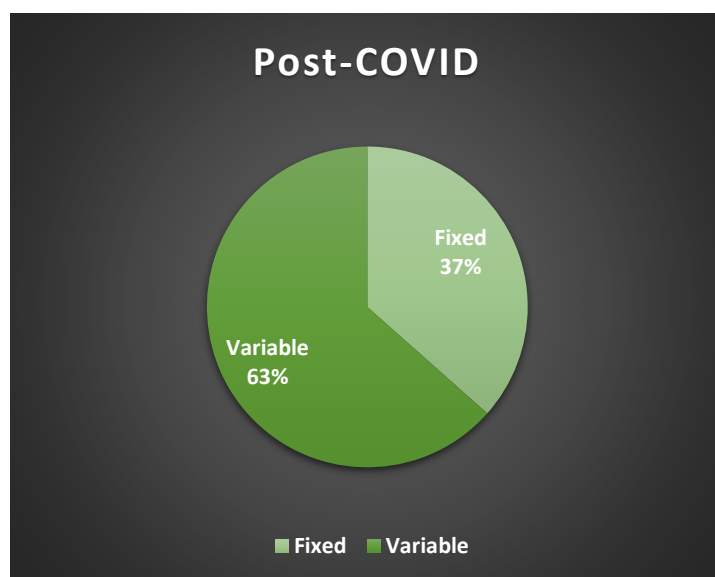


Figure 4.15 Average post-COVID remuneration composition

(Source: Author)

During the pandemic, fixed remuneration made up a significantly larger proportion of TR when compared to the pre-COVID period. After the pandemic (in the post-COVID period) the change was reversed, and the proportion of remuneration attributable to fixed remuneration components decreased to an even smaller proportion than that of the pre-COVID period.

In summary, the increases observed in bonuses and other short-term incentives, as well as in the mean variable remuneration of executives, from the during-COVID period to the post-COVID period, have practical significance. This suggests that these changes have a large enough effect to be important in practice. These changes can also be seen in the analysis of remuneration structures, namely the significant increase in the proportion of TR made up of bonuses and other short-term incentives in the post-COVID period when compared to the during-COVID period. The same principle applies to the increase in the proportion of variable remuneration. The increase in share-based payment arrangements from the pre-COVID to the post-COVID and from the during-COVID to the post-COVID period has a medium effect size, and these changes could also be traced to the remuneration structure comparison.

Therefore, the most prevalent changes to remuneration and remuneration structures brought about by the pandemic are the increase in variable remuneration (specifically bonuses and other short-term incentives), as well as the increase in share-based payment arrangements offered to employees from the pre-COVID to the post-COVID period.

4.6 Chapter summary

The purpose of this chapter was to present the analysis and interpretation of the change in remuneration structures of South African JSE-listed transportation companies. The analysis included the categorisation of the remuneration as fixed or variable and a consideration of qualitative disclosures made by companies in the sample relating to changes in the work environment and intangible, non-monetary remuneration brought about by the pandemic.

This chapter sought to address SO 3, namely to compare pre-COVID remuneration structures with the during-COVID and post-COVID remuneration structures (section 1.5.2, page 15). Performing the analysis, as discussed in the chapter, enabled the researcher to meet the primary objective of the study, which was to analyse the change due to COVID-19, if any, in the remuneration structures of South African JSE-listed transportation companies, with specific reference to executive employees.

The first part of the chapter gave a summary of the researcher's choices regarding the methodology and design of the study, followed by a description of the procedures involved in identifying and selecting the two sample (companies and employees) and collecting the data. This included reference to the fact that data saturation was reached with the analysis of the 2017 integrated annual reports, as no new remuneration components were identified. The rationale behind the classification of the financial years into the pre-COVID, during-COVID and post-COVID periods was set out in the early sections of the chapter. HLM was applied to calculate and analyse the changes to remuneration components between these three periods and Cohen's d-value was used to consider the practical significance of the changes calculated.

A brief explanation of the companies in the sample was provided to better understand the environment in which they operate.

The COVID-19 pandemic brought about many changes in all aspects of life, and, as demonstrated in the first part of the analysis in this chapter, intangible remuneration components were no exception (see section 4.4, page 104). These changes can be summarised as follows:

During the pandemic, employers increased their commitment to health and safety, ensuring that workers had PPE to protect them from the COVID-19 virus in the workplace. There was a shift towards more flexible work hours and conditions, with many businesses taking steps to facilitate remote work or work from home. The pandemic disrupted training and development programmes, necessitating changes in training delivery methods and content to ensure continuity and relevance.

To assist their workforce, employers introduced various support programmes, ranging from tangible aid like food parcels and medical supplies, to mental and emotional health initiatives. Open and prompt communication became a cornerstone for employers, along with arrangements for employees to access COVID-19 vaccinations. Widespread retrenchments were a consequence of the pandemic, often unavoidable. However, some firms provided re-skilling support to help retrenched employees transition to new job opportunities.

The final part of the chapter set out the analysis and interpretation of the changes to remuneration components, the remuneration structures, and the composition of remuneration (fixed vs variable) for the pre-COVID, during-COVID and post-COVID periods. The increases observed in bonuses and other short-term incentives and in the mean variable remuneration offered to executives from the during-COVID period to the post-COVID period were found to have practical significance; in other words, these changes have a large enough effect to be important in practice.

These changes were also evident in the analysis of remuneration structures, as a significant increase was found in the proportion of TR attributable to bonuses and other short-term incentives in the post-COVID period when compared to the during-COVID period. The same applies to the increase in the proportion of variable remuneration: The increase in share-based payment arrangements from the pre-COVID to the post-COVID and from the during-COVID to the post-COVID period had a medium effect size, and these changes could also be traced to the remuneration structure comparison.

The next chapter presents the conclusions and recommendations of the study based on the findings in the preceding chapters. The purpose of the chapter is to address SO 4, which is to conclude and make recommendations based on the results and findings of the study.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The South African government declared a national state of disaster on 15 March 2020, shortly after the WHO's declaration of COVID-19 as a pandemic. Twelve days later, on 27 March 2020, the first nationwide lockdown came into effect, leading to business closures, reduced travel, employees being forced to work from home, social distancing, and a restriction on the sale of certain items. These lockdown regulations, specifically travel restrictions and the ban on the sale of certain items, had a severe impact on the performance and operation of companies in the transportation sector in South Africa. The effects of deteriorating financial performance of companies were passed down to employees through the implementation of measures such as pay cuts, retrenchments, and reduced work for reduced pay.

The COVID-19 pandemic significantly altered how business is conducted, how the economy operates, how people work, as well as their remuneration. Remuneration refers to the way in which employees are rewarded for services offered at the workplace (see section 3.2, page 49). During the pandemic, employers placed more emphasis on productivity, rather than the time spent working or time spent at the premises of the employer. The pandemic necessitated the re-evaluation of the traditional 40-hour work week and eight-hour working day, while workplace safety and flexible working conditions became key focus areas for businesses.

Various studies, both locally and internationally, have been conducted to determine the impact of COVID-19 on the economy (and different sectors thereof), unemployment, and fixed and variable pay (as summarised in section 1.2, page 8). Existing research on remuneration structures focuses on the changes that could be expected as a result of the pandemic, but no research has explored what the actual changes to remuneration structures were in the South African context. For this reason, the research question for this study was formulated as follows:

'What impact, if any, did the COVID-19 pandemic have on the composition of remuneration structures of executive employees of companies in the transportation industry in South Africa?'

Primary and secondary objectives were formulated to answer the research question (see section 1.5, page 15). The next section of this chapter will revisit each secondary objective, summarise the results and conclusions for each objective, and explain how the researcher came to these conclusions (section 5.2, page 122). Thereafter, a conclusion is provided on the primary objective of the study, and the approach followed to arrive at this conclusion is set out (section 5.3, page 128).

The limitations of the study is discussed in the following section (section 5.4, page 129) after which the chapter concludes with recommendations and suggested areas for further research (section 5.5, page 129).

The purpose of this chapter is to address *SO 4*, which is to conclude and make recommendations based on the results and findings of the study (see section 1.5.2, page 15).

5.2 Revisiting the secondary research objectives

As established in chapter 1 (section 1.5.1, page 15) and the introduction to this chapter (section 5.1, page 121), the primary objective of the study was to analyse the change due to COVID-19, if any, in the remuneration structures of South African JSE-listed transportation companies, with specific reference to executive employees. In order to achieve the primary objective, the researcher set four secondary objectives (section 1.5.2, page 15). Each of the objectives, as well as how they were achieved, are discussed in the following paragraphs.

5.2.1 Identify and explain the relevant research methodology to be applied in this study

In addressing the first of the secondary objectives, chapter 2 contained a detailed description of the research design and methodology adopted by the researcher based on the metaphorical research onion framework. The chapter commenced with an explanation of the structure of the research onion and the process to be followed in terms thereof. Thereafter, each decision (represented by a layer of the onion) made by the researcher was discussed.

The first decision was concerned with the research paradigm/philosophy to be adopted for the study. The two main research paradigms, as well as the ontological, epistemological and methodological assumptions of each, were explored and discussed (section 2.3, page 32 to 35). The research approach – the next layer of the research onion – was explained as being either inductive, deductive or abductive, depending on the relationship between theory and data (section 2.4, page 36). The researcher considered and discussed the methodological choice as part of the research paradigm/philosophy mentioned above and not as an independent decision to be made.

The research design/strategy was explained next with reference to the five major research designs, namely experimental, cross-sectional, longitudinal, case study, and comparative (section 2.5, page 38). The time horizon of a study was described as being dependent on whether a phenomenon is studied at a certain point in time (cross-sectional design) or over a certain period of time (longitudinal design) (section 2.6, page 40).

The final decision, which is the core of the research onion, is concerned with data collection and analysis. The researcher referred to the major data collection types, namely observations, interviews, documents, and audio-visual materials (section 2.7, page 41).

Population and sampling are other critical aspects of data collection and analysis and were explored and described by the researcher (section 2.8, page 44). Ethical considerations, although not included in the research onion framework, is an important consideration in conducting research. The researcher explained that the study at hand had limited ethical risks as the data used are publicly available (section 2.9, page 46).

Based on the discussions and decisions set out above, the research methodology adopted in the study can be summarised as follows:

- Ontological assumption: Realist/objectivist (section 2.3.1, page 32);
- Epistemological assumption: Relationship between researcher and data is objective (section 2.3.2, page 33);
- Research paradigm: Positivism (section 2.3.2.2, page 34);
- Methodological assumption: Quantitative (section 2.3.3, page 35);
- Approach to theory development: Inductive (section 2.4, page 36);
- Research strategy: Comparative design (section 2.5, page 38);
- Time horizon: Longitudinal design (section 2.6, page 40);
- Data sources: Textual data and documents (section 2.7, page 41); and
- Population and sampling: Purposeful sampling (section 2.8, page 44).

In addressing the aspects above, the researcher was able to meet the first secondary objective, which was to identify and explain the relevant research methodology to be adopted in the study at hand.

The next paragraph considers the way in which the researcher achieved the second secondary objective.

5.2.2 Define remuneration and discuss the various components which can form part of the remuneration structure

The second secondary objective was addressed by conducting a literature review, as presented in chapter 3. Through the literature review, it was established that remuneration refers to the rewards offered by employers to their employees, in exchange for services rendered by these employees (section 3.2, page 49).

Remuneration can be classified as either intrinsic rewards, or extrinsic rewards (as explained in section 3.1, page 48). Intrinsic rewards, which are benefits generated by the employee internally, were not included in the scope of the study, as these rewards could not be quantified or identified in the annual integrated reports of companies. Extrinsic rewards can be further categorised as either direct or indirect remuneration. Direct and indirect remuneration components were identified and explained in Table 3-1 (page 52) and Table 3-2 (page 54) respectively.

Indirect remuneration was further stratified into monetary and non-monetary indirect remuneration. Monetary indirect remuneration refers to rewards offered in the form of financial incentives and consists of cash-based rewards. In contrast, non-monetary rewards, which can be either tangible or intangible, are incentives that do not consist of actual cash payments, however, their monetary or financial value can still be determined. Intangible non-monetary rewards have a similar meaning as intrinsic rewards, as described above. They encompass rewards for which a cash value cannot necessarily be determined, even though they hold value for employees. Tangible non-monetary rewards, on the other hand, refer to incentives that are not cash, but have a monetary or financial value.

Section 3.4 (see page 61) contained an overview of the value of each of the components identified (in section 3.3, page 50) in terms of the taxation implications (section 3.4.1, page 61), the cash flow implications (section 3.4.2, page 75) and the timing of the benefit (section 3.4.3, page 76). This section provided a firm understanding of the different components identified.

The literature review, as summarised above, enabled the researcher to achieve the second secondary objective, which was to define remuneration and discuss the various components which can form part of the remuneration structure.

The following section sets out how the third secondary objective, the empirical objective, was achieved.

5.2.3 Comparison of pre-COVID remuneration structures with during-COVID and post-COVID remuneration structures and analysis of changes to intangible remuneration components

The fourth secondary objective was addressed in chapter 4. The first part of the analysis (section 4.4, page 104) examined changes to intangible remuneration components (as defined in section 3.2, page 49) due to the COVID-19 pandemic.

This analysis was performed by means of coding, which is a data collection technique that involves identifying meaningful segments in data and labelling them with a code. As the study at hand was a relatively small project with a limited amount of data, a simple colour coding sufficed, with a colour for each code. Microsoft Word was used to perform the coding and summarise the findings. The researcher used the codes identified, together with the proportion of companies that disclosed the change (or a change in the same category), to compile a list of changes brought about by the pandemic. Figure 5.1 illustrates these changes:

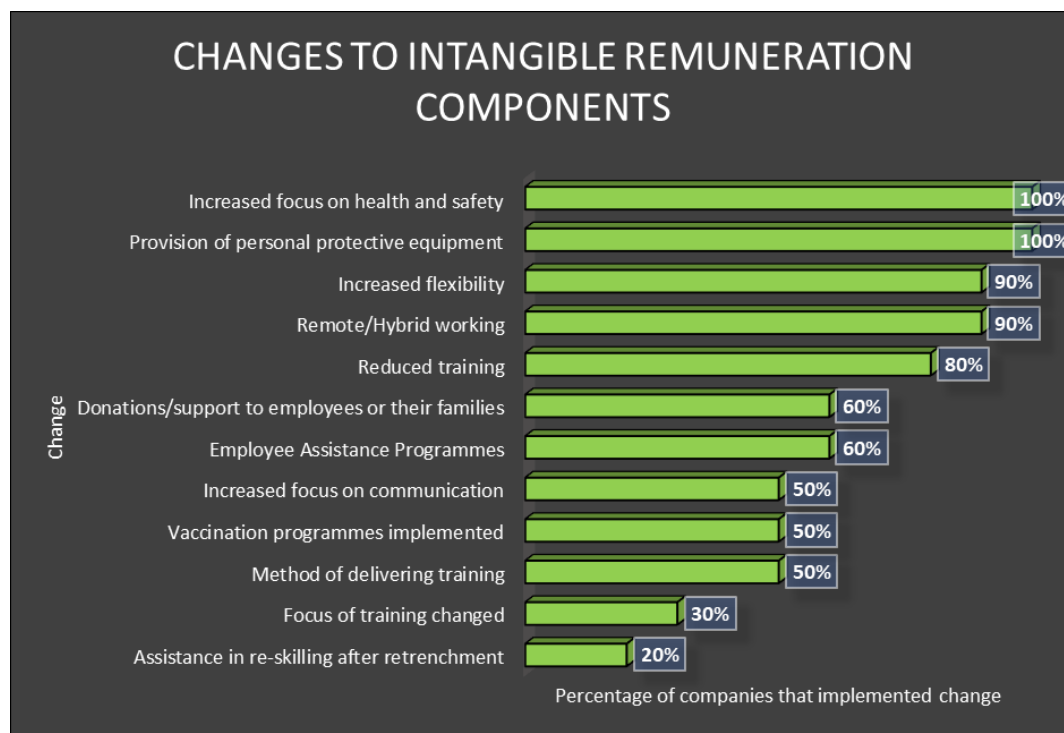


Figure 5.1 Changes to intangible remuneration components

(Source: Author, figure 4.9, page 104)

The results of the analysis can be summarised as follows:

Employers increased their focus on health and safety by ensuring that their staff had access to PPE for protection against the COVID-19 virus in the workplace. This change was accompanied by an increase in flexibility for employees regarding work hours and working conditions. Numerous companies implemented strategies enabling employees to work remotely or from home.

While the pandemic disrupted training and development initiatives, adjustments were made to the method of training delivery and the focus of training offered, ensuring its continuity and relevance. Furthermore, employers introduced various programmes to offer support to employees and their families.

These initiatives included assistance in the form of food parcels, hampers, medical supplies, and programmes targeting employee mental well-being and psychological assistance.

There was a notable enhancement in open and timely communication between employers and staff. Employers also made arrangements to ensure staff accessibility to COVID-19 vaccinations. Retrenchments during the pandemic were widespread and, in most cases, inevitable. In response, certain companies extended aid to employees to facilitate their re-skilling for alternative employment opportunities.

To achieve the remaining objective, the third secondary objective, the researcher performed an analysis of the remuneration structures of South African transportation companies for the pre-COVID, during-COVID and post-COVID periods as described in section 4.5 (page 107). The section commenced with an analysis of the change in means of the remuneration component identified. This was carried out by the Statistical Consultation Services of the North-West University (Potchefstroom Campus) using HLM. The choice of HLM was made because the remuneration of various employees within the same company is interrelated and HLM allowed the researcher to adjust for and model this non-independence.

In addition, the analysis involved calculating and interpreting the change per component between the different periods (section 4.5, page 107; Table 4-7, page 112), as well as the change in the proportion of TR that the component consists of. The most significant changes (based on effect size, as explained in section 4.5, page 107) can be summarised as follows:

- There was an increase in the mean of bonuses and other short-term incentives offered to employees from the pre-COVID period to the post-COVID period (61%), as well as from the during-COVID period to the post-COVID period (103%).
- There was an increase in the mean of share-based payment arrangements included in the remuneration of employees from the during-COVID to the post-COVID period (223%), as well as from the pre-COVID to the post-COVID period (151%).
- There was an increase in the mean variable remuneration offered to employees from the pre-COVID to the post-COVID period (66%), as well as from the during-COVID to the post-COVID period (132%).

The average remuneration per component (including the split between fixed and variable remuneration) was used to compute the remuneration structures for the pre-COVID, during-COVID and post-COVID periods.

These remuneration structures (including the fixed and variable proportions) were compared and the researcher came to the following conclusions (section 4.5, page 107):

During the pandemic a larger proportion of total remuneration consisted of a cash/base salary. A reduction in bonuses and other short-term incentives was evident, while this reduction was also prevalent in 'other' remuneration components. The proportion of total remuneration consisting of third party contributions and share-based payment arrangements remained quite stable.

Upon comparison of the during-COVID and post-COVID remuneration structures, a significant increase was noted in the proportion of TR made up of bonuses and other short-term incentives, while a corresponding reduction in the cash/base salary proportion was observed. Share-based payment arrangements made up double the proportion of TR in the post-COVID structure when compared to the during-COVID remuneration structure. No change was observed in the 'other' remuneration components, while a slight decrease in third party contributions was evident.

Finally, when the pre-COVID remuneration structure was compared to the post-COVID remuneration structure, it became clear that the changes described in the preceding two paragraphs were still prevalent, however, less extreme. There was a reduction in the cash/base salary but an increase in the bonuses and other short-term incentives. 'Other' remuneration components and third party contributions made up a smaller proportion of TR, while the proportion of share-based payment arrangements increased.

During the pandemic, fixed remuneration constituted a significantly larger proportion of TR when compared to the pre-COVID period. However, in the post-COVID period, the change was reversed. In other words, the proportion of remuneration attributed to fixed remuneration components decreased even further compared to the pre-COVID period.

The analysis described above enabled the researcher to address the third secondary objective. The conclusions drawn from the analysis furthermore allowed the researcher to meet the primary objective of the study, which was to analyse the change due to COVID-19, if any, in the remuneration structures of South African JSE-listed transportation companies, with specific reference to executive employees (section 1.5.1, page 15).

The next paragraph explains how the final secondary objective of the study was addressed.

5.2.4 Conclude and make recommendations based on the results and findings of the study

The last secondary objective was met in the final chapter, chapter 5. In the preceding paragraphs (sections 5.2.1 to 5.2.3, pages 122 to 124), the results and conclusions of the secondary research objectives of the study were discussed and summarised, and in the

following paragraph, the results and conclusion on the primary research objective are set out (section 5.3, page 128). These discussions enabled the researcher to address the first part of the fourth and final secondary objective, namely to conclude the study based on the results and findings.

The last part of the fourth secondary objective (section 1.5.2, page 15) – to make recommendations based on the results and findings of the study – is addressed later in the chapter (section 5.5, page 129). These recommendations also include suggested areas for further research.

Next, a discussion is provided on the conclusion of the primary objective of the study (section 1.5.1, page 15), as well as the method adopted to reach this conclusion.

5.3 Conclusion on the overall primary objective

The primary objective of the study was to (section 1.5.1, page 15):

Analyse the change due to COVID-19, if any, in the remuneration structures of South African JSE-listed transportation companies, with specific reference to executive employees.

The researcher aimed to meet the primary objective by first drawing inferences based on the literature review presented in chapter 3 (pages 48 to 83) and thereafter from the empirical findings described and reported in chapter 4 (pages 85 to 119). The conclusion of the secondary research objectives (section 5.2, page 122) supported the overall primary research objective.

Based on these findings, it can be concluded that the COVID-19 pandemic did indeed have an impact on the remuneration structures of executives of South African JSE-listed transportation companies. This conclusion was reached through the analysis presented in chapter 4 (pages 85 to 119), summarised in paragraph 5.2.3 (page 124). Therefore, the primary research objective of this study was achieved.

The following section provides an overview of the limitations and potential shortcomings of the study.

5.4 Limitations and shortcomings of the study

Although the researcher took appropriate steps to ensure that the study is comprehensive and of good quality, the findings of this study are not without limitations. Below follows a discussion on the limitations and shortcomings of the study.

- Even though every effort was taken to ensure that all important sources were considered and included, the study and its findings are limited to the sources used.
- The duration of the study (from March 2022 to August 2023) extended for more than one year. Consequently, there is a possibility for new sources and resources to have emerged during this period which could shed more light on the subject beyond what was available when the study was conducted.
- Most of the companies in the sample are diversified groups, which means that they have operations in sectors beyond transportation. Therefore, given their varied sector involvement, there is a risk that the severity of the pandemic's effect might not have been uniform across all companies. No adjustment was, or could have been made for this fact.
- In the study, no adjustment was made to take into account the differences in the sizes of the companies in the sample.
- In the execution of the study, no adjustment was made for the fact that some companies might have been categorised as 'essential service providers'. It is therefore plausible that the impact of the pandemic on these companies could have been less severe compared to others.
- During the performance of the study, one of the companies in the sample, Onelogix Group Limited, was delisted from the JSE. This event took place after the data had been collected and analysed, and therefore the company was still included in the sample. Consequently, at the date of submission of the dissertation, the company did not comply with the requirements to be included in the sample anymore.

5.5 Suggestions for further research

Throughout the study, several other research possibilities and opportunities were identified and noted. These can be described as follows:

- The study could be performed for other sectors of the economy, as opposed to the transportation sector, and in different countries other than South Africa.
- Focus can be placed on the remuneration of employees other than executives, and changes to the remuneration structures of these employees can be investigated.

- To identify potential inequalities, the changes to remuneration structures of executive employees can be contrasted with the changes to remuneration structures for employees other than executives.
- New research can focus on one or more remuneration component (e.g., share-based payment arrangements) and investigate the impact of the COVID-19 pandemic thereon.
- Further research can investigate or analyse what the impact of the pandemic was on intrinsic remuneration.
- Research can be done to evaluate the impact of the pandemic on remuneration policies and key performance indicators considered for short- and long-term incentives.

5.6 Contribution of the study

The researcher is hopeful that the study would assist in providing a better understanding of the impact of the COVID-19 pandemic on everyday life, specifically on the way in which executive employees are remunerated. The only means by which the impact of this Black Swan event can be accurately identified and understood is through comprehensive research and studies.

Remuneration is a great source of motivation and an important tool to retain valuable employees. The literature review contained in chapter 3 provides a comprehensive, yet understandable overview of the different elements that can form part of total remuneration. This aspect of the study holds significance for South African employers, as it offers insight into various remuneration components, as well as their value from the employee's perspective. This understanding can potentially aid employers in designing remuneration packages that align with their employees' desires and needs.

In chapter 2, starting on page 27, the researcher contributed to existing literature concerning research methodologies and design by providing a detailed thought process that can be followed by novice accounting researchers when formulating a research methodology. The reader would have gained a better understanding of the factors to consider, as well as the meaning of the different choices that were made.

Through the recommendations for further research (section 5.5, page 129), the study contributes to the body of research in the accounting field and on the pandemic, both locally in South Africa and internationally.

These recommendations can aid in understanding the impact of the pandemic on the pay gap between executive employees and the working class. This study is only the first step in

investigating this phenomenon and demonstrated its relevance and significance for forthcoming researchers, employers and academics in the accounting field.

5.7 Chapter summary

The main focus of this chapter was to provide an overview of the primary and secondary research objectives, as well as how they were achieved in the study. The limitations and potential shortcomings of the study were described in section 5.4 (page 129). The chapter contains summaries of the conclusions drawn from the findings, as well as recommendations and suggestions for further research.

The primary objective of the study, as described in chapter 1 (section 1.5.1, page 15), was to analyse the change due to COVID-19, if any, in the remuneration structures of South African JSE-listed transportation companies, with specific reference to executive employees.

Chapter 4 presented the comparison between the remuneration structures of South African JSE-listed companies for the pre-COVID, during-COVID and post-COVID periods. The following changes were noted (pages 85 to 119):

- There was an increase in the average bonus and other short-term incentives offered to executive employees.
- The proportion of TR that consisted of variable remuneration increased.
- The proportion of TR that consisted of bonuses and other short-term incentives increased.
- Share-based payment arrangements offered to executive employees increased.

By addressing the primary objective of the study, the researcher was able to answer the research question as well. The research question was outlined as follows (section 1.4, page 14):

What impact, if any, did the COVID-19 pandemic have on the composition of remuneration structures of executive employees of companies in the transportation industry in South Africa?

From the findings of the study, it can be submitted that the COVID-19 pandemic led to the alteration of the remuneration structures of South African JSE-listed transportation companies. This alteration involved an increased emphasis on bonuses and other short-term incentives, share-based payment arrangements and a higher proportion of variable remuneration.

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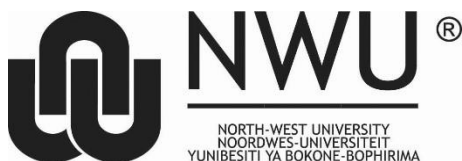
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ANNEXURE A – ETHICS APPROVAL



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Senate Committee for Research Ethics
Tel: 018 299-484
Feziwe.Mseleni@nwu.ac.za

28 November 2022

ETHICS APPROVAL LETTER OF STUDY

Based on approval by the **Economic and Management Sciences Research Ethics Committee (EMS-REC)** on 28/11/2022, the Economic and Management Sciences Research Ethics Committee hereby **approves** your study as indicated below. This implies that the North-West University Senate Committee for Research Ethics (NWU-REC) grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the study may be initiated, using the ethics number below.

Study title: An analysis of the impact of COVID-19 on remuneration structures of South African JSE-listed transportation companies

Study Leader/Supervisor (Principal Investigator/Researcher): Prof RR de Villiers / Mrs E Kilian – MCom in Accountancy

Student: Adriaanse, M (31644988)

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Institution Study Number Year Status

Status: S = Submission; R = Re-Submission; P = Provisional
Authorisation; A = Authorisation

Application Type:

Commencement date: 28/11/2022

Risk:

Low

Expiry date: 28/11/2023

Approval of the study is initially provided for a year, after which continuation of the study is dependent on receipt and review of the annual (or as otherwise stipulated) monitoring report and the concomitant issuing of a letter of continuation.

Special in process conditions of the research for approval (if applicable):

•

General conditions:

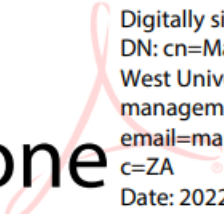
While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, the following general terms and conditions will apply:

- *The study leader/supervisor (principle investigator)/researcher must report in the prescribed format to the EMS-REC:*
 - *annually (or as otherwise requested) on the monitoring of the study, whereby a letter of continuation will be provided, and upon completion of the study; and*
 - *without any delay in case of any adverse event or incident (or any matter that interrupts sound ethical principles) during the course of the study.*
- *The approval applies strictly to the proposal as stipulated in the application form. Should any amendments to the proposal be deemed necessary during the course of the study, the study leader/researcher must apply for approval of these amendments at the EMS-REC, prior to implementation. Should there be any deviations from the study proposal without the necessary approval of such amendments, the ethics approval is immediately and automatically forfeited.*
- *Annually a number of studies may be randomly selected for an external audit.*
- *The date of approval indicates the first date that the study may be started.*
In the interest of ethical responsibility, the NWU-SCRE and EMS-REC reserves the right to:
 - *request access to any information or data at any time during the course or after completion of the study;*
 - *to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process; – withdraw or postpone approval if:*
 - *any unethical principles or practices of the study are revealed or suspected;*
 - *it becomes apparent that any relevant information was withheld from the EMS-REC or that information has been false or misrepresented;*
 - *submission of the annual (or otherwise stipulated) monitoring report, the required amendments, or reporting of adverse events or incidents was not done in a timely manner and accurately; and / or*
 - *new institutional rules, national legislation or international conventions deem it necessary.*

The EMS-REC would like to remain at your service as scientist and researcher, and wishes you well with your study. Please do not hesitate to contact the EMS-REC or the NWU-SCRE for any further enquiries or requests for assistance.

Yours sincerely,

**Mark
Rathbone**



Digitally signed by Mark Rathbone
DN: cn=Mark Rathbone, o=North-
West University, ou=Business
management,
email=mark.rathbone@nwu.ac.za,
c=ZA
Date: 2022.11.30 11:21:29 +02'00'

Prof Mark Rathbone
Chairperson: NWU Economic and Management Sciences Research Ethics Committee

ANNEXURE B – DECLARATION OF STATISTICAL ASSISTANCE



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30 August 2023

Re: Dissertation, Me M Adriaanse, student number 31644988

We hereby confirm that the Statistical Consultation Services of the North-West University analysed the data of the above-mentioned student and assisted with the interpretation of the results. However, any opinion, findings or recommendations contained in this document are those of the author, and the Statistical Consultation Services of the NWU (Potchefstroom Campus) do not accept responsibility for the statistical correctness of the data reported.

Kind regards

A handwritten signature in dark ink, appearing to read 'SM Ellis', is written over a horizontal line.

Prof SM Ellis (Pr. Sci. Nat.)

**Associate Professor: Statistical Consultation
Services**