The influence of compensation on agent retention in the Zambian life insurance industry

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ABSTRACT

This study examined the influence of compensation on agent retention in the Zambian life insurance industry. The study was grounded on Job Embeddedness (JE), the Herzberg's Two-Factor theory and Maslow's Hierarchy of Need. Theory. Using a mixed-methods explanatory research design, quantitative data were collected from 173 insurance sales agents through structured questionnaires, while qualitative data were gathered from 11 human resource managers via semi-structured interviews. The compensation scale demonstrated excellent internal consistency, with a Cronbach's alpha of 0.918. Descriptive findings revealed that compensation was the lowest-rated construct among all organizational factors examined, with a mean score of 2.86 on a five-point scale, where 55.49 percent of agents expressed dissatisfaction with their basic salary and 60.69 percent expressed dissatisfaction with non-monetary incentives. Despite these negative perceptions, correlation analysis showed a strong, positive, and statistically significant relationship between compensation and agent retention, with a correlation coefficient of 0.685 at a significance level of p less than 0.001. Unadjusted regression analysis confirmed compensation as a significant predictor, with a coefficient of 0.665, an F-statistic of 150.96, and an R-squared value of 0.469, indicating that compensation alone explained approximately 47 percent of the variance in agent retention. This effect remained robust after controlling for socio-demographic variables including gender, age, education level, and industry tenure, with an adjusted coefficient of 0.662. In the integrated model containing all organisational predictors, compensation remained statistically significant with a coefficient of 0.204, a p-value of 0.008, and a standardized beta of 0.210, ranking as the third most important predictor after management support and training and career development. The study concludes that in commission-based life insurance agency systems, compensation functions simultaneously as a hygiene condition and a survival determinant, and that improving compensation transparency, timeliness, and early-stage income stability represents a critical lever for enhancing agent retention in Zambia.

Keywords: Agent Retention, Commission-Based Remuneration, Compensation, Life Insurance, Zambia

1. INTRODUCTION

The insurance industry plays an important role in the economic development of nations by providing financial protection and risk mitigation to individuals, businesses, and governments. According to Apergis and Poufinas (2020) and Bayar et al. (2021), the insurance sector is one of the financial industries that spurs economic growth, contributing on average about 14.3 percent of the global gross domestic product. However, the performance of the industry and its contribution to global gross domestic product have significantly declined over the past few years. At the end of 2022, the global insurance gross written premium declined from US$7.2 trillion to US$6.5 trillion, according to the Pensions and Insurance Authority annual report of 2022. In addition, as reported by McKinsey in 2022, over 60 percent of insurance firms across the globe reported low profitability propelled by rising claims, reduced demand, and increasing operating costs. Similar observations have been noted in the insurance sector among European Union member states (Grima et al., 2021).

The main challenge adversely impacting the insurance sector across the globe is high turnover of talent, particularly insurance sales agents, as noted by Chandrasekaran in 2020, Das and Vijayalakshmi in 2015, and Hakro et al. in 2022. According to Evans (2018), high turnover of insurance sales agents has cost the global insurance sector millions of dollars and adversely impacted profit margins. Kumar and Clerk (2020) reported that the insurance industry worldwide has been marred with the issue of high turnover and that this has been a persistent challenge with which human resource managers in the industry continue to grapple. Thus, both developing and developed nations continue to grapple with the issue of agent retention in the insurance sector. For example, insurance sales agents' retention in life insurance was highlighted as one of the major challenges facing the United States by the Bureau of Labour Statistics in 2018 and by Pescador in 2020. Joshi et al. (2017) found that life insurance companies across the globe face two main challenges: customer retention and employee retention.

In Africa, the insurance sector has been found to make significant contributions to socio-economic development in most countries through savings, pensions, and health insurance, as documented by Signé and Johnson (2020) and Asongu and Odhiambo (2020). Horvey et al. (2023) also reported that increased penetration of life insurance in the Sub-Saharan Africa region has shown the potential to drive economic development in the region. Signé and Johnson (2020) went further to outline six specific mechanisms through which insurance positively affects growth across Africa. These mechanisms include improving household and business financial stability, mobilizing savings for private and public investments, relieving pressure on governments to provide public goods such as pensions, encouraging entrepreneurship and trade, mitigating risks and enhancing risk diversification, and improving living standards. However, the overall contribution of the sector to economic growth in most African countries including Zambia has been declining, as reported by Horvey et al. (2023), Malambo (2023), and Signé and Johnson (2020).

In Zambia, the life insurance market is particularly important due to its potential for growth and its ability to provide financial security to both individuals and businesses, according to Musonda and Chowa (2022) and Nyirenda and Nyirenda (2023). However, in terms of growth, Zambia's life insurance industry has been trailing behind other sectors of the economy which tend to be growing faster than the life insurance industry. According to the Pensions and Insurance Authority report of 2022, the Zambian life insurance industry recorded a 12.8 percent growth rate in terms of gross written premium in 2022 compared to the 16.9 percent and 21.6 percent growth rates recorded in 2021 and 2020 respectively. This declining trend has been linked to the challenges facing the industry, including high turnover rates of life insurance agents, as noted by Kombo et al. (2024). The sector faces significant challenges, particularly in retaining competent agents who are essential to maintaining customer relationships and ensuring the stability of insurance services, according to the Insurers Association of Zambia industry report of 2022.

High agent turnover has resulted in increased operational costs associated with hiring and training new agents and has negatively impacted service consistency and customer satisfaction, as documented in the Pensions and Insurance Authority annual report of 2022. For instance, according to that same report, life insurance had the largest number of consumer complaints handled by the authority, with 1,210 out of 1,329 complaints, where most of the complaints were about poor customer service and mis-selling by agents. Similarly, the Insurers Association of Zambia industry report of 2022 showed that the expenses ratio for the life insurance industry of Zambia increased from 58 percent in 2019 to 94 percent in 2021, threatening the profitability and sustainability of the sector. These increases have been attributed to the high-rate turnover of insurance agents, as indicated in both the Insurers Association of Zambia and Pensions and Insurance Authority reports of 2022.

Several factors are believed to be contributing to the high turnover rate of agents in the life insurance industry. The compensation system in the life insurance industry often does not match the effort and performance of agents, leading to dissatisfaction and lower motivation, as argued by Roy and Roy (2022). In addition, the lack of promotion opportunities and career development prospects have been observed to demotivate agents and cause them to look for better opportunities elsewhere, according to King (2017). Inadequate working conditions and insufficient support from management are other key variables that contribute to high turnover rates, as noted by Brown and Peterson (2019). Factors such as limited access to key resources, lack of recognition, and insufficient support from supervisors contribute to job dissatisfaction and lack of engagement within the organization. In Zambia, the cultural and economic environment including the volatility of economic conditions often affects the purchasing power of potential clients and therefore the performance and earnings of insurance agents, according to the Pensions and Insurance Authority report of 2022. Given these difficulties, there is a clear need for an in-depth study that addresses these aspects and analyzes their interrelationships and impact on the retention of insurance agents in the Zambian life insurance sector.

This study specifically addresses objective three: to evaluate the influence of compensation on agent retention in the life insurance industry in Zambia, answering the research question: What is the influence of compensation on agent retention in the life insurance industry in Zambia?

1.1 Research Objective

To examine the influence of compensation on agent retention in the life insurance industry in Zambia

II. LITERATURE REVIEW

2.1 Conceptual Definition of Compensation

Compensation is a critical financial incentive that influences job satisfaction and retention, as noted by Shamila (2022). Kumar and Shanthini (2020) stated that compensation is an indispensable characteristic of employee engagement that stimulates an employee to attain more and therefore focus added attention on work and individual development. Compensation engages both financial and non-financial rewards, as argued by Cwibi (2022). In the context of this study, compensation encompasses both direct financial rewards such as base salary, commissions, and bonuses, and indirect benefits such as insurance cover, pensions, and allowances, provided to life insurance agents in exchange for their labour

and productivity, according to Milkovich et al., (2011). Compensation has an important role in retaining competent employees, as documented by Tj et al. (2021). Messah (2011) noted that commission is the core motive and pivot which propels insurance sales agents to work hard to earn their living.

2.2 Theoretical Framework

2.2.1 Herzberg's Two-Factor Theory

The theoretical basis for understanding compensation's role in retention draws significantly from Herzberg's Two-Factor Theory, which was developed by Frederick Herzberg in 1959. This theory is premised on hygiene and motivation factors as two critical ingredients that are required to understand employee motivation and, by extension, turnover within a workplace setting. The theory categorises hygiene factors as extrinsic and motivation factors as intrinsic, where hygiene factors serve to prevent employee dissatisfaction while motivation factors enhance job satisfaction. According to Herzberg, the absence of hygiene factors causes dissatisfaction, but their presence alone does not guarantee motivation. Instead, genuine motivation arises from the presence of motivators which are factors that stimulate personal growth, fulfillment, and long-term engagement, as supported by Alrawahi et al. (2020) and Bristle (2023).

Hygiene factors include elements such as remuneration, working conditions, company policies, and supervisory quality. The main role of hygiene factors is to prevent employee dissatisfaction by ensuring that foundational requirements are met, as documented by Alrawahi et al. (2020) and Bristle (2023). The implication is that these factors are essential in maintaining a minimum threshold of employee contentment Bhattbut fall short of encouraging superior performance or retention on their own. On the other hand, motivators entail intrinsic factors such as recognition, responsibility, personal growth opportunities, and achievement. Studies have shown that an organisation that pays attention to such intrinsic factors tends to have employees who are loyal to the company, as found by Cwibi (2022) and Bristle (2023). It is important to appreciate the rationale for the two-factor categorization concept, which is that factors that cause job satisfaction are entirely different from those that lead to job dissatisfaction. This observation is of paramount importance for managers whose responsibility is to design employee retention strategies, where different strategies should be developed for hygiene factors and different strategies for motivators.

Within the life insurance industry context, compensation traditionally falls under hygiene factors. However, in commission-based agency systems, compensation may function differently—serving not merely as a dissatisfaction preventer but as a survival determinant, particularly during early career stages when income uncertainty is highest. The implementation of Herzberg's framework in the life insurance sector would require modification to suit the local context, as the country's life insurance labour market highlights a substantial dependence on commission-based remuneration packages. The implication is that for the majority of insurance agents, Herzberg's hygiene criteria remain a challenge to achieve, and economic survival often takes priority over motivators. Zambian life insurance companies might need to modify implementation strategies by incorporating localized recognition practices, flexible remuneration models, and more tangible career pathing mechanisms to effectively operationalize Herzberg's theory.

2.2.2 Equity Theory

Adams' Equity Theory, published in a 1965 paper titled "Inequity in Social Exchange," provides an additional theoretical lens for understanding compensation's role in agent retention. The theory posits that human beings compare their input-to-reward ratio with that of others and react negatively if they perceive inequity (Adams, 2015). In the Zambian life insurance industry, agents may compare their commission structures, bonus payments, and benefits with those offered by competitor firms or with agents within the same organisation. When agents perceive that their inputs—such as effort, time, and client relationship investment—are not proportionately rewarded compared to others, withdrawal responses follow as sensible reactions to systemic inequality (Zahra et al., 2026). Based on the author's experience in the industry sector, anecdotal evidence suggests that many agents in the Zambian life insurance industry express dissatisfaction with inconsistent or non-transparent commission structures, lack of performance bonuses, and inadequate monetary benefits, all of which can trigger perceptions of inequity.

2.2.3 Expectancy Theory

Expectancy theory, as developed by Vroom (1964), suggests that employees are motivated when they perceive a clear link between effort, performance, and reward. The theory posits that motivation is a function of expectancy (the belief that effort will lead to performance), instrumentality (the belief that performance will lead to reward), and valence (the value the individual places on the reward). This theory is particularly applicable to commission-based businesses where the psychological contract depends on faith in instrumentality—the belief that performance will be linked to reward. When commission structures are perceived as opaque, delayed, or unpredictable, the expectancy-instrumentality link breaks down, making exit more probable (Ogundare & Omotosho, 2022). Van Eerde and Thierry (1996) conducted a meta-analysis demonstrating that expectancy components are important predictors of work-related criteria. In the life

insurance context, agents need to believe that their prospecting efforts, client meetings, and policy closures will reliably translate into commissions paid in a timely manner. Where this belief is undermined by payment delays, unclear commission calculations, or frequent changes to incentive structures, agents are likely to disengage or seek alternative employment.

2.3 Empirical Review

2.3.1 Global Evidence

Compensation and its relationship with employee retention remains one of the most studied factors in organisational behaviour research, particularly in sales-driven industries where earnings are often contingent on performance. Kumar and Shanthini (2020) stated that compensation is an indispensable characteristic of employee engagement that stimulates employees to attain more and focus added attention on work and individual development. Most studies favour the view that financial incentives such as salary and compensation have a negative correlation with employee turnover and a positive correlation with employee retention, as documented by Adil et al. (2020), Hassan (2022), and Sorn et al. (2023). In the life insurance industry specifically, research indicates that competitive and fair compensation is essential for retaining agents, according to Kumar and Mohapatra (2020). Commission-based pay structures are common in the industry, but they can lead to dissatisfaction if agents perceive their efforts are not adequately rewarded relative to outcomes.

Shaw (2011) observed that a compensation structure that relies on commission-based pay without addressing vitiating factors—including guaranteed income for newcomers for a given period—was likely to experience unprecedented employee attrition. This observation is particularly relevant to the Zambian context, where most agents operate on pure commission structures without any guaranteed base income. The synthesis of the global evidence suggests that fair, transparent, and timely compensation systems are significant predictors of retention. Another extrapolation is that dissatisfaction with commissions and delayed payments are likely to be top reasons agents leave the industry. A balanced compensation structure combining fixed salaries with commissions is likely to lead to longer agent tenure and improved performance, although such hybrid models remain rare in the Zambian life insurance industry.

2.3.2 Regional Evidence: Sub-Saharan Africa

In the Sub-Saharan African context, several studies have examined the relationship between compensation and employee retention in the insurance sector. Mwangi (2018) studied the influence of compensation on employee retention using a case study of Jubilee Insurance Company in Kenya. The study revealed that employees who were well compensated through salaries and wages, bonuses, commissions, and additional privileges positively influenced employee retention and were likely to stay longer with an organisation. Similarly, Cwibi (2022) found that organisations that pay attention to both monetary and non-monetary rewards tend to have employees who are loyal to the company. The study emphasized that recognition platforms, sponsored training programs, and passage to management positions are other factors that tend to enhance employee satisfaction and reduce turnover, as also noted by Arefin and Islam (2019) and Shields and Ward (2001).

Gichungu et al., (2024) investigated employee turnover in the insurance sector and established that voluntary turnover was significantly based on low salaries and inadequate compensation packages. Messah (2011) noted that commission is the core motive and pivot which propels insurance sales agents to work hard to earn their living, and that the commission structure must be perceived as fair and timely to retain agents. In the South African context, it is observed that compensation structures that include fixed salaries and other monetary incentives as stabilization programs have been used to greater effect in retaining insurance agents. Similarly, Aebayo and Oluwaseun (2021) found that Nigerian insurance firms that adopted hybrid pay models experienced lower turnover rates among their sales forces.

2.3.3 Compensation in the Zambian Context

The Zambian life insurance industry is largely commission-based, which rewards high-earning top performers but leaves many agents vulnerable to income insecurity. According to the Pensions and Insurance Authority report of 2022, this compensation structure has been observed to contribute substantially to high attrition within the first 12 months of employment, when agents are still building their client bases and have not yet established a reliable income stream. Anecdotal evidence from industry experience suggests that many agents express dissatisfaction with inconsistent or non-transparent commission structures, lack of performance bonuses, and inadequate monetary benefits including transport allowances, health insurance, and phone allowances.

Some regional insurers have experimented with hybrid pay models and performance-linked benefits such as education support or health insurance, although adoption remains inconsistent across the Zambian industry. The principle of equity in pay is also critical in the Zambian context, as agents often compare their compensation not only with agents in other firms but also with agents within the same firm who may have different commission structures

based on tenure or product lines. The researcher's over 20 years of experience in the Zambian insurance industry suggests that many agents express dissatisfaction with inconsistent or non-transparent commission structures, lack of performance bonuses, and inadequate monetary benefits. Other factors that tend to enhance employee satisfaction and reduce turnover in the Zambian context include recognition platforms, sponsored training programs, and pathways to management positions, although these remain underutilized in many firms.

2.4 Research Hypothesis

Based on the theoretical and empirical review, the following null hypothesis was tested in this study. The null hypothesis stated that compensation has no significant effect on agent retention in the life insurance industry in Zambia. The alternative hypothesis, denoted as H_3, stated that compensation has a significant effect on agent retention in the life insurance industry in Zambia. The study sought to test these hypotheses using both bivariate and multivariate statistical techniques, controlling for the potential confounding effects of socio-demographic variables including gender, age, education level, and industry tenure.

III. METHODOLOGY

3.1 Research Philosophy and Design

The study adopted a pragmatic research philosophy, which according to Saunders et al. (2019) refers to the underlying assumptions and attitudes that direct the advancement of knowledge in a study. The pragmatic research methodology encourages using a variety of techniques to investigate and comprehend intricate real-world situations. Pragmatism is particularly suitable when addressing applied research problems where the goal is not only to understand the phenomenon but also to inform practice and policy, as argued by Creswell and Creswell (2018). The study employed a mixed-methods explanatory design combining quantitative and qualitative approaches, which was appropriate for capturing both measurable patterns in compensation-retention relationships and contextual insights into how compensation mechanisms operate in practice. The quantitative component allowed for hypothesis testing and generalization, while the qualitative component provided depth of understanding by recording context-specific impressions and experiences of human resource managers.

3.2 Study Population and Sampling

The study population comprised two distinct groups: insurance sales agents and human resource managers within Zambia's life insurance industry, as this aligned with the study's dual methodological approach. The primary target population for the quantitative strand consisted of 305 registered and active insurance sales agents employed under ten leading life insurance firms headquartered in Lusaka. These agents are the frontline representatives of their respective firms and play a pivotal role in customer acquisition, policy renewal, and brand representation. Their retention is critical to organizational sustainability, making them central to the study's empirical focus. Using Yamane's (1973) formula, where n equals N divided by one plus N times e squared, a sample size of 173 insurance sales agents was determined. This sample size ensured statistical power for inferential analysis such as regression and correlation, while remaining feasible within the scope of the study. Stratified random sampling was used for the quantitative component, where the ten participating life insurance companies served as strata, and within each stratum, respondents were chosen at random in proportion to the size of the firm in the total population.

For the qualitative component, the study focused on 11 human resource managers responsible for agent management, one from each of the selected life insurance firms. Purposive sampling was used to select these participants, which is a non-probability sampling technique suitable for qualitative research where the aim is to gain in-depth insights from individuals with specific knowledge and expertise, according to Creswell and Creswell (2018). Participants were selected based on their roles, responsibilities, and length of service within their respective organizations, ensuring that the data collected was rich, relevant, and aligned with the study's objectives. According to Guest et al. (2006), data saturation in qualitative interviews typically occurs within the first 6 to 12 interviews, particularly when participants share common professional experiences, as was the case with HR managers in this study.

3.3 Data Collection Instruments

Quantitative data were gathered using a structured self-administered questionnaire distributed to the insurance agents in the sample. This tool was created using validated scales from previous research and modified to fit the insurance sector in Zambia. The instrument consisted of closed-ended questions on a five-point Likert scale, ranging from strongly disagree (1) to strongly agree (5). The compensation construct was measured using seven items labelled comp1 through comp7, which covered satisfaction with current compensation, the extent to which earnings reflect effort invested, fairness and transparency of commission structures, timeliness of payments and bonuses, adequacy of non-

monetary incentives, the extent to which the compensation system motivates the agent to remain with the company, and the competitiveness of the organization's incentives compared to other companies.

The questionnaire was pilot tested on a sample of 20 agents who were excluded from the final analysis to ensure clarity, reliability, and cultural appropriateness. The finalized questionnaire was administered electronically with the assistance of focal persons from participating firms to enhance response rates and logistical coordination. Ethical considerations, including informed consent and confidentiality assurances, were strictly observed during the administration process. For the qualitative component, semi-structured interviews were conducted with the 11 human resource managers who were specifically selected. The different perspectives on agent retention strategies, institutional procedures, and challenges were investigated using an interview guide with open-ended questions. Depending on the participant's availability and preference, safe online platforms or in-person interviews were conducted. Each session lasted approximately 30 to 45 minutes and was audio recorded to ensure accuracy, and additional notes were also taken to capture nonverbal cues and contextual information.

3.4 Data Analysis

Quantitative data were analysed using Stata version 19. The analysis was conducted using a two-tier methodology. First, descriptive statistics including frequencies, means, and standard deviations were calculated to summarize the responses from agents on compensation-related variables. Second, inferential statistics were used to examine correlations and predictions. Bivariate connections between compensation and agent retention were evaluated using Pearson correlation analysis. The predictive ability of compensation on agent retention was then assessed using simple linear regression (unadjusted model), multiple linear regression with socio-demographic controls (adjusted model), and an integrated regression model containing all organisational predictors together with socio-demographic controls. Diagnostic tests for multicollinearity, linearity, normality, and homoscedasticity were carried out to meet statistical requirements for regression analysis. The significance level was established at p less than 0.05.

Qualitative data from semi-structured interviews were analysed using thematic content analysis following the steps of transcription, coding, categorization, and theme development as outlined by Braun and Clarke (2008). Audio recordings were transcribed verbatim, and transcripts were read iteratively to identify patterns and recurrent themes related to compensation strategies and organizational challenges. To facilitate data administration and consistency, themes were first manually coded and then further enhanced using Nvivo software. Key interpretations were validated with participants through member checking to enhance credibility.

3.5 Reliability and Validity

The compensation scale demonstrated excellent internal consistency, with a Cronbach's alpha of 0.918 and an average inter-item covariance of 1.202. According to Taber (2018), a Cronbach's alpha value above 0.90 is considered excellent internal consistency. Item-test correlations for the compensation scale ranged from 0.682 to 0.878, indicating that all items contributed meaningfully to the construct. The item with the lowest item-test correlation was comp5, which addressed non-monetary incentives, suggesting that this item captured a somewhat distinct dimension of compensation. However, the overall scale provided a reliable measurement that did not warrant removal of any item in readiness for inferential analysis. Construct validity was assessed using the Kaiser-Meyer-Olkin measure of sampling adequacy, which yielded an overall KMO of 0.9603, classified as "marvelous" on Kaiser's scale where values above 0.90 are considered excellent. Item-level KMO values for the compensation items ranged from 0.944 to 0.971, all far above the minimum standard of 0.60. This provided good support for construct validity and demonstrated that the survey instrument was able to discriminate the compensation construct adequately.

For the qualitative component, trustworthiness was established using Lincoln and Guba's (1985) criteria. Credibility was enhanced through member checking and prolonged engagement with the interview data. Transferability was supported by providing detailed contextual descriptions of participants and institutions. Dependability was achieved through an audit trail documenting the coding process and analytic decisions. Confirmability was ensured by triangulating findings with quantitative results and maintaining reflexive journals.

IV. FINDINGS & DISCUSSION

4.1 Socio-demographic Profile of Respondents

Of the 173 respondents, 56.40% were female and 43.60% male. Age distribution showed 34.30% aged 18-30 years, 36.05% aged 31-40 years, 24.42% aged 41-50 years, and 5.23% aged 51-60 years. Educational qualifications included diploma (40.12%), degree (20.35%), secondary (18.02%), and postgraduate (4.65%). Industry tenure distribution was well-balanced across categories.

4.2 Reliability Analysis of Compensation Scale

Table 1

Reliability Scale - Compensation Scale

Item	Description	Item-Test r	Item-Rest r	α if dropped
Comp1	Satisfied with current compensation	0.812	0.74	0.906
Comp2	Earnings reflect effort invested	0.854	0.79	0.901
Comp3	Commission structures are fair and transparent	0.878	0.824	0.897
Comp4	Receive timely payments and bonuses when due	0.828	0.758	0.924
Comp5	Non-monetary incentives are adequate	0.682	0.568	0.924
Comp6	Compensation system motivates me to remain	0.872	0.823	0.898
Comp7	Organisation offers competitive incentives vs. others	0.809	0.735	0.907

Overall Cronbach's α = 0.918; average inter-item covariance = 1.202

The compensation scale demonstrated very good internal consistency (α = 0.918). Comp3 (commission fairness) and Comp6 (motivation to remain) were the strongest contributors. Comp5 (non-monetary incentives) had the lowest item-test correlation (0.682), and its removal would improve alpha to 0.924, suggesting it captures a somewhat distinct dimension of compensation.

4.3 Descriptive Analysis of Compensation

Table 2

Compensation Item-level Analysis

Item	**N**	**Mean**	**SD**	**Skewness**	**Kurtosis**	**Disagree (%)**	**Neutral (%)**	**Agree (%)**
comp1-satisfied with current compensation	173	2.48	1.349	0.492	2.042	55.49	20.23	24.28
comp2-earnings reflect effort invested	173	2.936	1.459	0.02	1.61	42.77	16.18	41.04
comp3-commission structures fair and transparent	173	2.867	1.463	0.12	1.633	45.09	17.34	37.57
comp4-receive timely payments/bonuses	173	3.127	1.408	-0.164	1.716	36.42	17.34	46.24
comp5-non-monetary incentives adequate	173	2.931	1.301	-0.094	1.881	60.69	14.45	24.86
comp6-compensation motivates staying	173	2.931	1.301	-0.094	1.881	36.99	24.86	35.15
comp7-competitive vs. other companies	173	3.301	1.379	-0.348	1.875	29.48	19.08	51.45
Comp Index	173	**2.864**	**1.144**	0.096	2.01	—	—	—

The composite compensation index recorded a mean of 2.86 (SD = 1.14), falling below the midpoint scale of 3.0—indicating generally negative perceptions of compensation among life insurance agents. This was the lowest-rated construct among all four organisational factors examined in the study.

In terms of basic salary satisfaction (Comp1), a significant 55.49% of participants expressed dissatisfaction, making it the area with the most negative sentiment in this category. Dissatisfaction was even higher for non-monetary incentives (Comp5), with 60.69% of respondents indicating discontent—this was the greatest level of dissatisfaction recorded across all 29 survey items. Despite these concerns, 51.45% of agents agreed that, when compared to other companies, their compensation packages were relatively competitive, even if they were not fully satisfied with the overall compensation.

4.4 Correlation Analysis

Pearson correlation analysis revealed a strong, positive, and statistically significant association between compensation and agent retention ($r = 0.685$, $p < 0.001$). This indicates that life insurance agents who held more positive perceptions of their compensation were more likely to express commitment and intention to stay with their organization for a longer foreseeable period.

Table 3

Correlation between Compensation and Agent Retention

Variable	Compensation
Agent Retention	0.6848*** p < 0.001

4.5 Regression Analysis: Unadjusted Model

The simple linear regression model was statistically significant ($F(1,171) = 150.96$, $p < 0.001$), explaining approximately 46.9% of the variance in agent retention ($R^2 = 0.469$). The regression coefficient for compensation was positive and statistically significant ($\beta = 0.665$, $p < 0.001$), meaning a one-unit increase in the compensation index was associated with a 0.665-unit average increase in the agent retention index.

Table 4

Regression Analysis – Unadjusted Model: Model Summary

Statistic					
Number of observations			173		
F-statistic			150.96		
Prob > F			0		
R-squared			0.4689		
Adjusted R-squared			0.658		
Root MSE			0.81292		
Variable	**Coefficient (β)**	**Std. Error**	**t-value**	**p-value**	**95% CI**
Compensation	0.665	0.054	12.29	0	[0.559, 0.772]
Constant	1.476	0.167	8.84	0	[1.146, 1.805]

4.6 Regression Analysis: Adjusted Model (with Socio-demographic Controls)

When controlled for socio-demographic traits (gender, age, education level, industry tenure), the model remained statistically significant ($F(5,166) = 29.81$, $p < 0.001$) and explained approximately 47.3% of the variance in agent retention (Adjusted $R^2 = 0.457$). Compensation remained a strong and statistically significant predictor ($\beta = 0.662$, $p < 0.001$). None of the socio-demographic control variables were statistically significant predictors of agent retention ($p > 0.05$), indicating that compensation's effect is independent of individual demographic characteristics.

Table 5

Regression Analysis - Adjusted Model

Statistic					
Number of observations			172		
F-statistic (5, 166)			29.81		
Prob > F			0		
R-squared			0.4731		
Adjusted R-squared			0.4572		
Root MSE			0.82103		
Variable	Coefficient (β)	Std. Error	t-value	p-value	95% CI
Compensation	0.662	0.057	11.62	0	[0.5498, 0.7750]
Gender	0.05	0.135	0.37	0.713	[-0.2163, 0.3154]
Age	0.073	0.074	0.99	0.323	[-0.0726, 0.2188]
Education Level	0.02	0.034	0.58	0.564	[-0.0475, 0.0869]
Tenure	-0.004	0.043	-0.08	0.935	[-0.0885, 0.0814]
Constant	1.218	0.295	4.12	0	[0.6347, 1.8010]

4.7 Integrated Model Results

In the integrated model containing all organisational predictors (work environment, training and career development, compensation, and management support) plus socio-demographic controls, compensation remained a statistically significant predictor of agent retention ($\beta = 0.204$, $p = 0.008$; standardized $\beta = 0.210$). This confirms compensation as a meaningful but secondary retention lever compared to management support (Std. $\beta = 0.308$) and training/career development (Std. $\beta = 0.285$), but nonetheless an essential economic foundation for retention.

Table 6

Integrated Multiple Regression Model Predicting Agent Retention (Compensation extract)

Variable	Coefficient (β)	Std. Error	t-value	p-value	Standardized β
Compensation	0.2042	0.0762	2.68	0.008	0.21

Full model: $F(8,163) = 33.08$, $p < 0.001$, Adjusted $R^2 = 0.600$

4.8 Qualitative Findings on Compensation

Thematic analysis of interviews with 11 HR managers revealed several key insights regarding compensation as a retention strategy including early-stage stabilization mechanisms. Participants highlighted that temporary income stabilization strategies—including starter bonuses, ramp-up incentives, and short-term retainers during initial months—were critical for reducing "shock exits" before agents had time to build pipeline momentum. One human resource participant noted that *"the discrepancy between effort and commission revenue is greatest in the first six months,"* making temporary support essential (HRM 01).

For hybrid reward systems, several participants emphasised that having a hybrid reward system combining monetary and non-monetary recognition has been key to agent retention. Recognition programs, awards, and public acknowledgement were identified as reinforcing status and belonging. Participants consistently emphasised that while compensation is critical—particularly during early stages—it is insufficient on its own. Sustainable retention emerges when financial rewards are embedded within a broader organizational system characterized by strong management support, developmental pathways, and operational enablement. Digital commission portals where agents can track policy conversions, commission calculations, and payment timeframes in real time were identified as addressing the opacity that erodes the expectancy-instrumentality link. Payment delays were perceived by agents as a breach of the employment psychological contract.

V. DISCUSSION

5.1 Interpretation of Findings

The findings of this study demonstrate that compensation significantly influences agent retention in the Zambian life insurance industry, providing strong evidence to reject the null hypothesis and support the alternative hypothesis H_3. The strong bivariate correlation of 0.685, the significant regression coefficients across unadjusted ($\beta = 0.665$), adjusted ($\beta = 0.662$), and integrated ($\beta = 0.204$) models, and the persistence of significance under robust standard errors all provide robust evidence for this relationship. The finding that compensation remained statistically significant even in the integrated model containing all organisational predictors is particularly important, as it indicates that compensation has a direct effect on retention that is not fully mediated by other factors such as management support or training and career development.

However, the finding that compensation was the lowest-rated construct ($M = 2.86$) with the highest absolute dissatisfaction rates—particularly for basic salary satisfaction at 55.49 percent disagreement and non-monetary incentives at 60.69 percent disagreement—reveals a critical disconnect between the importance of compensation for retention and agents' current satisfaction levels. This paradox represents both a challenge and an opportunity for life insurance firms in Zambia. The challenge is that current compensation practices are failing to meet agents' expectations, creating a structural vulnerability to high turnover. The opportunity is that targeted improvements in compensation design and delivery could yield substantial retention gains, as the strong statistical relationship between compensation and retention indicates that agents are responsive to compensation changes.

5.2 Theoretical Implications

The findings require a contextual recalibration of Herzberg's (1959) hygiene-motivator framework for commission-dominant jobs. While Herzberg categorises pay as a hygiene factor that prevents dissatisfaction but does not directly create motivation, the present evidence suggests that in commission-based life insurance agency systems, compensation simultaneously serves as a hygiene condition and a survival determinant. The agent's ability to stay in the occupation is structurally dependent on the predictability, adequacy, and transparency of earnings in a manner that salaried occupations do not experience. When basic salary satisfaction is as low as 55.49 percent disagreement and non-monetary incentives are as low as 60.69 percent disagreement, these hygiene factors are not merely absent—they are actively causing dissatisfaction that drives turnover. This suggests that in contexts where compensation is the primary or sole source of income and is contingent on performance, the traditional hygiene-motivator distinction may need to be reconceptualized as a continuum rather than a dichotomy.

Equity theory (Adams, 1965) is directly relevant to understanding the compensation-retention relationship in the Zambian life insurance industry. Where agents perceive that their inputs—effort, time, client relationship investment, and emotional labour—are not proportionately rewarded compared to other agents either within the same firm or in

competitor firms, withdrawal responses follow as sensible reactions to systemic inequality. The finding that 42.77 percent of agents disagreed that earnings reflect effort invested suggests that a substantial proportion of agents perceive input-output inequity. Similarly, the 45.09 percent disagreement with the fairness and transparency of commission structures indicates that perceived procedural inequity is also prevalent. Life insurance firms that fail to address these perceptions of inequity are likely to continue experiencing high turnover rates, particularly among agents who have built valuable client relationships but feel undercompensated for their efforts.

Expectancy theory (Vroom, 1964) provides an additional rationale for why compensation opacity is especially damaging in the Zambian life insurance context. In situations where the instrumentality link—the conviction that performance will translate into pay—is viewed as unreliable or opaque, the psychological contract breaks down and exit becomes more probable. Van Eerde and Thierry (1996) conducted a meta-analysis demonstrating that expectancy components are important predictors of work-related criteria, and the present findings support this conclusion. The 36.42 percent of agents who disagreed that they receive timely payments and bonuses when due represent a substantial proportion of the workforce for whom the instrumentality link is broken. When agents cannot trust that their policy closures will result in timely commission payments, the motivational power of commission-based compensation is severely undermined.

5.3 Comparison with Existing Literature

The findings of this study align with global evidence that financial incentives have a negative correlation with employee turnover and a positive correlation with employee retention, as documented by Adil et al. (2020), Hassan (2022), and Sorn et al. (2023). The findings also support Shaw's (2011) observation that commission-based structures without guaranteed income for newcomers experience unprecedented employee attrition. The present study extends this literature by quantifying the magnitude of the compensation-retention relationship in a Sub-Saharan African context, with a correlation coefficient of 0.685 and an explained variance of approximately 47 percent in the unadjusted model, which is comparable to or stronger than findings from other regions.

The findings are consistent with Mwangi's (2018) study of Jubilee Insurance in Kenya, which found that well-compensated employees were more likely to stay longer with an organisation. They also corroborate Gichungu et al., (2024) finding that voluntary turnover in the insurance sector is significantly based on low salaries. The present study extends the regional literature by providing specific item-level diagnostic information about which aspects of compensation are most problematic in the Zambian context—basic salary satisfaction and non-monetary incentives emerge as the most critical gaps, while market competitiveness of compensation is viewed more positively.

However, the present study also extends the existing literature by demonstrating that compensation remains significant even when controlling for relational and developmental factors (management support and training and career development) in the integrated model. This finding suggests that in commission-based systems, compensation is not merely subsumed by other factors but retains independent predictive power. This is an important theoretical contribution because it challenges the notion that compensation is purely a hygiene factor whose effects are mediated by other organisational variables. Instead, compensation appears to have both direct and indirect effects on retention in commission-based agency systems.

5.4 Practical Implications

The high dissatisfaction with basic salary and non-monetary incentives indicates that enhancing these specific dimensions is the most immediate lever for improving retention perceptions in the Zambian life insurance industry. The following practical recommendations emerge from the findings.

First, life insurance firms should implement transparent digital commission portals where agents can track policy conversions, commission calculations, and payment timeframes in real time. This directly addresses the opacity that erodes the expectancy-instrumentality link and has been shown in qualitative interviews to improve agent trust and reduce turnover intentions. The cost of implementing such systems is relatively low compared to the cost of recruiting and training replacement agents, which the Insurers Association of Zambia (2022) reported has driven the industry expense ratio from 58 percent to 94 percent.

Second, firms should review and streamline payment processes to avoid delays. Payment delays are perceived by commission-based agents as a breach of the employment psychological contract, and addressing these delays is a low-cost, high-impact intervention for improving retention perceptions. The finding that 36.42 percent of agents disagreed that they receive timely payments suggests that payment delays are a widespread problem in the industry that requires systemic attention.

Third, firms should consider introducing small upfront base payments or stipends for agents in their first 12 months, tied to verifiable activity deliverables such as prospecting call volumes and client meeting targets. This provides a survivability bridge during the period when agents are building their client bases and have not yet established reliable commission income. The qualitative findings indicated that temporary income stabilization mechanisms—including

starter bonuses, ramp-up incentives, and short-term retainers—have been effective in reducing early-stage attrition in firms that have implemented them.

Fourth, given the 60.69 percent dissatisfaction rate with non-monetary incentives, firms should review and enhance benefits including transport allowances, health insurance, phone allowances, and recognition programs. The qualitative findings indicated that recognition programs, awards, and public acknowledgement are important for reinforcing status and belonging, and that these non-monetary interventions can be implemented at relatively low cost while yielding substantial retention benefits.

5.5 Limitations of the Study

This study has several limitations that should be considered when interpreting the findings. First, the cross-sectional research design gathered agent perceptions at one point in time, which limits causal inference and prohibits observation of how compensation perceptions and retention outcomes change over time. Longitudinal designs would allow for more causal interpretation and the identification of critical attrition transition points where compensation interventions might be most effective. Second, the compensation construct was measured by self-reports, which is vulnerable to common method bias, particularly when both predictor variables and outcome variables were obtained from the same respondents using the same instrument. However, the mixed methods design, including qualitative interviews with HR managers, partially mitigates this concern. Third, the study was conducted in Lusaka, the capital city, and may not fully reflect the perspectives of agents in rural or non-urban operational contexts where compensation expectations and living costs may differ. Fourth, the study did not examine the interaction between compensation and other organisational factors, such as whether compensation effects are moderated by management support quality or training availability. Future research should examine these interaction effects.

VI. CONCLUSION

This study evaluated the influence of compensation on agent retention in the Zambian life insurance industry. The findings conclusively demonstrate that compensation significantly influences agent retention, with strong statistical evidence across multiple model specifications including bivariate correlation, unadjusted regression, regression with socio-demographic controls, and integrated regression with all organisational predictors. The null hypothesis that compensation has no significant effect on agent retention is rejected, and the alternative hypothesis H_3 that compensation has a significant effect on agent retention is supported.

The empirical evidence shows that compensation has a strong bivariate relationship with retention ($r = 0.685$, $p < 0.001$), explains approximately 47 percent of retention variance independently ($R^2 = 0.469$), and remains significant even when controlling for socio-demographic factors and other organisational predictors. In the integrated model, compensation maintains a meaningful effect with a standardized beta of 0.210 and a p-value of 0.008, ranking as the third most important predictor after management support and training and career development.

Critically, however, compensation was the lowest-rated construct among all organisational factors examined, with a mean score of 2.86 on a five-point scale. Over half of agents expressed dissatisfaction with basic salary (55.49 percent), and over 60 percent expressed dissatisfaction with non-monetary incentives (60.69 percent), representing the highest dissatisfaction rates across all 29 survey items in the entire study. This paradox—where compensation is simultaneously important for retention and viewed negatively by agents—represents both the central challenge and the primary opportunity for life insurance firms seeking to improve agent retention.

The study concludes that in commission-based life insurance agency systems, compensation functions not merely as a hygiene factor (Herzberg, 1959) but as a survival determinant. The agent's ability to stay in the occupation is structurally dependent on the predictability, adequacy, and transparency of earnings. Future theoretical work on compensation and retention in commission-based occupations should conceptualise compensation as a contextually divided construct, recognising its dual role as both a baseline requirement and a performance-linked survival mechanism. Life insurance firms in Zambia that prioritise compensation transparency, timely payments, early-stage income stabilization, and enhanced non-monetary incentives are likely to see substantial improvements in agent retention and corresponding reductions in the expense ratios that have threatened industry profitability.

Declaration of Interest

The authors declare that they do not have any known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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