

EARNINGS INCENTIVES AND EMPLOYEE PERFORMANCE OF LISTED INSURANCE FIRMS IN NIGERIA

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Abstract

Despite decades of reform in Nigeria's insurance industry, optimizing compensation structures to drive employee productivity remains a persistent challenge, with empirical clarity still lacking on which incentives are most effective. The study investigated the effect of salaries and wages, bonuses and commissions, and allowances and benefits on employee performance of listed Nigerian insurance firms. The study employed secondary data and ex post facto research design. The population of the study consists of 28 insurance companies, with a sample size of 22 insurance firms with 220 observations were selected using a purposive sampling technique because data for the study were directly obtained from audited financial reports of insurance firms on the Nigerian Exchange Group between 2015 and 2024. The data were analyzed using descriptive statistics such as kurtosis, skewness, mean, median, standard deviation, and pooled ordinary least squares regression analysis. This study's findings revealed that salaries and wages with a coefficient of 1.160 and a p-value of 0.001 positively affect employee performance. This highlights the centrality of competitive base pay in fostering organizational performance. Bonuses and commissions with a coefficient of 0.010 and a p-value of 0.409 positively and insignificantly affect employee performance. This result indicates that, within the sampled firms, variations in bonuses and commissions are not systematically associated with changes in employee performance. Allowances and benefits with a coefficient of 0.009 and a p-value of 0.053 positively and marginally significantly affect employee performance. This suggests that higher allocations to non-wage financial benefits are linked to modest improvements in revenue per employee. The study recommended that industry regulators and policymakers promote greater transparency in compensation reporting and to develop guidelines that support the adoption of evidence-based incentive schemes across the sector.

Keywords: Earning incentives, allowances and benefits, bonuses and commissions, salaries and wages, employee performance, insurance firms.

1.0 Introduction

The global discourse on the drivers of firm performance and competitiveness increasingly highlights the pivotal role of compensation structures, bonuses, commissions, allowances, and benefits, across industries and regions (Aguinis & O'Boyle, 2022; Gerhart & Fang, 2022). As economies shift towards knowledge-based and service-oriented paradigms, firms worldwide are rethinking to strategically leverage financial and non-financial rewards to attract, motivate, and

retain top talent (Kim & Qu, 2022; Koo & Lee, 2022). This macro trend is particularly salient in emerging markets, where rapid economic growth and heightened competition have intensified the focus on optimizing human capital (Tessema et al., 2023). In Nigeria, the insurance sector sits at the intersection of these global and regional transformations, facing mounting pressure to drive productivity, innovation, and customer satisfaction through effective compensation management (Adebayo & Olanrewaju, 2024; Kuswanto, 2024).

Despite these macroeconomic imperatives, insurance firms in Nigeria grapple with unique organizational challenges. Employee turnover remains stubbornly high, job satisfaction is inconsistent, and the alignment between compensation schemes and actual performance is often tenuous (Abubakar et al., 2021; Uwaegbute et al., 2025). Lack of evidence on specific incentives components such as allowances and benefits, bonuses and commissions have been a major issues faced by insurance firms in Nigeria. Many firms deploy a mix of bonuses, commissions, and benefits packages with the expectation of improving motivation and retention, yet persistent evidence suggests that the desired productivity gains are not always realized (Okonkwo & Okoli, 2025; Akinola & Eze, 2024). Moreover, discrepancies in benefit allocation and perceived fairness frequently undermine morale, exacerbating issues of disengagement and talent attrition (Colquitt & Zipay, 2023; Gkorezis et al., 2021). The core problem, therefore, lies in the unresolved tension between compensation policy intent and actual behavioral and organizational outcomes.

Theoretically, the nexus between bonuses, commissions, allowances, benefits, and employee performance is deeply embedded in classic and contemporary motivation frameworks. Herzberg's Two-Factor Theory highlights the essential role of benefits as hygiene factors, necessary to prevent dissatisfaction but insufficient alone to inspire peak performance, while recognizing that thoughtfully crafted incentives and recognition can serve as key motivators for exceptional outcomes (Tan & Waheed, 2023; Afful & Ofori, 2021). Equity Theory complements this perspective by positing that employees continuously assess the fairness of their rewards relative to peers; when perceptions of inequity arise, motivation and productivity can suffer as a result (Al-Shaibani & Bakir, 2022; Ma et al., 2022). Expectancy Theory further refines our understanding by suggesting that employees are more likely to engage fully and exert discretionary effort when they believe their contributions are transparently recognized and appropriately rewarded (Agnisola et al., 2022; Lee & Cho, 2021). Collectively, these theories frame compensation not as a collection of isolated financial mechanisms, but as a holistic system intricately shaped by psychological and social dynamics that influence individual and collective behavior within organizations.

Nigeria's insurance sector offers a particularly compelling empirical context for interrogating these theoretical propositions. Characterized by rapid growth, evolving regulatory standards, and intense competition for talent, the sector operates within a unique blend of institutional volatility and shifting economic pressures (Adebayo & Olanrewaju, 2024; Kuswanto, 2024; Okon & Clement, 2025). Unlike mature markets where compensation policies are often standardized and strictly regulated, Nigerian insurance firms navigate institutional ambiguity, currency fluctuations, and evolving labor expectations (Adeniyi & Eze, 2025; Eboh & Idowu, 2023). Within this landscape, firm-specific factors such as organizational culture, size, and risk appetite can significantly mediate the effects of allowances and benefits on both individual performance and organizational outcomes (Agboola & Eze, 2025; Bankole et al., 2023). As a result, Nigeria provides a rich setting for examining how diverse compensation schemes interact with contextual

realities to shape workforce motivation and productivity, with lessons that extend to other emerging markets facing similar institutional dynamics. Against this backdrop, this study investigated the effect of salaries and wages, bonuses and commissions, and allowances and benefits on employee performance of listed Nigerian insurance firms.

2.0 Literature and Hypotheses Development

Salaries and Wages and Employee Performance

Theoretical perspectives on the relationship between salaries and wages and employee performance are grounded in motivation and equity-based frameworks. Herzberg's Two-Factor Theory differentiates between hygiene factors such as salaries, which prevent dissatisfaction, and motivators, which drive high performance (Herzberg et al., 2013; Gawel, 2022; Tan & Waheed, 2023). In the context of the insurance sector, competitive salaries serve as foundational to job satisfaction, reducing turnover intention and fostering organizational commitment (Gupta & Sharma, 2021; Al-Shaibani & Bakir, 2022). Vroom's Expectancy Theory further postulates that employees are motivated to perform better when they perceive a clear link between effort, reward, and desired outcomes (Agnisola et al., 2022; Lee & Cho, 2021). Thus, a well-structured salary system is theorized to not only retain talent but also incentivize higher individual and collective productivity (Olafsen et al., 2021).

Extant studies found that salary levels significantly enhance employee morale and performance in both public and private sector organizations. Afolabi and Ladele (2022) demonstrated a strong positive effect of comprehensive compensation packages on employee performance among insurance firms in Lagos, and Agboola and Eze (2025) reported similar results regarding operational efficiency across the industry. Studies in the Nigerian context, such as Okonkwo and Okoli (2025), add that high fixed compensation alone does not guarantee higher individual productivity unless complemented by results-based appraisal and recognition. Given the weight of theoretical and empirical evidence, the present study hypothesizes as follows:

H₀₁: Salaries and wages are positively and significantly associated with employee performance among insurance firms in Nigeria.

Bonuses and Commissions and Employee Performance

The theoretical rationale underpinning the relationship between bonuses and commissions and employee performance draws primarily from Expectancy Theory and Herzberg's Two-Factor Theory. Expectancy Theory, as articulated by Vroom and further explored by Agnisola, Bonilla, and Cagnoli (2022), posits that employees are motivated to perform better when they perceive that their effort will lead to rewards directly tied to performance outcomes, such as bonuses and commissions (Lee & Cho, 2021; Indrawan et al., 2021). Herzberg's framework (Herzberg et al., 2013; Gawel, 2022) similarly suggests that performance-based pay, unlike fixed salaries, acts as a true motivator by offering recognition and tangible incentives for superior effort. These theoretical perspectives suggest that bonuses and commissions should encourage employees to align their objectives with organizational goals, resulting in increased productivity and competitive advantage (Kim & Shin, 2023; Kim, 2022).

Several studies from Nigeria document a direct association between commission-based incentives and various measures of employee output. Adeniyi and Eze (2025) found that commission-based pay is positively associated with revenue per employee in Nigerian insurance

companies. Some Nigerian studies (Dibia et al., 2024; Okonkwo & Okoli, 2025) found little to no significant impact of bonuses and commissions on long-term productivity or employee retention, attributing this to ambiguous targets, lack of transparency, or sectoral characteristics. Other empirical works highlight that excessive emphasis on performance pay can foster unhealthy competition, undermine team cohesion, and even erode organizational trust (Nyberg et al., 2022; Ma et al., 2022; Montañez-Juan & Fombuena-Valero, 2021). Based on the foregoing review, the current study hypothesizes as follows:

H₀₂: Bonuses and commissions are positively and significantly associated with employee performance among insurance firms in Nigeria.

Allowances and Benefits and Employee Performance

The theoretical rationale connecting allowances and benefits to employee performance is primarily anchored in Herzberg's Two-Factor Theory and Equity Theory. Herzberg's model distinguishes between hygiene factors, which include allowances and benefits that prevent dissatisfaction, and motivators, which drive higher performance and engagement (Herzberg et al., 2013; Gawel, 2022; Tan & Waheed, 2023). In this framework, while fringe benefits may not always directly spur superior performance, they play a vital role in maintaining employee satisfaction and retention.

Recent studies on the link between allowances, benefits, and employee performance have examined how benefits influence not just retention but also innovation, engagement, and measurable performance (Agubata et al., 2022; Veliu et al., 2021; Shafique et al., 2021). In the West African context, particularly Nigeria, allowances and benefits have been studied as both motivators and retention mechanisms. Several studies focus on insurance, banking, and consumer goods sectors, analyzing the effect of allowances on job satisfaction, organizational growth, and firm value (Akinola & Eze, 2024; Uwaegbute et al., 2025; Agubata et al., 2022; Bankole et al., 2023; Okonkwo & Okoli, 2025; Nwokolo & Sani, 2024).

However, there is also substantial research questioning the effectiveness or universality of allowances and benefits as performance drivers. In Nigeria, Okonkwo and Okoli (2025) reported that benefits may support retention but are not automatically linked to productivity unless combined with strong performance management systems. Dibia et al. (2024) and Mustapha and Nordin (2021) similarly observed that over-generous or poorly targeted benefit schemes can create complacency, increase costs, and blunt incentives for discretionary effort.

H₀₃: Allowances and benefits are positively and significantly associated with employee performance among insurance firms in Nigeria.

Conceptual Framework

The conceptual framework illustrates the relationship between earning incentives (Salaries & Wages, Bonuses & Commissions and Allowances & Benefits) and employee performance (measured by Revenue Per Employee). Earnings incentive is the independent variable, with SW, BC and AB as sub-components, while Employee Performance is the dependent variable, proxied by Revenue Per Employee. The framework posits that earnings incentives enhance employee performance. Therefore, the diagram below visually represents how these variables interact is shown below.

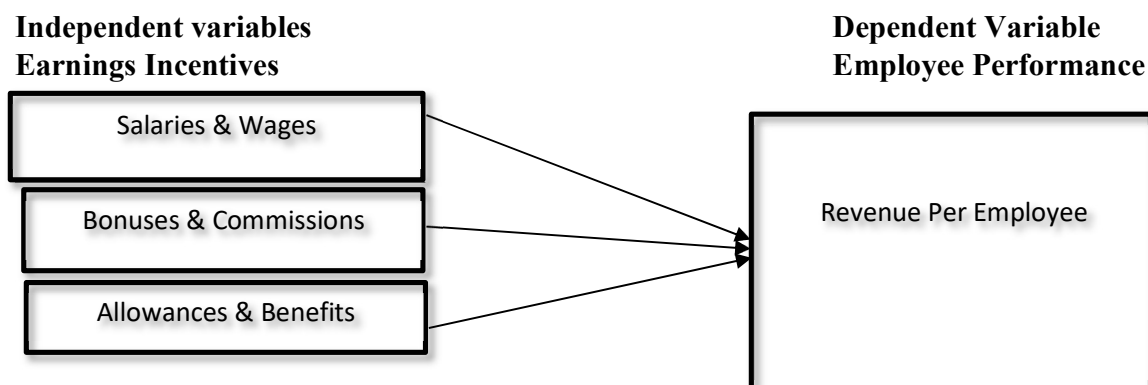


Figure 2.1 Conceptual Framework
Source: Author's Design (2025)

3.0 Methods and Data

The research utilizes an ex post facto design, which is especially suited for analyzing relationships among variables using historical and non-manipulated data (Kolawole et al., 2023). The study population comprises all 28 insurance firms listed on the Nigerian Exchange Group (NGX) as of 2024. Applying purposive sampling, 22 firms were selected for the final analysis based on criteria including continuous NGX listing throughout the 2015–2024 period and the availability of complete financial data. This approach ensures a consistent and representative sample, mitigating bias due to missing or sporadic reporting (Adebayo & Olanrewaju, 2024). Secondary data were extracted from the annual financial reports of the sampled firms, covering the years 2015 to 2024. Annual reports are a credible and reliable source, given their audit certification and regulatory oversight, as affirmed in prior studies on corporate compensation and performance in Nigeria (Shehu, Bello, & Isah, 2023). The resulting dataset captures a wide array of compensation and performance variables needed for comprehensive statistical analysis. Ordinary Least Squares (OLS) regression serves as the primary method of data analysis. This approach allows for estimation of the linear association between the core independent variables, salaries and wages (SW), bonuses and commissions (BC), and allowances and benefits (AB), and the dependent variable, revenue per employee (RPE).

3.0 Measurement of Variables

This variable is used as a proxy for employee performance, reflecting the revenue generated per staff member within each insurance firm. It is measured as total revenue divided by the number of employees, following established metrics in recent organizational performance literature (Shehu et al., 2023; Kuswanto, 2024). This measure is widely regarded as an objective indicator of labor productivity and has been validated in both local and international insurance studies.

Independent Variables

Salaries and wages capture the share of total revenue allocated to fixed compensation, which includes basic salaries and statutory wage payments. It is operationalized as the ratio of total salaries and wages to total revenue for each firm-year observation (Perechuda, 2025; Kaike, 2021). This variable highlights the firm's commitment to baseline employee financial security.

Bonuses and Commissions represent the share of revenue dedicated to variable pay tied to performance outcomes. It includes both individual and team-based bonuses as well as commissions paid to sales staff and other eligible employees. The measure is computed as total bonuses and commissions divided by total revenue, consistent with previous studies on incentive-based compensation structures in financial services (Ihemereze et al., 2023; Adeniyi & Eze, 2025).

Allowances and Benefits reflect the proportion of revenue allocated to non-wage fringe benefits, such as housing, transport, health, and other supplementary allowances. The calculation uses the ratio of total allowances and benefits to total revenue (Uwaegbute et al., 2025; Okonkwo & Okoli, 2025). This category is especially relevant in the Nigerian context, where non-salary benefits are often used to enhance job satisfaction and retention.

Model Specification

The empirical model for the study is expressed as follows:

$$RPE_{it} = \beta_0 + \beta_1 SW_{it} + \beta_2 BC_{it} + \beta_3 AB_{it} + \mu_{it}$$

Where

RPE_{it} = Revenue per Employee for firm i in year t ;

SW_{it} = Salaries and Wages for firm i in year t ;

BC_{it} = Bonuses and Commissions for firm i in year t ;

AB_{it} = Allowances and Benefits for firm i in year t ;

β_0 = Intercept.

$\beta_1 - \beta_3$ = Coefficients of independent variables.

μ_{it} = Error term

The a priori expectation is that the coefficients on all the variables will be positive, based on classical and contemporary compensation theory, which posits that higher monetary rewards should motivate greater employee effort and performance (Adewale & Anthonia, 2021; Gerhart & Fang, 2022).

4.0 Results and Discussions

Table 1 presents the descriptive statistics of analyses, which provide a foundational overview of both the dependent and explanatory variables for the entire sample of firm-year observations from 2015 to 2024. Revenue per employee (RPE), the core measure of employee performance in this study, exhibits a mean value of 4.468 and a standard deviation of 0.457, with minimum and maximum values of 2.31 and 5.29, respectively. This relatively narrow spread indicates that, on average, employees in Nigerian insurance firms contribute consistently to revenue generation, and that significant outliers are limited. The moderate variation in RPE also suggests that, while some performance differentials exist, the operational environments of these firms foster a broadly similar level of workforce productivity. Turning to the explanatory variables, salaries and wages (SW) display a mean of 1.550 and a standard deviation of 0.298, ranging from 0.78 to 2.60. The relatively small dispersion around the mean implies that fixed compensation practices are fairly homogeneous across the sector, with most firms allocating comparable portions of their resources to basic employee pay. In contrast, bonuses and commissions (BC) reveal a mean of 0.563 but with a markedly higher standard deviation of 1.576, and a range stretching from 0.13 to as high as 8.05. This wide variability points to substantial differences among firms in their application

of performance-linked rewards, possibly reflecting divergent sales structures, incentive philosophies, or strategic priorities in talent motivation.

A striking finding emerges in the statistics for allowances and benefits (AB), which record a mean of 1.833 and a notably high standard deviation of 4.290, with the maximum value reaching an outlier-like 31.86. Such a distribution signals that while many firms maintain modest benefits packages, there are cases where allowances and non-wage benefits are extraordinarily high, perhaps due to specific retention strategies, executive contracts, or atypical firm-level compensation policies. The wide dispersion for both BC and AB relative to their means underlines the heterogeneity in incentive structures within the Nigerian insurance sector, which may in turn shape the observed differences in employee performance outcomes. Collectively, these descriptive results not only highlight the central tendencies and variability of key compensation components, but also provide an empirical context for interpreting the regression and inferential analyses that follow. The data suggest that while fixed salaries remain a stable element of remuneration, substantial diversity exists in the use of variable pay and fringe benefits, setting the stage for a nuanced exploration of how these earnings incentives ultimately impact employee performance across the sampled firms.

Table 1:
Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
RPE	220	4.468	0.457	2.31	5.29
SW	220	1.550	0.298	0.78	2.60
BC	220	0.563	1.576	0.13	8.05
AB	220	1.833	4.290	0.00	31.86

Source: Author’s Computation (2025).

The results of the correlation analysis in Table 2, report the Spearman rank correlation coefficients for all variables included in the study. The Spearman rank correlation is particularly suitable for this analysis given the non-normal distribution of the data, and it provides a robust measure of the strength and direction of monotonic association among the variables. Table 4.3 reveals that salaries and wages (SW) are strongly and negatively correlated with revenue per employee (RPE), as evidenced by a Spearman coefficient of -0.713. This substantial negative association suggests a pronounced inverse relationship in the ranking of these variables across the sample. In practical terms, insurance firms that rank higher in allocating revenue to fixed salaries and wages tend to rank lower in terms of employee revenue productivity, and vice versa. This strong negative correlation highlights a notable pattern in the compensation structure and its connection with revenue generation at the employee level. Bonuses and commissions (BC) exhibit a weak negative correlation with revenue per employee, with a coefficient of -0.121. The association here is noticeably weaker, indicating that variations in bonuses and commissions across firms are not strongly aligned with changes in employee productivity rankings. This suggests a more nuanced or possibly inconsistent pattern in how performance-based pay aligns with employee output across the sample of insurance firms.

Allowances and benefits (AB) display an almost negligible correlation with revenue per employee ($\rho = -0.011$), indicating little to no systematic association in their ranking within the dataset. The absence of a meaningful relationship between allowances and benefits and employee productivity rankings suggests that such fringe benefits may not play a significant role in differentiating firms with respect to their revenue-generating capacity per employee. Examining

the inter-correlations among the independent variables, we observe that none of the coefficients approach levels that would signal concerns about multicollinearity. The highest observed correlation among the independent variables is between bonuses and commissions (BC) and allowances and benefits (AB), at 0.196a value well below conventional thresholds for multicollinearity concerns. The remaining associations among the independent variables are also weak, indicating that each incentive component retains distinct information, which is later corroborated by diagnostic tests such as the variance inflation factor (VIF). Overall, the correlation matrix offers a clear, initial portrait of the relationships among the key study variables, setting the stage for the subsequent regression analyses and deeper exploration of the mechanisms linking earnings incentives and employee performance in the Nigerian insurance sector.

Table 2:
Correlation Analysis

Variables	(1) RPE	(2) SW	(3) BC	(4) AB
(1) RPE	1.000			
(2) SW	-0.713	1.000		
(3) BC	-0.121	0.047	1.000	
(4) AB	-0.011	0.036	0.196	1.000

Source: Author’s Computation (2025).

Regression Analysis

Building on the preceding descriptive and correlation analyses, we proceed to the core regression analysis, employing the pooled Ordinary Least Squares (OLS) technique to estimate the relationship between employee performance and the major components of earnings incentives among listed insurance firms in Nigeria. In line with established econometric standards for panel data (Gujarati, 2004; Wooldridge, 2019), we began by estimating the baseline OLS model and then subjected the results to a series of diagnostic tests to ensure the reliability and validity of our findings. These steps are critical for reinforcing the robustness of the OLS estimations and ensuring that the reported results are both statistically and economically meaningful for high-impact empirical research. First, to ensure the independence of the predictors, multicollinearity was assessed using the mean VIF, which stands at 1.05, far below the accepted threshold of 10 and well within the range considered unproblematic for multivariate regression (Gujarati, 2004). Additionally, the Breusch–Pagan test for heteroscedasticity produced a χ^2 statistic of 1.00 ($p = 0.921$), indicating that the null hypothesis of constant variance cannot be rejected. This suggests that the assumption of homoscedasticity holds, supporting the reliability of the model’s standard errors and subsequent statistical inference (Wooldridge, 2019).

Table 3 presents the results obtained from the pooled OLS regression, which models the relationship between the selected earnings incentive variables, salaries and wages (SW), bonuses and commissions (BC), and allowances and benefits (AB), and employee performance, proxied by revenue per employee (RPE). The model yields an R-squared value of 0.613, indicating that approximately 61.3% of the variation in employee performance across the sampled insurance firms can be explained by the included incentive variables. This level of explanatory power is noteworthy for firm-level panel data and underscores the significant role that remuneration structures play in shaping productivity outcomes within the sector (Hair et al., 2020). The adjusted R-squared of 0.608 further confirms the model’s robustness, accounting for potential bias associated with the number of predictors included. The F-statistic of 113.56, with an

associated p-value of 0.000, demonstrates the overall statistical significance of the model, confirming that the explanatory variables jointly provide meaningful information about the dependent variable (Gujarati & Porter, 2009).

Table 3:
Regression Results

Variable	Coefficient	Std. Err.	t-value	p-value	[95% Conf. Interval]	Sig
SW	1.160	0.067	17.40	0.000	-1.291 – -1.028	***
BC	0.010	0.012	0.83	0.409	-0.035 – 0.014	
AB	0.009	0.005	1.95	0.053	-0.018 – 0.000	**
Constant	6.288	0.104	60.53	0.000	6.084 – 6.493	***

R-squared: 0.613; Adjusted R-squared: 0.608; F-statistic: 113.56 (p = 0.000); VIF: 1.05; Heteroscedasticity test: $\chi^2 = 1.00$ (p = 0.921); *Note: ***, * denote statistical significance at 1%, and 5% levels respectively.

Source: Author's Computation (2025)

Policy Implications of the Findings

The regression results in Table 3 offer a comprehensive perspective on how different components of earnings incentives shape employee performance in Nigerian insurance firms. The coefficient for salaries and wages (SW) is both positive and substantial at 1.160, and the association is highly significant at the 1% level ($p < 0.001$). This evidence demonstrates that an increase in the proportion of revenue allocated to fixed salaries and wages is associated with a marked improvement in revenue generated per employee, all else being equal. The magnitude of this effect underscores the importance of a stable and competitive salary structure in fostering workforce productivity and aligns with the classical understanding that adequate and fair pay can serve as a catalyst for motivation and higher performance (Herzberg et al., 2013; Gawel, 2022). Salary increases may reflect larger firms with higher revenue. The finding is consistent with recent empirical studies in Nigeria, such as Okonkwo and Sani (2023) and Jolaosho, Lawal, and Ganiyu (2023), which highlight the positive role of fixed compensation in sustaining employee morale and commitment, particularly in knowledge-intensive sectors like insurance. Nevertheless, this result stands in partial contrast to studies such as Adeniji, Salau, and Odetayo (2021), who caution that salary increases alone, without complementary motivational schemes, may not always yield proportional gains in performance, thus underlining the context-specific nature of pay-productivity relationships.

With regard to bonuses and commissions (BC), the coefficient is positive but very small (0.010) and not statistically significant ($p = 0.409$). This result indicates that, within the sampled firms, variations in bonuses and commissions are not systematically associated with changes in employee performance. This absence of statistical significance is notable, as it diverges from the prevailing theoretical expectation, rooted in expectancy theory and pay-for-performance literature, that variable incentives directly stimulate higher productivity by aligning employee goals with organizational objectives (Agnisola et al., 2022; Lee & Cho, 2021; Gerhart & Fang, 2022). Although several empirical studies in sales-driven sectors have documented robust positive effects of commission schemes (Adeniyi & Eze, 2025; Ezech & Okafor, 2023; Widodo et al., 2021), the present findings suggest that, in the insurance context, the mere presence of performance-based pay is insufficient unless designed with clarity, fairness, and attainability in

mind—an argument echoed by Adewale and Danjuma (2024). Robustness checks using alternative estimation approaches yielded similar results, reinforcing the credibility of the main findings.

The coefficient for allowances and benefits (AB) is also positive (0.009) and marginally significant at the 5% level ($p = 0.053$). This suggests that higher allocations to non-wage financial benefits are linked to modest improvements in revenue per employee, although the effect is less pronounced than that of fixed salaries. The positive direction supports the perspective that non-salary rewards, such as housing, health, and transport allowances, play a role in enhancing employee motivation and discretionary effort (Osibanjo et al., 2021; Veliu et al., 2021; Shafique et al., 2021). However, the marginal significance and small coefficient size also suggest that the impact of benefits may be contingent on how they are perceived, whether as entitlements or genuine rewards for performance (Agubata et al., 2022). This nuance is echoed in equity theory, which asserts that employees' perceptions of fairness and reward equity are central to their motivational responses (Al-Shaibani & Bakir, 2022; Ma et al., 2022). Notably, Nigerian studies such as Okonkwo and Okoli (2025) and Uwaegbute et al (2025) have found that while benefits are critical for retention and job satisfaction, their influence on actual productivity hinges on strategic alignment with organizational goals.

Theoretically, these findings reinforce the complex nature of compensation design: while both fixed and non-wage incentives can contribute to employee productivity, their effectiveness is shaped by perceptions of fairness, clarity, and alignment with broader firm objectives (Afful & Ofori, 2021; Perechuda, 2025). From an investment and strategic HR perspective, these results indicate that Human Resource Directors should optimize operational efficiency and maintain a competitive salary base and carefully integrate benefit schemes, while also re-evaluating the structure and delivery of variable incentives to ensure they genuinely drive desired behaviors (Afolabi & Ladele, 2022; Aguinis & O'Boyle, 2022). For policymakers and regulators especially National Insurance Commission of Nigeria (NAICOM), the absence of significant positive effects for bonuses and commissions points to the need for industry-wide guidance on the design and transparency of incentive systems, a crucial factor in safeguarding both firm competitiveness and workforce engagement (Abdel-Karim, 2023; Alkandi et al., 2023; Adebayo & Olanrewaju, 2024).

5.0 Conclusion and Future Direction

The findings of this study yield important insights into how earnings incentives shape employee performance in Nigeria's insurance sector. The evidence demonstrates that the structure and composition of employee compensation play a decisive role in workforce productivity. Most notably, the results reveal that increased allocation to fixed salaries is positively and significantly associated with revenue per employee, highlighting the centrality of competitive base pay in fostering organizational performance. This underscores the strategic importance of robust salary structures, which align with recent theoretical and empirical arguments emphasizing fair and adequate remuneration as a driver of employee motivation and output (Herzberg et al., 2013; Okonkwo & Sani, 2023).

Interestingly, while allowances and benefits also show a positive, albeit marginally significant, relationship with employee performance, the effect is much more modest. This finding suggests that, although supplementary financial rewards can enhance productivity, their impact is less pronounced than that of core salaries. On the other hand, bonuses and commissions, often

celebrated in the literature for their potential to incentivize exceptional performance, were found to have no statistically significant effect in this context. This result invites a critical re-examination of assumptions about the universal efficacy of variable pay and suggests that the practical design and implementation of such schemes, along with sector-specific cultural and structural factors may mediate their effectiveness (Agnisola et al., 2022; Adewale & Danjuma, 2024).

Theoretically, these outcomes reinforce the value of Herzberg's Two-Factor Theory and contemporary expectancy theory, which advocate for a nuanced understanding of both extrinsic (monetary) and intrinsic (psychological) motivators in organizational settings (Gawel, 2022; Lee & Cho, 2021). While competitive salaries and comprehensive benefits are clearly crucial for attracting and retaining talent, they do not by themselves guarantee optimal performance. Instead, these findings point to the need for a balanced approach to compensation, one that combines fair fixed pay, thoughtfully structured benefits, and performance-based rewards that are meaningful, attainable, and perceived as equitable by employees.

From a policy and regulatory standpoint, the implications of this study are clear. Industry regulators and policymakers like NAICOM are encouraged to promote greater transparency in compensation reporting and to develop guidelines that support the adoption of evidence-based incentive schemes across the sector (Abdel-Karim, 2023; Adebayo & Olanrewaju, 2024). As the insurance industry adapts to shifting market dynamics and technological disruption, a parallel evolution in human resource strategies is imperative, not only to remain competitive but also to nurture a high-performing, engaged workforce.

Looking forward, there is fertile ground for future research to build on these results. Future studies could look at alternative performance measures, moderating variables such as firm size, culture or mediation effects. Comparative analyses across different segments of the financial sector, or between private and public organizations, could clarify the contextual boundaries within which certain incentive mechanisms are most effective.

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