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The Influence of Overtime and Holiday Pay on Labour Turnover among Employees in Budget Hotels in Nairobi City County, Kenya

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Abstract

This study established the influence of overtime and holiday pay on labour turnover among employees in budget hotels within Nairobi City County (NCC), Kenya. The study was guided by Equity Theory, Herzberg's Two-Factor Theory, and Social Exchange Theory. A sequential explanatory mixed methods design was employed, incorporating both quantitative and qualitative data collection. The target population included 1,389 employees from 94 licensed budget hotels in NCC, comprising 81 HR managers, 239 line managers, and 1,069 non-management employees in the front office, food and beverage, and housekeeping departments. A sample of 311 respondents (18 HR managers, 54 line managers, and 239 non-management employees) was obtained using a finite-population formula with a 5% margin of error. Budget hotels and key informants were selected by purposive sampling, while individual respondents within each stratum were selected by stratified random sampling and simple random sampling. Structured questionnaires were used to gather quantitative data and semi-structured interviews were conducted with HR managers and the Chairman of the Kenya Association of Hotel Keepers and Caterers (KAHC) to collect qualitative data. Quantitative data were analysed using descriptive statistics and Pearson correlation, while qualitative data were analysed thematically. Findings revealed that overtime and holiday pay had the strongest negative association with labour turnover among all remuneration constructs examined, with Pearson correlation coefficients of $r = -0.907$ ($p < .001$) for employees and $r = -0.861$ ($p < .001$) for line managers. Overtime and holiday pay was found to be a significant individual predictor of labour turnover ($\beta = -.390$, $p < .001$). The null hypothesis that overtime and holiday pay have no significant influence on labour turnover was therefore rejected. The study recommends establishment and enforcement of sector-wide minimum overtime and holiday pay standards as the most urgent and cost-effective intervention for reducing labour turnover in budget hotels in Nairobi City County.

Keywords: *Overtime Pay, Holiday Pay, Labour Turnover, Budget Hotels, Nairobi City County, Remuneration Practices*

1.0 Introduction

Labour turnover is one of the most persistent and costly issues facing service sectors around the globe. Across the global hospitality industry, turnover is always higher than most other sectors with estimates of the turnover of staff leaving hotels every year of between 60 and over 100 per cent in many markets (Deery & Jago, 2015). The impact is not just on the individual level; the direct costs of the recruitment, selection and training of replacement staff are compounded by the indirect costs of the loss of institutional knowledge, operational continuity and service quality and customer satisfaction (Al-Suraihi et al., 2021). Researchers have found remuneration, which includes base salary, fringe benefits, supplementary payments, and incentives within an organization, to be one of the most potent and manageable factors that can influence voluntary turnover (Singh & Loncar, 2010; De Winne et al., 2019).

In Kenya, the hospitality sector is a key contributor to GDP, jobs and foreign exchange earnings, and is noted to have high and persistent rates of labour mobility within the sector. Budget hotels account for a significant proportion of Nairobi's accommodation landscape, yet operate with tight margins and low capacity for investing in competitive compensation packages (Namirembe, 2023). The budget segment has been structurally under-examined in remuneration and turnover studies conducted in the Kenyan hospitality sector, with most studies focusing only on the three-to-five-star category (Mutiso, 2024; Njenga & Kamaara, 2023). The region's hotel industry is marked by wage compression, weak collective bargaining, and a lack of formalized human resource practices, which contribute to vulnerability of workers to remuneration-driven exit behavior (Msengeti & Obwogi, 2022).

Among the critical constructs of remuneration relevant to the budget hotel's challenge of labour retention, overtime and holiday pay occupies a particularly significant position. Overtime and holiday pay refers to the payment for work done outside of the contractual hours or on a designated rest day, and is particularly relevant when the hotel business relies on irregular and long hours of work (Tan et al., 2020; Renaud et al., 2021). In the budget hotel context, where thin profit margins coincide with high reliance on non-standard and extended working hours, the adequacy and consistency of overtime and holiday compensation directly shapes employees' perceptions of organizational fairness and their decision to remain in or exit their current employment. In addition, demographic characteristics such as age, gender, education, and work experience influence the perception and response of employees to the remuneration system and moderate the direction and intensity of the relationship between remuneration and turnover intentions (Hayes, 2015; Chen et al., 2026).

1.1 Statement of the Problem

Labour turnover is a perpetual problem in the Nairobi City County budget hotels. These workplaces are characterized by narrow profit margins, low potential for competitive pay, high dependence on non-standard and long working hours, and weak formal HR capacity (Namirembe, 2023), which makes it difficult to retain employees and results in disproportionately high turnover costs. While this is recognized as a serious issue, the empirical evidence regarding remuneration and turnover in the Kenyan hospitality industry has focused almost entirely on the large-scale hotel properties with little scholarly interest in the lower end of the spectrum in budget establishments (Mutiso, 2024; Msengeti & Obwogi, 2022). This sector-specific gap in evidence-based guidance for managers and policymakers means that they are unable to benefit from evidence-based advice on which remuneration practices are most likely to affect or reduce turnover in their sector.

Past research has not yet been conducted to look at overtime and holiday pay as a distinct and independent construct rather than as a subset of general pay, which makes it difficult to determine its independent contribution to labour turnover. Overtime pay and holiday pay have frequently been considered as a subset of general pay rather than analysed as separate constructs, constraining a more comprehensive view of their independent impacts (Junaidi et al., 2020; Renaud et al., 2021). In the budget hotel context, the moderating effects of demographic characteristics on the overtime and holiday pay–turnover relationship have been unexplored, though they appear to have important roles to play based on theory and empirical comparisons. The present study therefore aims to bridge these interconnected gaps by establishing the influence of overtime and holiday pay on labour turnover among employees in budget hotels in NCC.

1.2 Research Objective

To establish the influence of overtime and holiday pay on labour turnover among employees in budget hotels in Nairobi City County, Kenya.

1.3 Research Hypothesis

H_0: Overtime and holiday pay have no significant influence on labour turnover among employees in budget hotels in Nairobi City County.

1.4 Significance of the Study

The findings provide evidence-based guidance to budget hotel managers, owners, and HR professionals on the remuneration practices most critical to retention. For policy makers and industry organizations such as KAHC, the study provides support for sector-wide minimum standards on overtime and holiday pay compliance. Academically, the study fills identified gaps in the hospitality human resource management literature by offering context-specific evidence from the budget hotel segment in a developing economy environment.

1.5 Scope of the Study

The study focused on budget hotels in Nairobi City County, Kenya, covering front office, food and beverage, and housekeeping employees, line managers, and HR managers. It excluded luxury, mid-range, and international chain hotels, which have significantly different compensation levels and staffing characteristics. Data was gathered in the first quarter of 2026.

2.1 Theoretical Framework

This research was based on three theories that complement each other and provide a strong basis for understanding the remuneration–turnover relationship: Equity Theory, Herzberg's Two-Factor Theory, and Social Exchange Theory.

2.1.1 Equity Theory

The Equity Theory, developed by Adams (1965), suggests that workers examine the input-outcome ratio the ratio of what the worker puts in (skills and contributions) to what he or she gets back and compare it to that of referent others. If this comparison results in a sense of inequity (underpayment) the employee will seek to make it right through behaviour change, such as lowering output, asking for a raise, or quitting the job. This study theorizes the mechanisms by which overtime non-compliance and inequitable holiday pay practices lead to turnover intention through Equity Theory. Saeed et al. (2023) substantiated that perceptions of inadequate compensation drive disengagement, supporting the emphasis on perceived adequacy. The theory has particularly strong application in the NCC budget hotel context where pay structures are highly varied and overtime payment compliance is inconsistent across establishments.

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2.1.2 Herzberg's Two-Factor Theory

Herzberg's Two-Factor Theory (Herzberg, Mausner and Snyderman, 1959) distinguishes hygiene factors external conditions such as pay, fringe benefits, and working conditions that, when inadequate, generate dissatisfaction from motivators such as recognition, achievement, and advancement. In budget hotels, base wages and overtime payments are often below employees' threshold for adequacy, creating active push factors for leaving the organization. Njenga and Kamaara (2023) tested Herzberg's theory on Kenyan hotel employees and found that the inadequacy of hygiene factors reliably predicted turnover intentions, contextualizing its use in the present study.

2.1.3 Social Exchange Theory

Social Exchange Theory (Blau, 2017) as extended by Tsen et al. (2022) and Xuecheng et al. (2022) conceptualizes the employment relationship as a reciprocal exchange in which employees exchange their labour, commitment, and discretionary effort for organizational gains such as pay, recognition, and support. When employees feel that fair compensation, including fair overtime and adequate holiday pay, aligns with their own contributions, they respond with greater commitment and reduced turnover intentions. Conversely, if compensation is seen as not upholding the terms of the exchange relationship, the psychological contract is violated, reducing the desire to remain in the organization. Qualitative results indicate that predictable and fair remuneration rather than the amount per se is a key retention factor, as consistent overtime and holiday pay conveys trustworthiness and reciprocity.

2.2 Literature Review

Other noteworthy extrinsic motivators that impact employee retention are overtime and holiday pay. They reflect work during hours outside the regular schedule, and employees on specific rest days or public holidays, respectively. These remunerations are a demonstration of the importance of time, energy, and work life balance of employees that are essential to retain.

Overtime is one of the top indicators of turnover, particularly in personnel-based industries such as hospitality and healthcare. Research indicates that the working hours beyond the limits raise resignation rates. Tan et al. (2020) and Mammadzada (2025) discovered that the intent to leave the front-line hotel worker is high due to overtime; the compensation systems failed to compensate the adverse consequences of overwork. Junaidi et al. (2020) also obtained similar results when they claim that the turnover variance is characterized by a large percentage of overtime, job stress, and workload, meaning that overtime serves as a significant stressor. In line with this, Wirandono (2023), Elsayed et al. (2025), and Huo and Shi (2025) resulted in longer hours and necessary overtime led to burnout, lower satisfaction with the job, and intention to leave, which is better concerning the influence of overtime on emotional burnout and organizational loss.

Pay affects overtime responses. Lazar et al. (2025) found that unpaid overtime has a negative impact on job satisfaction, which increases turnover, whereas Jiang et al. (2023) and Mammadzada (2025) found that overtime, as a predictor, has effects depending on whether the work is voluntary or mandatory, the severity of overtime, and its consequences on personal life, thus highlighting the contextual complexity of overtime. This effect can be attributed to work-life balance: Blomme et al. (2020) found long hours to be a contributor to work-family conflict, which predicts turnover. Overtime is correlated with turnover because of burnout, and emotional exhaustion is correlated with it because it raises the probability of quitting (Jiang et al., 2023; Maqsood et al., 2023; Li, 2024; Giusti et al., 2024). Person-organization value congruence mediates this relationship, and in doing so, negatively impacts are mitigated when employees align themselves with organizational values.

Overtime also affects workplace dynamics. Wang et al. (2025) found that perceiving coworkers working overtime increases negative emotions and turnover intentions, while Bae (2023, 2024) reported that excessive overtime, significantly raises turnover, suggesting a non-linear relationship where moderate overtime is tolerable but excessive hours are harmful. Mandatory overtime strongly increases turnover (Bae, 2024; Rabenu & Aharoni-Goldenberg, 2017; Lazzari et al., 2022), emphasizing the detrimental effect of compulsion.

Holiday pay, though less studied, also influences retention. Compensation for time off, including vacation and leave policies is associated with lower turnover (Renaud et al., 2021; Zhou et al., 2024). Renaud et al. (2021) found more vacation days were negatively associated with voluntary turnover, highlighting employees’ value of rest, though parental leave had less effect, showing that retention benefits depend on relevance to work-life balance.

Wider financial systems, such as holiday pay, bonuses, and allowances, also forecast turnover. Moon and Kang (2025) and Vander Weerdt et al. (2025) concluded that turnover intentions are lowered by fair financial compensation. Pay volatility, common in the case of a holiday, also increases turnover, whereas the uncertainty led by bonus and commission pay reduces turnover (Conroy et al., 2021). Late salary also increases voluntary turnover, where it has been found that prompt and consistent remuneration, such as overtime and holiday allowance, holds a crucial role in retention (Edirisinghe & Manuel, 2019; Zhou et al., 2023). Overtime and holiday pay are a strong influence on turnover intentions. Too much or unpaid overtime increases stress, burnout, and work-life conflict, which results in increased turnover, whereas fair, consistent, and prompt pay enhances job satisfaction and retention.

Empirical studies on remuneration and labour turnover show that overtime and holiday pay play significant roles when it comes to employee turnover (Tan et al., 2020; Renaud et al., 2021). Nevertheless, several significant gaps are still present. Overtime pay and holiday pay have frequently been considered as a subset of general pay rather than analysed as separate constructs, constraining a more comprehensive view of their independent impacts (Junaidi et al., 2020; Renaud et al., 2021). Additionally, limited empirical studies have examined the combined effect of overtime pay and work conditions in budget hotels in Nairobi City County specifically (Tan et al., 2020; Mammadzada, 2025; Junaidi et al., 2020; Wirandono, 2023; Elsayed et al., 2025; Huo & Shi, 2025; Lazar et al., 2025; Jiang et al., 2023). Further, there is limited focus on holiday pay as a distinct construct and its integration with overtime pay (Renaud et al., 2021; Zhou et al., 2024; Moon & Kang, 2025; Vander Weerdt et al., 2025; Conroy et al., 2021; Edirisinghe & Manuel, 2019; Zhou et al., 2023). This research aims to fill these gaps through the application of a dedicated focus on overtime and holiday pay as independent constructs within a budget hotel context in Nairobi City County, Kenya.

3.0 Methodology

The research adopted a convergent parallel mixed methods design in which quantitative data from questionnaires and qualitative data from semi-structured interviews were collected simultaneously and integrated during interpretation (Edmonds & Kennedy, 2016; Creswell & Clark, 2007; Katz-Buonincontro, 2024). A cross-sectional descriptive approach allowed measurement of variables at a specific point in time, enabling analysis of associations without altering the conditions under study (Sharma et al., 2023; Hunziker & Blankenagel, 2024). The mixed methods approach enabled triangulation, increasing the validity and reliability of the findings (Creswell, 1999; Doyle et al., 2016; Plano Clark, 2017), with quantitative data revealing distributional patterns and qualitative data providing contextual depth (Siregar, 2025).

The study was carried out in Nairobi City County (NCC), Kenya, which concentrates the highest number of budget hotels in the country. The target population comprised 1,389 employees from 94 licensed budget hotels in NCC: 81 HR managers, 239 line managers, and 1,069 non-management employees across front office, food and beverage, and housekeeping departments. Using the finite-population formula proposed by Altares et al. (2003): $n = N / (1 + Ne^2)$, a sample of 311 respondents was obtained (18 HR managers, 54 line managers, and 239 non-management employees). Budget hotels and key informants were selected by purposive sampling (Robinson, 2024; Tajik et al., 2025), while individual respondents within each stratum were selected by stratified random sampling and simple random sampling (Makwana et al., 2023; Nor et al., 2022; Kirk & Beaujean, 2025).

The research employed a mixed-method approach through the use of semi-structured interviews and questionnaires to gather both quantitative and qualitative data (Creswell, 1999). Questionnaires were given to non-management employees and line managers, including elements of overtime and holiday pay operationalized through five Likert-scale items rated on a five-point scale (1 = Strongly Agree; 5 = Strongly Disagree) covering: whether the hotel provides overtime pay for work done beyond normal hours and holidays; the competitiveness of the overtime and holiday pay package; whether overtime and holiday pay is enough to make employees stay; whether employees are motivated by the overtime and holiday pay package; and whether overtime and holiday pay is the major influence of labour turnover. The adaptation of items was carried out based on the existing literature to ensure validity (Beck, 2024; Cheung, 2024). Qualitative data on key informants such as the KAHC chairman and HR managers were gathered through semi-structured interviews. Interview guides were organized in accordance with the study variables and objectives and addressed remuneration practices and labour turnover (Adeoye-Olatunde & Olenik, 2021).

Content validity was established by creating instruments grounded in study aims, research inquiries, and pertinent literature regarding remuneration methods and employee turnover (Rusticus, 2024). Items were linked with theoretical and empirical conceptions to encompass all dimensions of the variables (Brod et al., 2024) and scrutinized by research professionals to enhance clarity and eliminate ambiguities (Takom et al., 2025). Construct validity was improved by making sure that the questions logically measured the desired concepts. Pre-testing research instruments was conducted to ensure that the questions in the instrument are clear and meaningful (Hashim et al., 2024; Hu, 2024). Four selected budget hotels were used in the pilot study with approximately 31 participants, representing approximately 10% of the sample (Bujang et al., 2024). Cronbach's Alpha was used to examine internal consistency. Results exceeding 0.7 indicate test reliability, and those exceeding 0.8 indicate very high reliability (Taber, 2018; Adamson & Prion, 2013). For the Overtime and Holiday Pay scale (5 items), the Cronbach's Alpha was 0.833, indicating high internal consistency and confirming the instrument as reliable and suitable for the primary investigation.

Both descriptive and inferential statistical analysis were performed for the quantitative data with the aid of SPSS. Descriptive statistics such as frequencies, percentages, means and standard deviations were used to summarize the distribution of responses for each variable. Items on the Likert scale were given scores of 1 through 5, with 1 representing Strongly Agree and 5 representing Strongly Disagree. The overtime and holiday pay construct was represented by a composite scale obtained by averaging the scores for the five items measuring that construct (HolidayEmp / HolidayMgr). Inferential statistical analysis was performed using Pearson correlation to test the strength and direction of the relationship between overtime and

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holiday pay and labour turnover, and multiple regression analysis was performed to determine the magnitude of the effect. Qualitative data were examined utilizing Braun and Clarke's (2012, 2013, 2014, 2020) six-phase Thematic Analysis, with NVivo used to keep analysis organized.

4.0 Findings and Discussion

The numbers of questionnaires sent out to the employees and the line managers were 239 and 54 respectively, and the numbers of people invited to interview were 18 HRM staff and the KAHC Chairman. The employee response rate was 97.1% (232 returned out of 239 distributed), the line manager response rate was 94.4% (51 out of 54), yielding an overall questionnaire response rate of 96.6% (283 out of 293). For the qualitative component, 17 HRM staff and the KAHC Chairman confirmed their participation out of the 19 interview invitations sent, resulting in an interview response rate of 94.7% (18 out of 19). These high response rates ensured sufficient data for robust analysis.

4.1 Descriptive Analysis

Tables 1 and 2 present the responses of employees (n = 232) and line managers (n = 51), respectively, to Likert-scale items examining perceptions of overtime and holiday pay and their influence on labour turnover.

Table 1: Overtime and Holiday Pay, Employee Responses

Statement	SA	A	N	D	SD	Mean	SD
The hotel provides overtime pay for work done beyond normal hours and holidays	24 (10.3%)	57 (24.6%)	51 (22.0%)	59 (25.4%)	45 (19.4%)	3.22	1.26
The hotel has a competitive overtime and holiday pay package	34 (14.7%)	44 (19.0%)	51 (22.0%)	60 (25.9%)	43 (18.5%)	3.15	1.33
Overtime and holiday pay in our hotel are enough to make me stay	27 (11.6%)	60 (25.9%)	44 (19.0%)	56 (24.1%)	45 (19.4%)	3.14	1.32
I am motivated by the overtime and holiday pay package I receive	22 (9.5%)	50 (21.6%)	56 (24.1%)	55 (23.7%)	49 (21.1%)	3.25	1.27
Overtime and holiday pay is the major influence of labour turnover	30 (12.9%)	51 (22.0%)	43 (18.5%)	56 (24.1%)	52 (22.4%)	3.21	1.36

SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree. Source: Primary Data (2026).

As shown in Table 1, employee item means ranged from 3.14 to 3.25, with a composite mean of M = 3.19 (SD ≈ 1.31). The mean score across the five-point scale (1 = Strongly Agree, 5 = Strongly Disagree) for all the employees was 3.19, indicating that on average employees were not satisfied, but were somewhere between Neutral and Disagree. The standard deviation of about 1.31 is quite high – this indicates medium variation, meaning that the central value was in the negative range but there was a reasonable spread of responses with some employees having positive perceptions and others having strong negative perceptions, which may be due to the level of compliance of individual hotels with their statutory overtime obligations.

The item that had the highest mean score was the motivational influence item (M = 3.25, SD = 1.27). A score of 3.25 (between Neutral and Disagree) and a standard deviation of 1.27 indicate that most employees felt the package did not positively affect them, with overtime and holiday pay not being seen as a motivational package by most employees. This finding shows that

44.8% disagreed or strongly disagreed with this item indicating that overtime/holiday remuneration is not achieving its motivational purpose. The lowest mean was for the sufficiency of overtime and holiday pay as a retention tool (M = 3.14, SD = 1.32). However, 43.5% of employees remained neutral or disagreed that overtime and holiday pay was adequate to keep them on board. These results are consistent with Tan et al. (2020) who also found that undercompensation for overtime was a major factor driving turnover intentions of front-line employees in the hotel industry, and with Junaidi et al. (2020) that concluded that overtime and workload together accounted for a considerable amount of variance in turnover in the hospitality industry. The pattern also corresponds with the findings of Lazar et al. (2025) that while overtime may be undertaken, there is a direct link between the lack of reward for overtime and decreased job satisfaction and voluntary turnover, and with Wirandono (2023) who showed that employees who feel that they are not getting enough for overtime hours are significantly more likely to express intentions to leave.

Table 2: Overtime and Holiday Pay, Line Manager Responses

Statement	SA	A	N	D	SD	Mean	SD
The hotel provides overtime pay for work done beyond normal working hours and holidays	2 (3.9%)	8 (15.7%)	21 (41.2%)	12 (23.5%)	8 (15.7%)	3.31	1.05
The hotel has a competitive overtime and holiday pay package for employees	2 (3.9%)	12 (23.5%)	16 (31.4%)	13 (25.5%)	8 (15.7%)	3.25	1.11
Overtime and holiday pay in the hotel are enough to make employees stay	8 (15.7%)	4 (7.8%)	16 (31.4%)	18 (35.3%)	5 (9.8%)	3.16	1.21
Employees are motivated by the overtime and holiday pay package they receive	5 (9.8%)	13 (25.5%)	16 (31.4%)	11 (21.6%)	6 (11.8%)	3.00	1.17
Overtime and holiday pay package is the major influence on labour turnover in the hotel industry	4 (7.8%)	13 (25.5%)	12 (23.5%)	16 (31.4%)	6 (11.8%)	3.14	1.17

SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree. Source: Primary Data (2026).

As presented in Table 2, line manager item means ranged from 3.00 to 3.31, with a composite mean of M = 3.17 (SD ≈ 1.14). The line manager sample on average also disagreed with positive characterisations of overtime and holiday pay in their hotels and had a composite mean of 3.17, which is slightly higher than the Neutral anchor (3.00) but broadly similar to the employee responses, albeit with slightly lower SDs than the employee sample. This is important because it indicates that the lack of overtime and holiday pay in NCC budget hotels is not simply a perception of employees, but is recognised – at least in part – by the managers of the staff.

The highest mean value was for overtime pay for work beyond normal hours and holidays (M = 3.31, SD = 1.05); the relatively small SD of 1.05 suggests that managerial opinion was fairly homogenous, with most managers rating this item at the neutral/disagree end rather than at the extremes. This suggests that a significant minority of managers are either not sure or do not agree that the provision of overtime in their establishments is sufficient, as 39.2% disagreed or strongly disagreed and 41.2% were neutral on this question. The lowest mean was for the motivational influence of the overtime and holiday pay package (M = 3.00, SD = 1.17), with virtually equal numbers disagreeing or strongly disagreeing (33.4%) and agreeing or strongly agreeing (35.3%). A mean of 3.00 represents the exact middle of the scale with no consensus in either positive or negative direction; manager's opinion of the ability of overtime and holidays to motivate workers was evenly distributed. The patterns are similar to those identified by Bae (2023), who reported that managers are often unaware of how much overtime pay matters to their frontline workers, as well as Elsayed et al. (2025), who showed that workers' perceptions of poor overtime arrangements are linked to increased risk of burnout and turnover. The results also support Mammadzada (2025), which says that the recognition of the insufficiency of overtime by the managers is an important factor in institutional reform of the hotel sector's wage system.

4.2 Pearson Correlation Analysis

A Pearson correlation analysis was conducted to examine the direction and strength of the relationship between overtime and holiday pay and labour turnover. The results are presented in Table 3.

Table 3: Pearson Correlation Results

Parameter	Employees	Line Managers
Pearson r	−0.907**	−0.861**
df	230	49
p-value	< .001	< .001
Direction	Negative	Negative
H_0 Decision	Rejected	Rejected

***Correlation is significant at the 0.01 level (2-tailed). Source: Primary Data (2026).*

The Pearson correlation coefficient for employees was $r(230) = -0.907$, $p < .001$, and this was the highest correlation reported for all four dimensions of remuneration in this study. The coefficient of −0.907 means that there was a very strong negative relationship between overtime and holiday pay satisfaction and the intention to leave the organization, which meant that overtime and holiday pay satisfaction was the strongest individual predictor of turnover intention among employees. The likelihood of job search behavior is significantly reduced as overtime and holiday pay satisfaction grows. For line managers, the correlation was $r(49) = -0.861$, $p < .001$, which was also strong and significant. The slightly lower coefficient for managers may be due to the fact that managers might not measure hotel-level turnover rates as well as the individual employee's behavioral intentions, but both coefficients indicate a strong negative relationship. Thus, H_0 is rejected for both samples.

The alternative hypothesis that overtime and holiday pay have a significant influence on labour turnover among workers in the budget hotels in Nairobi City County is therefore accepted. The results are consistent with those of Tan et al. (2020) who found overtime pay was among the most powerful predictors of hotel employee turnover and with those of Renaud et al. (2021) who showed that overtime and vacation compensation was one of the most significant determinants of voluntary turnover.

4.3 Regression Analysis

Individual Pearson correlation analyses were done for each of the four remuneration constructs with labour turnover intention and then, a combined multiple regression analysis was conducted to investigate the relative and joint predictive power of all four remuneration constructs on employee labour turnover intention.

Table 4: Regression Analysis

Predictor	B	β	t	Sig.	Rank
(Constant)	2.700	—	67.399	< .001	—
Overtime & Holiday Pay	−.169	−.390	−3.983	< .001	1st (Strongest)
Pay	−.113	−.264	−3.058	.002	2nd
Performance Bonuses	−.082	−.188	−2.205	.028	3rd
Fringe Benefits	−.044	−.098	−1.163	.246	4th

Dependent variable: Labour turnover.

Source: Primary Data (2026)

Overtime and holiday pay was found to be a strong individual predictor of labour turnover ($\beta = -.390$, $t = -3.983$, $p < .001$), indicating that for each standard deviation increase in satisfaction with overtime/holiday pay, the labour turnover intention decreased by 0.390 standard deviations, while the other remuneration constructs were controlled for. This is in line with the highest Pearson r value found for this variable ($r = -0.907$) and supports the qualitative finding that the most detrimental remuneration issue for employees' perception is statutory non-compliance in overtime payment. These findings support the findings of Tan et al. (2020) who showed overtime compensation was the most crucial element of turnover intentions and Singh and Loncar (2010), who established that a combination of multiple components of pay structure together influence turnover. In practical terms, this indicates that compliance with overtime and holiday pay should be the first step to be taken by budget hotel managers to reduce turnover.

A key theme that emerged consistently from interviews with 17 HR Managers and the KAHC Chairman was the lack of consistency in statutory obligations regarding overtime and holiday pay at budget hotels and the consequent harm to the employment relationship. Respondents reported that financial pressures could have an impact on whether management complies with legal regulations, or chooses to ignore them, and that this has a negative impact on employees' trust and commitment.

Overtime non-payment was reported by HR Managers as the most conflictual pay problem in these establishments. One HR manager stated: *"There's a lot more to overtime than just the money. Overtime is where they feel the most exploited because they know their rights, they know what the law says, and when they're asked to work overtime for free instead of paid, they'd feel cheated."*

The KAHC Chairman admitted that financial concerns make it difficult for budget hotels to stay compliant, but made it clear that the financially ill-advised strategy of not complying is ultimately the worst option: *"Non-payment of overtime and holiday pay equals an employee exit. You save money in the short term but lose your best employees in the long term, the cost of which is ultimately far higher than the cost of compliance."*

The inability to pay for uncompensated overwork was a strong contributor to disengagement and eventual turnover, as mentioned by several respondents: *"In some cases it may be sufficient; but if overtime and holiday contribution is not included, the psychological impact of not being paid for the extra effort is very strong; over time, employees stop providing discretionary effort, and they move on."*

One particularly significant aspect of this was the intergenerational nature of the issue. Those less experienced in employment, typically younger staff, were pinpointed as particularly likely to leave if overtime and holiday pay are not respected: *"Younger employees aren't going to take unpaid overtime or unpaid work on a public holiday like older employees might, because they* *know the law, they're not afraid to enforce it, and if the hotel doesn't respect it, they'll walk, and will walk fast."*

This theme emphasizes that compensation-related employee turnover in budget hotels is not just a question of compensation amount, but is greatly influenced by individuals' perceptions of the integrity and fairness of management practices in relation to statutory compensation requirements.

The findings from the two strands of evidence were mutually supporting. Quantitatively, overtime and holiday pay was strongly and negatively related construct to labour turnover ($r = -0.907$ for employees; $r = -0.861$ for line managers; $\beta = -.390$ in the regression model, all $p < .001$). Qualitatively, the theme of statutory non-compliance and erosion of the psychological contract explained the mechanism: trust erosion, income unpredictability, and perceived reciprocity violation align with Social Exchange Theory (Tsen et al., 2022; Xuecheng et al., 2022), and extend it by demonstrating that consistency, transparency, and procedural fairness are as important as pay level in shaping reciprocity perceptions. Equity Theory (Adams, 1965) is further validated in that exit motivation consistently arose when employees perceived non-entitlement to their legally due overtime and holiday pay. Herzberg's Two-Factor Theory (Herzberg et al., 1959) is confirmed, as the inadequacy of these hygiene factors reliably predicted turnover intentions, corroborating Njenga and Kamaara (2023) in the Kenyan hospitality context.

5.0 Conclusion

Overtime and holiday pay is a significant predictor of labour turnover. The implication of this finding is that non-compliance with overtime is very common in the budget hotel sector and that this is not just a legal matter, but the strongest mechanism of talent loss found in this study. The psychological effects of uncompensated overtime are cumulative and can include a loss of trust, suggesting that employees have been taken advantage of, and can lead to feelings of disengagement from the employer; this is a retention risk that goes beyond just paying employees more. The study reaches the counter-intuitive but compelling conclusion that overtime and holiday pay law compliance is the most cost-effective retention intervention that budget hotel operators have available and that un-utilized paid leave and holiday opportunities represent another equally important and largely unaddressed retention opportunity.

In practical terms, this finding means that the most urgent priority for budget hotel operators seeking to reduce voluntary turnover is not the introduction of entirely new benefit packages, but the consistent and transparent fulfillment of existing statutory obligations with respect to overtime and holiday pay. When employees experience these obligations being met fairly and predictably, the psychological contract of employment is maintained, discretionary effort is preserved, and the organization’s capacity to retain its workforce even under conditions of constrained base pay is materially enhanced.

6.0 Recommendations

Given that overtime pay is the strongest predictor of labour turnover and non-compliance is widespread, the most pressing policy recommendation is the establishment and enforcement of a simplified overtime compliance framework specifically calibrated for budget hotel operations. Clear minimum standards on public holiday compensation, overtime calculation, and service charge treatment should be set by KAHC in collabouration with the Ministry of Labour, with progressively increasing penalties for non-compliance. This would create a level playing field and eliminate the competitive incentive to disregard statutory obligations.

Budget hotel operators and HR managers should consider full and consistent compliance with statutory overtime and holiday pay requirements as the single most impactful retention intervention available. This includes adopting systematic timekeeping systems, establishing clear written policies communicated transparently to all employees, and conducting periodic pay audits. Where full financial compliance is temporarily constrained, open communication about resolution timelines can partially mitigate associated turnover risk, as perceived procedural fairness matters alongside pay level.

The cross-sectional design limits causal inference; longitudinal tracking of overtime pay compliance and actual turnover behaviour over three to five years in NCC budget hotels would provide stronger causal evidence. Comparative studies across hotel tiers in Kenya and the East African region would assess generalizability and support the development of a regional policy framework. Future research should also quantify gender-based differentials in overtime allocation, as findings suggest female employees are particularly sensitive to pay equity considerations.

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