

ECONOMIC, SOCIAL AND PSYCHOLOGICAL EFFECTS OF RETIREMENT: A CRITICAL REVIEW OF LITERATURE

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ABSTRACT

Retirement is a pivotal life transition that significantly influences individuals' economic stability, social networks, and psychological well-being. This study critically reviews theoretical and empirical literature on these three interrelated dimensions, drawing insights from diverse global contexts and identifying gaps relevant to emerging economies such as Kenya. Guided by Life-Cycle Theory, Continuity Theory, and Role Theory, the review highlights how financial preparedness, social connectedness, and psychological resilience collectively shape the quality of life in retirement. Economically, the transition from regular income to reliance on pensions, savings, or social security often affects consumption patterns, healthcare access, and independence, with outcomes influenced by gender, occupation, and financial literacy. Socially, leaving the workforce alters identity and interpersonal relationships, potentially leading to isolation but also offering opportunities for stronger family ties and community engagement. Psychologically,

retirement can challenge self-concept and purpose, with unprepared individuals facing stress, anxiety, and depression, while use of proactive coping strategies such as volunteerism and continued learning foster positive adjustment. The review identifies key knowledge gaps, including limited integrated analyses of these dimensions, an overreliance on Western-centric evidence, and methodological constraints such as cross-sectional designs and inconsistent measurement approaches. It recommends context-specific, theory-driven, and methodologically diverse research particularly in Kenya to examine the interactive effects of economic, social, and psychological factors on retirees' well-being. The insights are essential for policymakers, researchers, and practitioners aiming to enhance retirement preparedness and support successful post-work transitions.

Key words: Economic Effects, Social Effects, Psychological Effects, Retirement.

INTRODUCTION

Retirement is a significant life transition that affects individuals across economic, social, and psychological dimensions. Retirement does not occur at a fixed or universal age; instead, it varies across countries and organizations depending on established policies and norms. It generally marks the transition from formal employment to a new phase of life, often occurring around what is considered a normative retirement age within a given context (Social Security Administration, United States of America, 2021). However, evolving demographic trends, increased life expectancy, and shifting labor market dynamics, including flexible employment and delayed career exits, have collectively altered traditional retirement patterns globally, as argued by Burkhauser and Quinn (2019). According to Fasang and Luijkx (2018), this transition is inherently multifaceted, as it not only involves leaving the workforce but also adapting to new financial realities, social networks, and personal identities. Economically, retirement often leads to a substantial reduction in income, as individuals move from stable earnings to pensions, social security, or personal savings. If financial planning is inadequate, retirees may experience economic insecurity, which can, in turn, heighten psychological distress such as anxiety or depression as argued by Topa, Lunceford and Boyatzis (2018). Moreover, reduced financial capacity can limit social participation, such as engaging in hobbies, travel, or maintaining social connections, thereby indirectly affecting social well-being. According to Fang, Liu, An and Zhou (2023), retirement reduces societal productivity, but it can also create new economic demands, such as healthcare services for the aging population.

Socially, retirement alters interpersonal relationships and daily interactions. For many individuals, the workplace is not only a source of income but also a primary avenue for social engagement and identity formation. Leaving the work environment can lead to feelings of social isolation, loss of purpose, and changes in family dynamics (Holt-Lunstad, Smith, Baker, Harris & Stephenson, 2015). These social changes are deeply interconnected with psychological outcomes. For instance, retirees with strong social support networks are more likely to maintain positive mental health, whereas those who lack meaningful connections may experience loneliness and declining emotional well-being. Additionally, the ability to maintain or build new social networks is often influenced by economic resources, since engaging in social activities frequently requires financial means. Psychologically, retirement represents both a challenge and an opportunity. Some people face stress, anxiety, and a diminished sense of self when their daily routines are suddenly disrupted, while others embrace the shift as an opportunity for renewed purpose, personal development, and deeper self-reflection (Youvan, 2024).

However, psychological effect is rarely independent of social and economic factors. According to Kelley, Lee, LeBaron-Black, Dollahite, James, Marks and Hall (2023), financial insecurity can exacerbate stress and reduce the motivation to seek social interactions, while strong social ties and sufficient economic resources can ease the psychological transition and enhance life satisfaction.

Thus, the economic, social, and psychological effects of retirement are interdependent, creating a complex web where each dimension influences and reinforces the others. A successful transition into retirement often depends on balanced preparation across all three areas, ensuring financial stability, maintaining social networks, and fostering a resilient psychological outlook (Noel, Mason & Spinios, 2022). Similarly, social connections play a crucial role in moderating both economic and psychological effects. Robust social connections offer both companionship and emotional reassurance, helping to cushion the mental stress that arises from financial instability (Hill, Hirsch & Davis, 2021). Social engagement also opens opportunities for resource sharing and informal support systems, reducing the perceived economic burden during retirement. In turn, retirees with active social ties are more likely to maintain a sense of purpose and identity, enhancing psychological well-being.

This study will be guided by life-cycle theory, continuity theory and role theory. The life-cycle theory suggests that individuals tend to save for retirement based on their expected lifetime income and consumption patterns (Kotlikoff & Spivak, 1981). The theory posits that employees tend to save more during the working durations and spend more during their retirement durations, with the aim of maintaining a consistent standard of living over their entire lifetime. The continuity theory explains that individuals tend to maintain a consistent pattern of relationship and activities throughout their lives, including in the retirement period (Atchley, 1989). The theory suggests that transition from work can have a positive experience for individuals who maintain their social connections and continue to engage in meaningful activities. The role theory suggests that individuals' sense of purpose and identity is often linked to their work role and that retirement can have a negative impact on the individual sense of identity and purpose (Bridges, 1989). The theory suggests that individuals transiting from work need to find new sources of identity and new roles, in order to find meaning and purpose during the retirement phase.

The interest in reviewing literature on the economic effects of retirement stems from observing how financial preparedness, or lack thereof, shapes the quality of life in old age among the retirees. Many retirees struggle to sustain their living standards due to inadequate savings, shrinking pensions, and the rising cost of healthcare, which often leads to economic vulnerability (Batizani, 2024). This economic uncertainty affects not only individual retirees but also their families and the wider economy, as financial dependence shifts the burden to younger generations. On the social effects of retirement, the motivation to study it arises from witnessing how the transition from an active work life often disrupts social networks and community participation. Retirement can lead to social isolation due to reduced workplace interactions, mobility limitations, and the loss of professional identity, which negatively affects the well-being of an individual (Comi, Cottini & Lucifora, 2022). At the same time, Hossen, Pauzi and Salleh (2023), suggests that strong social ties, family support, and active engagement in community activities enhance life satisfaction and provide emotional stability during retirement. Similarly, the psychological effects of retirement resonate from the fact that retirement is not only a financial or social transition but also an

emotional and cognitive adjustment. For some, it brings relief and a sense of freedom, while for others it triggers anxiety, loss of purpose, and even depression (Topa et al., 2018).

THEORETICAL REVIEW

The theories that guided this literature review are the lifecycle theory, the continuity theory and role theory.

The lifecycle theory was developed by Modigliani and Brumberg (1954) and it is used to provide a description of saving and spending behavior of people in the course of their lifetime. The theory argues that people have strong incentive of smoothing their consumption behavior across their lifetime through borrowing whenever they have low income and by saving if there is an increase in income (Peltoniemi, 2011). This theory argues that people make plans on their spending across their life based on their future income. Youths have more capacity of taking investment risks compared to older people who require leveraging their savings. This theory operates on assumption that people plan on their expenditure across their lifetime in consideration of their incomes (Deaton, 2005). In this regard, people take a lot of debts at their early age on assumption that their incomes in future would be enough in paying the accumulated debts. It is at their middle age that people would save so that they retain their consumption levels at retirement (Hamermesh, 1982). A number of implications can be drawn from this theory as far as the economy at large is concerned. The first implication is that the ratio of savings is based on the rate of growth of the income. At a country level, growth in level of income of the country means that every new generation would expect higher levels of consumption relative to previous generations (Jiménez-Martín & Sánchez Martín, 2007).

The theory is relevant to the current study as it explains how retirees plan and adjust their financial resources over time to maintain economic stability during retirement. This may include drawing from savings, pensions, or investments while also exploring opportunities such as part-time work, consultancy, or small-scale businesses to sustain their income and avoid financial strain. From a social perspective, the theory underscores the need for retirees to nurture and sustain meaningful social ties and community engagement. By participating in social groups, volunteering, or maintaining family and friendship networks, retirees can enhance their sense of belonging and reduce feelings of social isolation. Psychologically, the theory highlights the importance of continuity in self-identity and personal fulfillment after leaving the workforce. Retirees may seek roles, hobbies, or pursuits that reflect their lifelong values and interests, fostering a sense of purpose and easing the emotional adjustment to this new phase of life.

The Critique of the life-cycle theory argue that it often assumes perfect foresight and rational decision-making, implying that individuals can accurately predict their future needs and adjust their savings and consumption accordingly. In reality, retirement planning involves uncertainties

such as health issues, market fluctuations, and unforeseen life events, making it challenging for individuals to make precise predictions (Drakopoulos, 2021). Retirement is not solely an economic event; it involves adjustments in social roles, relationships, and personal identity. The theory may struggle to capture the intricate dynamics between financial well-being, social connections, and mental well-being that shape the retirement experience (Bordia, Read & Bordia, 2020).

The proponent of the Continuity theory was Robert Atchley (1989) and its main argument is that while carrying out adaptive choices, middle and old age individuals make attempt of preserving and maintaining the available external and internal structures. These individual have preference of accomplishing this goal through use of strategies that are aligned with their past experiences at individual level and their social world (Richardson & Kilty, 1991). Thus, past actions and related tasks should reflect the actions and undertakings that people are involved in. The theory is premised on the notion that by responding to experiences in life, individuals are always involved in development of personal constructs that are highly individualized (Atchley, 1971). The theory argues that personal constructs at individual level are determined by social construction of reality that is learnt from people who surround us as well as from mass media although they do not determine the same (Wang, Henkens & Van Solinge, 2011). Retirement is a form of change as it entails transition from employment to complete resting. This means that an employee should effectively plan for retirement in order to have smooth transition when the time comes (Latif, 2011). There are occasions when employees go through forced retirement that is different from voluntary retirement. Forced retirement comes with a lot of stress and pressure and adjusting to the same is a challenge.

The theory is relevant to the current study as it indicates how the retirees may seek to maintain financial stability by leveraging their existing skills or pursuing alternative income sources. This could involve part-time employment, entrepreneurship, or engaging in activities that contribute to their financial well-being. On a social perspective, the theory highlights the importance of maintaining social connections and relationships during retirement, as individuals may strive to sustain existing social roles, networks, and community affiliations, contributing to a sense of belonging and purpose. Psychologically, the theory emphasizes the preservation of one's self-concept and personal identity during the retirement transition. Retirees may actively seek activities and roles that align with their pre-retirement identities, helping to maintain a positive self-image and a sense of purpose.

The Critique of continuity theory have argued that the theory assumes a stable and consistent pattern of behavior over time. This may assume the dynamic nature of individuals' lives, particularly during the transitional phase of retirement. People undergo significant adjustments during this period, challenging the notion of absolute stability (Hu, 2023). The theory tends to assume the potential for significant life changes and disruptions that retirement can bring. Retirement often introduces a shift in roles, routines, and social connections, leading to potential

discontinuities that may have profound economic, social, and psychological implications. Continuity theory may overlook the transformative aspects of this life transition (Bačová & Halama, 2020). Continuity theory tends to generalize aging experiences, assuming that individuals within the same age group will exhibit similar behaviors and preferences. However, retirement impacts individuals differently based on factors such as health, socioeconomic status, and personal values. The theory's failure to account for this diversity may limit its explanatory power (Tse, Nakamura & Csikszentmihalyi, 2022).

One of the proponents of the Role theory was Robert Merton (1957). The theory argues that employment and work are key sources of identity and self-respect. It is argued by this theory that work and employment have a central role to play in life of an adult individual. The theory argues that work roles are brought to an end after retirement of an individual (Lytle, Foley & Cotter, 2015). As a result of retirement, this theory argues that the retiree would be exposed to psychological effects as he/she will no longer be viewed as productive (Wang, Henkens & Van-Solinge, 2011). In this theory, roles are positions occupied by individuals at the place of work. There are some specific benefits and risks that are linked with these roles although variations exist based on culture and time as well as individual attributes (Wang & Shi, 2014). Aging of people create an imbalance between the roles that are lost and those that are gained. When people get old, the number of roles they lose tend to be more than those they gain. Retirement at an established age is one way that people lose their roles (Hinitz, 1989). The loss of these roles can have social and psychological effects on retirees. Making an adjustment whenever an individual loses his/her role after retirement is a challenging task (Kim & Moen, 2001).

The theory is relevant to the current study as it helps to understand the changes in individuals' financial roles and responsibilities post-retirement. It allows for an exploration of how the shift from a wage-earning role to a potentially fixed-income or pension-based role impacts economic stability, financial planning, and overall well-being. Additionally, by employing role theory the study can analyze how retirees navigate changes in relationships, social interactions, and community engagements. This approach helps in comprehending the social consequences of retirement, such as potential feelings of isolation or the development of new social roles within the family or community settings. Psychologically, role theory provides a framework to explore the self-perception and identity formation of individuals' post-retirement period.

The Critiques of the role theory have argued that it tends to generalize behaviors associated with specific roles, overlooking the diverse responses retirees may have (Lau, 2022). Role theory often assumes that roles are static and well-defined, as in the case of retirement, this might not adequately capture the dynamic nature of the post-retirement period. Individuals may transition through various roles, such as part-time work, volunteering, or pursuing personal interests, challenging the traditional binary distinction between roles like "worker" and "retiree." (Wang & Hsieh, 2023). Role theory tends to neglect the agency and active decision-making of individuals. In retirement,

people make choices about their lifestyles, engagements, and social connections. The theory tends to emphasize societal expectations and predefined roles without fully acknowledging the active role retirees play in shaping their post-retirement lives (Fernandes, Forte, Santinha, Diogo & Alves, 2021). Retirement is a process that unfolds over time, involving adjustments and adaptations. Role theory, with its static view of roles, may not adequately address the longitudinal changes in economic, social, and psychological aspects of post-retirement. A more dynamic framework that considers the evolving nature of roles and identities would offer a more comprehensive understanding of retirement (Zhan, Froidevaux, Wang & Shi, 2023).

Economic Effects of Retirement

The economic effects of retirement can be defined as *the change in an individual's financial status and resource allocation resulting from the cessation of regular employment income* (Challa, 2022). According to Katnic, Katnic, Orlandic, Radunovic and Mugosa, (2024), it can be described as *the broader impact of retirees' financial decisions on household welfare and national economic stability, including consumption patterns and savings behavior*. The economic effects of retirement can also be defined as *the redistribution of resources through pensions, social security, and personal savings that determine retirees' standard of living and influence public policy on aging populations* (Gagauz & Prohnitski, 2023). These definitions highlight that retirement is not only a personal financial transition but also a socio-economic phenomenon with wider implications for households and economies. It affects how individuals sustain themselves after leaving the workforce and determines whether they remain financially independent or dependent on others.

Retirement marks a significant financial transition where individuals move from active income generation to relying on accumulated savings, pensions, and social benefits. This shift often reduces household income and may require adjustments in spending patterns to maintain an acceptable standard of living (Katnic, Katnic, Orlandic, Radunovic & Mugosa, 2024). Many retirees experience a decline in their purchasing power, particularly if they have inadequate retirement savings. As a result, they may be forced to downsize their housing, reduce leisure activities, or limit access to quality healthcare. Moreover, Yuan, Zhang and Li, (2022), established that some retirees may delay full retirement or engage in part-time work to supplement their income and ease the financial burden. This transition highlights the need for early planning and the creation of a sustainable financial cushion to minimize economic shocks in retirement.

Retirement income and savings are central to determining the economic well-being of retirees. Retirement income typically comes from pensions, annuities, social security benefits, and, in some cases, post-retirement employment. On the other hand, retirement savings are the accumulated financial assets during one's working years which is intended to sustain life after retirement (Janposri, 2021). The adequacy of these savings directly affects the ability of retirees to afford healthcare, housing, and leisure activities, which collectively shape their quality of life. According to Bialowolski, Cwynar and Weziak-Bialowolska (2022), when savings are insufficient, retirees

face economic vulnerability, leading to reduced consumption and possible poverty in old age. Conversely, individuals with sufficient savings can maintain their living standards and enjoy greater financial freedom during retirement. Therefore, building a strong savings culture during the working years is essential to safeguard economic stability in later life.

The ability to save for retirement is influenced by several demographic and socio-economic factors, including gender, income level, age, and occupation. Gender disparities in wages, career interruptions, and caregiving responsibilities often result in women accumulating lower retirement savings than men (Canales, Salinas & Biehl, 2021). Similarly, individuals with higher incomes and those working in formal, stable, and high-paying occupations tend to have greater access to employer-sponsored retirement plans, resulting in more secure post-retirement finances (Calasanti, Carr, Homan & Coan, 2021). Age also plays a significant role because individuals who start saving earlier benefit from compound interest and can accumulate larger retirement funds over time (Greenwood, 2022). Furthermore, financial literacy and cultural attitudes toward saving influence how much individuals prioritize retirement preparation. Those who delay saving or lack access to financial education often face more severe economic challenges after leaving the workforce.

Inadequate retirement planning has far-reaching economic implications. For individuals, it can lead to financial hardship, limited access to healthcare, and reliance on children or state welfare. For society, an aging population with insufficient savings increases the strain on public resources and social security systems, thereby affecting national budgets (Munnell, Hou & Sanzenbacher, 2020). Moreover, when retirees lack sufficient income, their reduced spending power can negatively impact local economies, particularly those reliant on consumer demand from older populations. This situation may also exacerbate poverty rates among the elderly, creating additional social challenges for communities. Ultimately, poor retirement planning compromises both personal dignity and societal economic stability, making it a critical issue for governments and organizations to address proactively.

Beyond personal finances, retirement affects the economy through changes in labour supply, consumption patterns, and investment behaviors. As large numbers of individuals retire, the labour force shrinks, potentially slowing economic growth unless offset by younger workers or immigration (Gustman & Steinmeier, 2018). Additionally, retirees tend to shift their spending from work-related expenses to healthcare and basic necessities, which alters demand in various sectors of the economy. Investment patterns may also change, as retirees move from riskier assets to more conservative financial instruments, influencing capital markets and economic growth. In countries with aging populations, these shifts may create structural challenges for pension systems and economic productivity. Thus, retirement is not an isolated personal event but part of a larger economic cycle that affects the stability and sustainability of national economies.

Governments and organizations can mitigate the negative economic effects of retirement through targeted policies and interventions. Enhancing access to retirement savings plans, providing tax incentives, and offering matching contributions can encourage individuals to save more during their working years (Munnell, Hou & Sanzenbacher, 2020). Financial literacy programs can also help workers better understand the importance of long-term planning for retirement income. In some countries, reforms in pension systems and social security schemes aim to ensure that retirees maintain a reasonable standard of living without overburdening public finances. Additionally, workplace initiatives such as automatic enrollment in retirement plans and flexible retirement options can support better financial outcomes. Such measures help create a more secure and inclusive retirement system, reducing economic vulnerability for future retirees.

The economic effects of retirement are not evenly distributed across populations. Women, low-income earners, and workers in informal or precarious employment are more likely to face economic insecurity in retirement (Greenwood, 2022). These groups often lack access to employer-sponsored pensions and have limited capacity for long-term savings. Addressing these disparities requires policies that promote gender equity in wages, provide social protection for informal workers, and ensure inclusive retirement savings mechanisms. Moreover, raising awareness about the unique challenges faced by these vulnerable groups can help design more targeted interventions. Without such efforts, economic inequalities present during working life will only deepen during retirement, perpetuating cycles of poverty and financial dependence.

The economic effects of retirement emphasize the need for proactive financial planning and supportive institutional frameworks. Encouraging early savings, diversifying income sources, and promoting financial resilience can help individuals maintain economic independence in old age. At a societal level, strengthening pension systems, fostering inclusive labour markets, and ensuring sustainable social security schemes are vital to mitigating the economic challenges of an aging population (Szűcs, 2024). Individuals must also cultivate financial discipline, while policymakers need to address structural barriers to retirement security. By combining personal responsibility with institutional support, both individuals and societies can better navigate the economic implications of retirement and improve the quality of life for aging populations.

Operationalization of the economic effects of retirement involves translating these broad concepts into measurable indicators that allow researchers to assess retirees' financial status and socio-economic outcomes. According to Hyk (2021), this process typically includes evaluating variables such as post-retirement income adequacy, expenditure patterns, access to healthcare, and dependency ratios. As emphasized by Munnell, Hou and Sanzenbacher, (2020), researchers often examine the proportion of income replacement from pensions, levels of savings depletion, and changes in consumption behaviour to quantify the economic impact. In addition, Gustman and Steinmeier (2018) highlight that measures such as poverty incidence among retirees, asset

utilization, and economic dependency help capture the broader economic consequences of retirement.

Social Effects of Retirement

The social effects of retirement refer to the transformation in an individual's social networks and daily interactions as they transition from a structured work environment to a more flexible lifestyle (Kauppi, Virtanen, Pentti, Aalto, Kivimäki, Vahtera & Stenholm, 2021). According to Schwitter (2022), it can be defined as the changes in social roles, responsibilities, and community involvement that arise when formal employment ends, influencing how retirees relate to others in society. It can also be defined as the impact of retirement on one's participation in social activities, emotional connections, and the overall quality of social support received from family, friends, and the community (Hossen, Pauzi & Salleh, 2023). Collectively, these definitions highlight that retirement not only ends a career but also reshapes the social context and interpersonal relationships of an individual.

Retirement often leads to a decrease in the frequency of interactions with former colleagues and work-related friends, thereby shrinking the retiree's social network (Litwin & Stoeckel, 2014). Since the workplace provides both formal and informal social support, its absence may lead to feelings of disconnection and loneliness. This reduction in social contact can also limit access to emotional support that was previously available through work relationships. Over time, the loss of these connections can affect a retiree's sense of belonging and identity, potentially leading to social isolation. Therefore, retirement requires individuals to actively seek alternative sources of social interaction to maintain their well-being. On the positive side, retirement provides more time for family engagement, strengthening intergenerational bonds and fostering closer relationships with loved ones (Mo, Zhaoli & Kenneth, 2011). Retirees can spend quality time with their spouses, children, and grandchildren, which enhances family cohesion. This increased involvement in family life may also provide a sense of purpose and emotional fulfillment. Furthermore, retirees often contribute to caregiving and family support roles, creating meaningful social roles beyond work. Such renewed family ties can help offset the loss of work-related social networks and provide emotional resilience.

The other important social effect of retirement is the shift in social roles and identity. Work often forms a core part of one's self-concept, and retirement can challenge how individuals see themselves in society (Smith, Froidevaux, Hirschi & Johnson, 2024). Without the professional title or position, retirees may feel a loss of social status or purpose. However, some retirees redefine their identity by taking on new roles, such as community volunteers, mentors, or hobbyists. This adjustment in social roles can either be empowering or distressing depending on the retiree's coping strategies and support system. Retirement also changes the type of social activities that individuals engage in, replacing work-related interactions with leisure, hobbies, or volunteer activities (Smith, Froidevaux, Hirschi & Johnson, 2024). These new social engagements can lead

to the development of fresh friendships and community ties. For instance, retirees often join clubs, religious groups, or fitness programs, creating new avenues for social support. Such activities not only combat loneliness but also promote psychological well-being and life satisfaction. Therefore, proactive involvement in social activities is crucial for a smooth social transition after retirement.

However, not all retirees experience positive social effects, as some face loneliness and social isolation, which are linked to negative health outcomes like depression and cognitive decline (Wang & Shultz, 2010). Social isolation may stem from the loss of routine interactions and reduced mobility or health challenges. When retirees withdraw from social activities, their sense of purpose and connectedness diminishes. This lack of meaningful interaction can create a vicious cycle of loneliness, poor mental health, and declining physical health. Hence, addressing social isolation is an important aspect of post-retirement well-being. Conversely, retirement can also serve as an opportunity to cultivate new social relationships and expand one's social horizons (Litwin & Stoeckel, 2014). After retirement, a retiree is freed from work obligations, and has more time to reconnect with old friends or meet new people in different social settings. Many find fulfillments in volunteer work, cultural activities, or adult education programs that foster a sense of belonging. These new relationships can enrich retirees' lives by providing companionship and emotional support. Thus, retirement can become a period of social growth and renewal rather than decline.

Cultural and community factors also influence the social effects of retirement. In collectivist societies, retirees often maintain strong family and community ties that buffer against social isolation (Mo, Zhaoli & Kenneth, 2011). In contrast, in more individualistic cultures, retirees may face greater risks of loneliness unless they actively engage in community activities. Social expectations regarding aging, respect for elders, and community involvement can either enhance or diminish the retiree's social experience. Therefore, understanding the cultural context is essential for assessing the social effects of retirement. Overall, the social effects of retirement play a crucial role in determining the retiree's health, well-being, and life satisfaction. While some experience reduced social networks and loneliness, others find new opportunities for meaningful connections and social engagement. Planning for retirement should therefore include strategies to maintain and build social support systems. Social activities, family involvement, and community participation can help retirees maintain a sense of purpose and belonging. As such, the social effects of retirement must be considered alongside economic and psychological factors to ensure a holistic and fulfilling retirement experience (Smith, Froidevaux, Hirschi & Johnson, 2024).

According to Szinovacz (2021), operationalizing the social effects of retirement involves examining key dimensions such as social participation, social support, and the quality of interpersonal relationships. This process helps to capture how retirees engage in community activities, maintain family ties, and sustain friendships. Furthermore, Wang and Shi (2023) note that measuring these aspects enables scholars to assess retirees' social integration and the extent to which they experience isolation or enhanced social engagement. Van Solinge and Henkens

(2020) argue that social effects are best understood when evaluated through reliable indicators such as frequency of social interactions, involvement in voluntary groups, and perceived adequacy of social support. In this regard, Carr and Utz (2019) provides a systematic means of determining how social changes influence the adjustment and overall quality of life among retirees.

Psychological Effects of Retirement

The psychological effects of retirement can be defined as the mental and emotional responses individuals experience when transitioning from active employment to a post-work life, which may influence their overall well-being (Miller, 2024). It also refers to the cognitive and affective changes that occur due to the loss of work-related identity, status, and daily structure, which can alter a retiree's sense of self and purpose (Kulik, 2024). Additionally, the psychological effects of retirement encompass the adjustment challenges and emotional shifts linked to redefining personal roles and finding meaning outside the workforce (Taylor, 2022). This transition often impacts self-esteem, leading to either a positive sense of freedom or feelings of purposelessness and anxiety (Wang & Shultz, 2010). Therefore, retirement is not merely an economic and social change but also a profound psychological transformation that can have long-lasting implications for mental health (Smith, Froidevaux, Hirschi & Johnson, 2024).

One major psychological effect of retirement is the loss of identity and professional role that individuals previously held in the workplace (Kulik, 2024). For many people, their careers form a significant part of their self-concept, and leaving this behind may create a sense of emptiness or reduced self-worth (Wang & Shultz, 2010). This is particularly pronounced among individuals whose personal identity is strongly tied to their work achievements or social recognition (Taylor, 2022). The abrupt shift from being a valued contributor in an organization to having no formal role can lead to confusion and even mild existential crises (Ingersoll-Dayton, Neal & Ha, 2003). Thus, the psychological strain of losing a long-held identity is one of the most challenging aspects of retirement adjustment (Wang & Shultz, 2010). Retirement can also heighten vulnerability to mental health problems, particularly depression and anxiety. According to Kim and Moen (2002), the first year of retirement is often accompanied by feelings of loneliness, stress, and disorientation due to disrupted routines and reduced social interactions. Lack of daily structure may lead to boredom and decreased cognitive stimulation, which negatively affect emotional well-being. Furthermore, the fear of aging and concerns about declining health may worsen these psychological symptoms (Taylor, 2022).

The other important psychological consequence of retirement is the pervasive feeling of loss and purposelessness experienced by many retirees (Wang & Shultz, 2010). The removal of workplace responsibilities can create a void, making it difficult for retirees to find meaningful ways to spend their time (Kim & Moen, 2002). Without a clear purpose, individuals may struggle with motivation and experience reduced life satisfaction (Ingersoll-Dayton, Neal & Ha, 2003). This purposelessness can also affect self-esteem, leading to diminished psychological resilience over

time. One negative psychological impact of retirement is the increased risk of social isolation and loneliness. Ingersoll-Dayton, Neal, and Ha (2003) explain that many retirees lose daily social interactions previously offered by the workplace. Taylor (2022), argue that retirees without a strong social support network are more likely to experience loneliness. Van Solinge and Henkens (2008) highlight that social disengagement may contribute to negative mental health outcomes, such as feelings of worthlessness and depression. Maintaining social connections post-retirement is thus crucial to mitigating psychological harm.

Retirement may contribute to cognitive decline, especially if retirees do not engage in mentally stimulating activities. Stine-Morrow and Manavbasi (2022) suggest that sustained intellectual engagement is important for cognitive health, and retirement often removes such opportunities. Wang and Shultz (2010) found that boredom and inactivity are associated with psychological fatigue and reduced mental acuity. According to Cegolon and Jenkins (2022), retirees who pursue cognitive leisure activities, such as reading or puzzles, experience slower mental decline. Therefore, staying mentally active is vital for maintaining psychological well-being after retirement. The psychological adjustment to retirement depends heavily on the coping strategies employed by the individual. Stine-Morrow and Manavbasi (2022) argued that proactive planning and flexible attitudes help retirees adapt better to post-work life. Wang, Henkens, and van Solinge (2011) emphasize that individuals with high resilience and social engagement are less likely to suffer from psychological stress. Kim and Moen (2002) further support that retirees who engage in volunteerism or part-time work maintain a stronger sense of purpose. These coping mechanisms are key to enhancing psychological outcomes and ensuring a positive transition.

Gender also influences how individuals experience the psychological effects of retirement. According to Cegolon and Jenkins (2022), men tend to associate their identity more closely with their careers, making their psychological adjustment more difficult than that of women. Stine-Morrow and Manavbasi (2022) found that women often have more diverse social roles and may adjust better psychologically to retirement. Wang and Shultz (2010) suggest that women are more likely to seek social support, which buffers against psychological distress. Understanding gendered experiences is crucial for designing targeted interventions for mental well-being in retirement. Psychological preparedness for retirement is essential in minimizing adverse mental health effects and enhancing life satisfaction. Roosevelt (2023), emphasizes that mental readiness plays a key role in how retirees interpret and respond to post-retirement life. According to Wang and Shultz (2010), those who psychologically prepare for retirement often report fewer depressive symptoms and a smoother adjustment. Taylor, (2022) argue that developing a clear vision for post-retirement life such as hobbies, social goals, or learning opportunities boosts psychological resilience. Hence, early and thoughtful mental preparation is critical to experiencing retirement as a rewarding life phase.

According to Topa, Depolo, and Alcover (2018), the psychological effects of retirement involves identifying measurable indicators that reflect emotional responses, adaptation processes, and cognitive perceptions linked to retirement. These indicators typically include levels of life satisfaction, stress, perceived autonomy, and social connectedness, all of which help assess how well individuals are coping with the transition (Kim & Kwon, 2022). Furthermore, van Solinge and Henkens (2021) emphasize that evaluating these dimensions allows to capture the complexity of the retirement experience and its impact on mental well-being.

EMPIRICAL REVIEW AND RESEARCH GAPS

Empirical Studies

Comi, Cottini and Lucifora (2022) did a study on retirement and its nexus with social relationship. The context of the study was in Europe and it was a causal effect analysis adopting survey approach. Evidence was gathered in its primary form guided by questionnaire. The analysis showed that retirement results into a change in social networks of retirees resulting into an increase in family ties but weakened relationship with colleagues and friends. It also emerged that retirement lowers the social contact proportion that female retirees have with their colleagues after retirement but male retirees would maintain their social contact proportion with their colleagues after retirement.

Murari, Shukla and Adhikari (2021) did a study whose focus was on financial and psychological perceptions as far as retirement planning is concerned. The primary data from 400 employees in Indian central government, state government and private sector was collected through a structured questionnaire. The questionnaire comprised of 43 items to measure social and financial perceptions. The processing of the collected data was done through factor analysis and regression analysis. From factor analysis, three important aspects of social perceptions were established. Demographic factors like levels of education, marital status and age were found to have a significant effect on retirement planning.

Wetzel, Bowen and Huxhold (2019) conducted an analysis of variation of personal, social and economic resources for the retirees. The study was based on Ageing Survey in Germany conducted in 1996, 2002, 2008 and 2014. The findings indicated that there was variation on resources to a moderate extent during the transition from work life to retirement. People who had many resources before retirement also had most resources once they have retired. It was thus ascertained that retirement has an effect on resources of retirees.

Fahrudin, Yusuf, Malek and Sulaiman (2016) did a study with emphasis on psychological dimension of retirement. The study hypothesized that psychological issues had received significant amount of attention as far as retirement was concerned. The study used a descriptive research design and regression analysis. This study was conducted in the United States of America where

respondents were adults in the country. The key social factors that were covered include social relationships, satisfaction with life, aging experience, and feelings of loneliness. It was noted that older individuals are in position to ensure their social ties with friends and families are maintained and the social support they receive is more than adult retirees. The probability of older retirees feeling lonely is high as compared to adult retirees.

Cassanet, McKenzie & McLean (2023) studied on psychosocial interventions to support retirement well-being and adjustment. The main objective of the study was to identify psychosocial interventions with adults before and during retirement, and their effectiveness in maintaining or increasing well-being. The study used PRISMA guidelines to conduct a systematic literature review across multiple databases, employing a two-stage screening process and employing narrative synthesis. Two independent screeners assessed records against predefined inclusion and exclusion criteria. Out of 2,436 records screened, 20 studies met the criteria for final review. These encompassed seven randomized controlled trials (RCTs), six non-randomized quasi-experimental controlled studies, and seven single-group pre/post intervention studies. Various interventions were explored, including cognitive behavioral therapy (CBT), positive psychology, mentoring, family therapy, and others. The review underscored the positive impact of psychosocial support on adults' well-being during the transition to retirement, particularly through participation in group-based programs incorporating elements of CBT. The findings also indicated that there are sustained benefits of well-being through longer-running interventions.

Alouodi and Njuguna (2017) did a study whose focus was on psychological factors and their implication on retirement preparedness. The specific focus of the study was in the insurance sector in Kenya. The adopted design was explanatory in nature and sampling of participants was done through stratified random method. Through collection of information in its primary form, the study had some formulated hypotheses that were tested through regression analysis. The study noted existence of a direct and significant connection between financial retirement behavior and psychological factors.

Maria, Aglaia and Stavroula (2024) studied on psychosocial effect of retirement on the elderly. The main objective of the study was to identify and evaluate literature on the effects of retirement on mental health, life satisfaction, loneliness, and changes in social networks. The literature review was conducted using Scopus until October 02, 2023. The search criteria encompassed terms such as "elderly" or "seniors," "retirement" or "pension," "transition," and "depression," "anxiety," "mental health," "socialization," or "loneliness" in all fields. The findings revealed that early and involuntary retirement may pose potential risks to mental health. However, the results did not support the notion that extending one's working life beyond the retirement age would necessarily be advantageous.

Mata (2021) did a study on the effect of financial literacy and gender on retirement planning among young adults in Mexico. The main objective of the study was to analyze financial literacy's effect on retirement planning among young adults in Mexico, with gender as a moderator variable. The research employs a quantitative and empirical approach with a cross-sectional design. It utilizes Ajzen's theory of planned behavior as the theoretical foundation to explore retirement planning intentions, considering factors such as financial inclusion, attitudes, knowledge, behavior, occupation, and family traits. The study employs generalized structural equation models (GSEM) with a logistic regression basis, utilizing data gathered from the National Survey on Financial Inclusion in 2018. The findings indicated that individuals with higher financial knowledge are less inclined to opt for passive strategies, with active planning being linked to financial behavior and inclusion. Additionally, gender was noted as a crucial factor in retirement planning.

Alvarez-Bueno et al. (2021) conducted a study on the effect of retirement on cognitive function. The main objective of the study was to examine the longitudinal relationship between retirement and cognitive abilities, focusing on global cognition and memory-related skills. The research utilized a systematic review of longitudinal studies retrieved from databases such as Medline (via PubMed), Scopus, Web of Science, and PsycINFO, covering publications up to April 2020. The Newcastle-Ottawa Scale was applied to assess the risk of bias in the included studies, while effect size (ES) and 95% confidence intervals were calculated using Cohen's *d* index. Meta-regression analyses were further performed considering sample characteristics such as the percentage of women, years of follow-up, and baseline age. A total of 23 longitudinal studies were included in the review. The pooled effect size for the association between retirement and global cognition was -0.01 (95% CI -0.02 to 0.00 ; I^2 : 0.0%), while for memory-related skills, it was -0.09 (95% CI -0.16 to 0.01 ; I^2 : 93%). Meta-regression results indicated that follow-up duration, gender composition, and baseline age did not significantly influence the relationship between retirement and memory-related skills.

Olivia and Gary (2022) did a study on the economics of retirement behaviour. The main objective of the study was to investigate the impact of economic factors on retirement decisions, utilizing a novel data archive encompassing over 8,700 employees across 10 diverse pension plans. The study employed various retirement models, encompassing both linear and discrete choice formulations. The analytical framework offered fresh insights into the variations in retirement ages observed among different companies. The findings indicated that the income prospects for older workers are contingent upon their pension regulations, significantly influencing their retirement patterns. Furthermore, the models revealed that preferences for income among older workers are not consistent, either on an individual level or across different firms. Ultimately, the findings demonstrated that differences in retirement ages can be attributed partly to variations in worker preferences and partly to disparities in income opportunities. Notably, there is evidence indicating a degree of worker self-selection among pension plans.

Gourav and Pardeep (2022) did a study on the impact of economic variables on retirement planning of salaried employees in Haryana state in India. The main aim of the study was to evaluate the influence of economic factors on the retirement planning conducted on employed individuals. The research gathered primary data through a structured questionnaire administered to 312 salaried workers in five institutions within the state of Haryana. Utilizing One-way ANOVA and Independent T-test for analysis, the study revealed that economic variables significantly impact the retirement planning behavior of salaried employees. The findings emphasized the significance of awareness initiatives regarding retirement planning. It was established that real estate stands out as a pivotal asset for retirement planning when compared to alternative investment choices.

Nyangarika and Bundala (2020) conducted a study on how retirement benefits affect the socio-economic well-being of retirees in Tanzania. The research, which involved a survey of 86 participants in Nyamagana District, revealed that most retirees rely heavily on their modest pensions for the rest of their lives after leaving employment. Key benefits such as old-age, disability, and health benefits were found to be crucial during retirement. Retirees primarily use their monthly pensions and lump-sum payments to meet essential needs like food, medical care, education for their families, housing, clothing, and other basic necessities. However, many retirees struggle financially because the benefits they receive do not keep up with the rising cost of living caused by inflation. Since the monthly pension is paid at a fixed rate without adjustments for economic changes, it often fails to meet the required standard of living, leaving many retirees in poverty. As a result, some cannot afford basic needs, become dependent on their families, and experience frustration, illness, and even premature death after retirement.

Summary of Key Studies and Knowledge Gaps

Table 6.1: Summary of Key Studies and Knowledge Gaps

Author(s)	Title of Study	Methodology	Key Findings	Knowledge Gaps (Conceptual, Methodological & Contextual)	Addressing the Knowledge Gaps
Comi, Cottini Lucifora (2022)	Retirement & its Nexus with Social Relationship	Causal analysis using European survey data	Retirement strengthens family ties but weakens work- based social networks; women lose more contacts	Conceptual gap: Focused mainly on social relationships, excluding economic and psychological dimensions. Methodological gap: Relies solely on survey data. Contextual gap:	Examine economic, social and psychological effects simultaneously using Kenyan primary data.

Author(s)	Title of Study	Methodology	Key Findings	Knowledge Gaps (Conceptual, Methodological & Contextual)	Addressing the Knowledge Gaps
Murari, Shukla & Adhikari (2021)	Financial and Psychological Perceptions of Retirement Planning	Cross-sectional survey; factor & regression analysis (India)	Education, age and marital status influence retirement planning	Conducted in Europe; cultural structures differ from Kenya. Conceptual gap: Emphasis on planning rather than post-retirement outcomes. Methodological gap: Cross-sectional design limits causal inference. Contextual gap: No Kenyan evidence.	Assess post-retirement economic, social and psychological outcomes in Kenya.
Wetzel, Bowen & Huxhold (2019)	Variation of Personal, Social and Economic Resources for Retirees	Longitudinal German Aging Survey	Pre-retirement resources predict post-retirement well-being	Conceptual gap: Does not integrate psychological effects fully. Methodological gap: Secondary data limits contextual interpretation. Contextual gap: No African longitudinal data.	Use primary Kenyan data to assess multi-dimensional retirement effects.
Fahrudin et al. (2016)	Psychological Dimension of Retirement	Descriptive & regression analysis (USA)	Older retirees & experience more loneliness; social ties reduce distress	Conceptual gap: Focuses only on psychological outcomes. Methodological gap: Single-country design. Contextual gap: Integrate psychological, social and economic dimensions among Kenyan retirees.	

Author(s)	Title of Study	Methodology	Key Findings	Knowledge Gaps (Conceptual, Methodological & Contextual)	Addressing the Knowledge Gaps
Cassanet, McKenzie & McLean (2023)	Psychosocial Interventions to Support Retirement Well-being	Systematic review (PRISMA)	CBT and group interventions improve well- being	gap: Kenyan retirees' mental health remains unexplored. Conceptual gap: Intervention- focused, not effects-based. Methodological gap: Review-based, lacks primary data. Contextual gap: No Kenyan intervention studies.	Provide empirical Kenyan evidence on retirement effects before intervention design.
Alouodi & Njuguna (2017)	Psychological Factors and Retirement Preparedness in Kenya's Insurance Sector	Explanatory survey; regression analysis	Psychological factors influence financial behavior	Conceptual gap: Focuses only on preparedness, not retirement outcomes. Methodological gap: Sector-specific sample limits generalizability. Contextual gap: Narrow occupational focus.	Conduct a multi-sector national study on retirement effects.
Maria, Aglaia & Stavroula (2024)	Psychosocial Effects of Retirement on the Elderly	Literature review (Scopus)	Involuntary retirement harms mental health	Conceptual gap: Theoretical synthesis without empirical testing. Methodological gap: Secondary review only. Contextual gap: No	Generate primary empirical data from Kenyan retirees.

Author(s)	Title of Study	Methodology	Key Findings	Knowledge Gaps (Conceptual, Methodological & Contextual)	Addressing the Knowledge Gaps
Mata (2021)	Financial Literacy Gender Retirement Planning Mexico	and Cross- on sectional quantitative in (GSEM)	Financial literacy predicts planning; gender moderates effect	Kenyan primary data. Conceptual gap: Focuses on planning rather than lived retirement experience. Methodological gap: Cross- sectional design. Contextual gap: No Kenyan gender- based analysis.	Examine economic, social and psychological retirement effects by gender in Kenya.
Alvarez- Bueno et al. (2021)	Effect Retirement Cognitive Function	of Systematic on review meta- regression	Retirement & minimally affects cognition	Conceptual gap: Cognitive focus excludes social and economic dimensions. Methodological gap: Review of foreign studies only. Contextual gap: No African cognitive health data.	Provide Kenyan evidence on psychological and social effects.
Olivia Gary (2022)	& Economics Retirement Behaviour	of Pension model analysis across plans	Pension rules shape 10 retirement decisions	Conceptual gap: Focuses only on economic behavior. Methodological gap: Model-based, lacks qualitative insights. Contextual gap: Kenyan pension systems underexplored.	Assess holistic effects of retirement beyond pension decisions in Kenya.

Author(s)	Title of Study	Methodology	Key Findings	Knowledge Gaps (Conceptual, Methodological & Contextual)	Addressing the Knowledge Gaps
Gourav Pardeep (2022)	Impact of & Economic Variables on Retirement Planning	Survey; ANOVA & t- tests (India)	Economic variables influence planning; real estate key asset	Conceptual gap: Excludes social and psychological consequences. Methodological gap: Single- country, cross- sectional. Contextual gap: No Kenyan investment preference data.	Investigate economic, social and psychological outcomes in Kenya.
Nyangarika & Bundala (2020)	Retirement Benefits and Socio- Economic Well-being in Tanzania	Survey of 86 retirees	Pensions insufficient; poverty and high dependence is common among most retirees	Conceptual gap: Emphasizes economic well- being only. Methodological gap: Small sample size. Contextual gap: Tanzanian setting limits Kenyan applicability.	Conduct a comprehensive multi- dimensional Kenyan study.

Source: Researcher (2026)

CONCLUSION

Retirement is a complex life transition that has intertwined economic, social, and psychological effects that collectively influence the well-being of retirees in later life. Economically, changes in income, consumption, and financial security significantly affect quality of life, though outcomes vary. Some retirees benefit from proper financial planning, while others remain vulnerable due to inadequate pensions and rising costs, with impacts influenced by gender, occupation, and access to social security. Socially, leaving the workforce alters networks, roles, and interactions, fostering stronger family and community ties for some retirees but causing loneliness and isolation for others, especially when workplace connections dissolve; however, the role of cultural and community structures in moderating social adaptation is underexplored. Psychologically, retirement challenges identity, purpose, and emotional stability, where poor preparedness leads to

stress and depression, but proactive coping strategies like volunteering enhances mental health. Overall, retirees who achieve economic security, maintain strong social ties, and build psychological resilience transition more positively, yet research remains limited by conceptual gaps, Western-centric contexts, and cross-sectional designs that hinder integrated and long-term understanding, particularly in African settings like Kenya.

The reviewed literature highlights notable gaps in understanding the economic, social, and psychological effects of retirement. While previous studies have addressed these aspects separately, few have examined their interconnected impact on retirees' overall well-being. Much of the existing research focuses on isolated variables like age or financial literacy, overlooking the dynamic relationship between economic security, social networks, and psychological resilience. Moreover, findings remain inconsistent across different contexts, revealing weak theoretical and empirical linkages in explaining how these factors collectively shape retirement outcomes. Most studies are concentrated in developed nations, leaving limited evidence for emerging economies like Kenya, where cultural and policy contexts differ significantly. Additionally, methodological weaknesses such as reliance on cross-sectional surveys and limited longitudinal or mixed-method approaches restrict deeper insights, necessitating a holistic, context-specific study to address these gaps in Kenya.

Based on the reviewed literature, this study recommends further research to critically explore the combined and interactive effects of economic preparedness, social support networks, and psychological resilience on the overall well-being of retirees across diverse cultural and socio-economic contexts. While this paper primarily synthesized existing theoretical and empirical literature, future empirical studies should employ integrated models across various industries, occupational groups, and geographical locations, particularly within emerging economies such as Kenya, to determine whether the interplay of these dimensions varies depending on demographic profiles, employment sectors, or cultural expectations. This would provide a deeper understanding of how economic stability, social connectedness, and psychological adaptability jointly influence retirement outcomes. Moreover, variations in methodological approaches and measurement indicators across the reviewed studies contributed to mixed findings, signaling the need for longitudinal research designs to track changes over time. Future studies should also include moderating or mediating variables such as gender, financial literacy, health status, and pension policy reforms to enhance contextual insights. Mixed-method approaches combining qualitative narratives with quantitative data are recommended to improve the robustness and generalizability of results, thereby addressing the conceptual, contextual, and methodological gaps identified in this review.

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