

Stability Is Not Enough: Job Satisfaction after Conversion to Open-Ended Non-Regular Employment in Japan

Yuriko Morikawa

The University of Tokyo

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Background

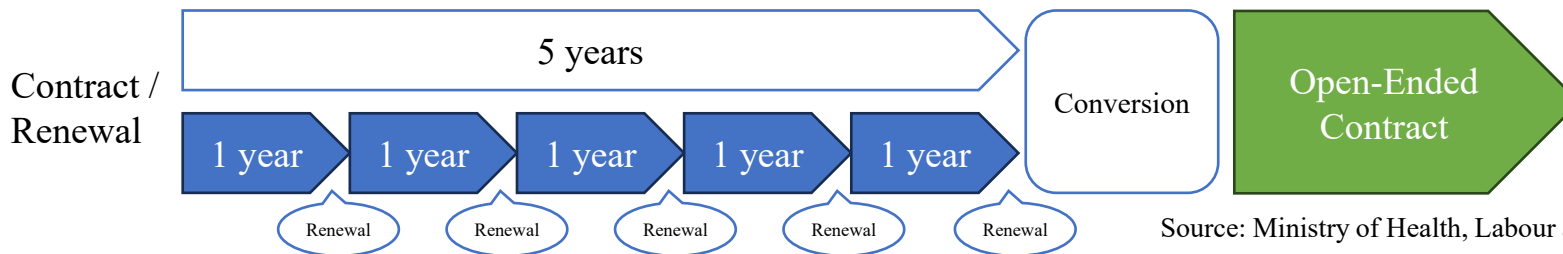
- Problems associated with non-regular employment in Japan
 - **Job insecurity**
 - Low wages
 - Limited training opportunities
- Prolonged labor market difficulties led many workers to enter non-regular employment involuntarily (JILPT, 2024).
 - **Job insecurity** is an important workplace stressor (De Witte, 1999).
- Since the 2010s, legal reforms have aimed to improve the working conditions of non-regular workers.

Legal reforms: Open-ended Conversion Rule

- Fixed-term non-regular employees who have worked continuously for the same employer for more than five years have the legal right to request conversion to an open-ended contract.
 - The purpose of this reform was to improve employment stability.
- However, the law does not require employers to improve wages or other working conditions after conversion (Abe, 2023). → **Most converted workers remain non-regular employees on open-ended contracts.**

Example: One-Year Fixed-Term Contracts

The right to request conversion to an open-ended contract arises during the year following the fifth



Source: Ministry of Health, Labour and Welfare, <https://muki.mhlw.go.jp/>

Is improved employment stability alone enough to increase job satisfaction?

Open-ended Non-Regular Employees After the Reform

- Two types of open-ended non-regular employees
 - Workers initially hired under open-ended contracts
 - Workers initially hired under fixed-term contracts and were later converted to open-ended contracts
- Psychological contract: Employees' implicit expectations of their employers (Rousseau, 1989).
 - Expectations differ between fixed-term and open-ended employees (De Cuyper & De Witte, 2006).
 - Different employment trajectories → Different expectations → Different job satisfaction?

RQ: Does job satisfaction differ between workers initially hired on open-ended contracts and those converted from fixed-term contracts?

Expectation Violation

- Two possible mechanisms
 - Positive: Conversion may increase perceived job security → Higher job satisfaction
 - Negative: Conversion may increase workers' expectations **beyond employment stability** → Lower job satisfaction **if expectations are not met.**
- Workers may see conversion as recognition of their contribution and expect improvements in their treatment as well as greater employment stability.
- If workers receive an open-ended contract but no improvement in treatment, these expectations may be violated.
- Expectation violation can reduce job satisfaction (Zhao et al., 2007).

Hypotheses

- **H1:** Conversion increases perceived job security, and greater job security increases job satisfaction.
- **H2:** After controlling for perceived job security, converted workers show lower job satisfaction than those initially hired on open-ended contracts.
 - If H1 and H2 operate simultaneously, there may be no overall difference in job satisfaction between the two groups.
- **H3a:** Among converted workers, those who did not receive wage increases show lower job satisfaction than initially open-ended hires.
- **H3b:** Among converted workers, those who received sufficient wage increases do not differ in job satisfaction from initially open-ended hires.

Data and Method

- *JILPT Survey on the Working Conditions and Treatment of Workers with Permanent Contracts* (August 2024; employee survey)
- **Dependent variable** Job satisfaction (1–4)
- **Sample** Non-regular employees on open-ended contracts
 - Workers initially hired on open-ended contracts
 - Workers initially hired on fixed-term contracts who were later converted to open-ended contracts
- **Method** OLS regression
- **Main independent variables**
 - Open-ended contract conversion, wage increase since conversion, and perceived improvement in job security

Control variables Gender, log hourly wage, full-time dummy, involuntary nonregular employment dummy, acceptance of the wage gap compared with regular employees performing the same job, age, education, main breadwinner dummy, weekly overtime hours, occupation, and year of joining the company

Descriptive Statistics

	Initially hired on open-ended contracts	Initially hired on fixed-term contracts and later converted	Approximately half of the converted workers reported that their job security had improved after conversion. (Multiple answers)		
			Changes after conversion	n	Total
Sample size	520	1,024	Perceived improvement in job security	557	1,024
Female (%)	75%	83%	Increased motivation to work	101	1,024
Hourly wage (JPY)	JPY1,369.86 (442.65)	JPY1,356.37 (358.28)	Increased willingness to take on challenging tasks	22	1,024
Job satisfaction (1-4)	3.16 (0.77)	2.98 (0.80)***	Increased motivation to improve skills	59	1,024
No significant difference in hourly wages between the two groups.			Increased desire for a higher-level position	10	1,024
Converted workers report significantly lower job satisfaction.			None of the above	395	1,024
			No response	41	1,024

Model 1: Total Effect of Conversion on Job Satisfaction

Acceptance of the wage gap compared with regular employees performing the same job (ref = "Neither" and "Don't know.") : Not acceptable

: Acceptable

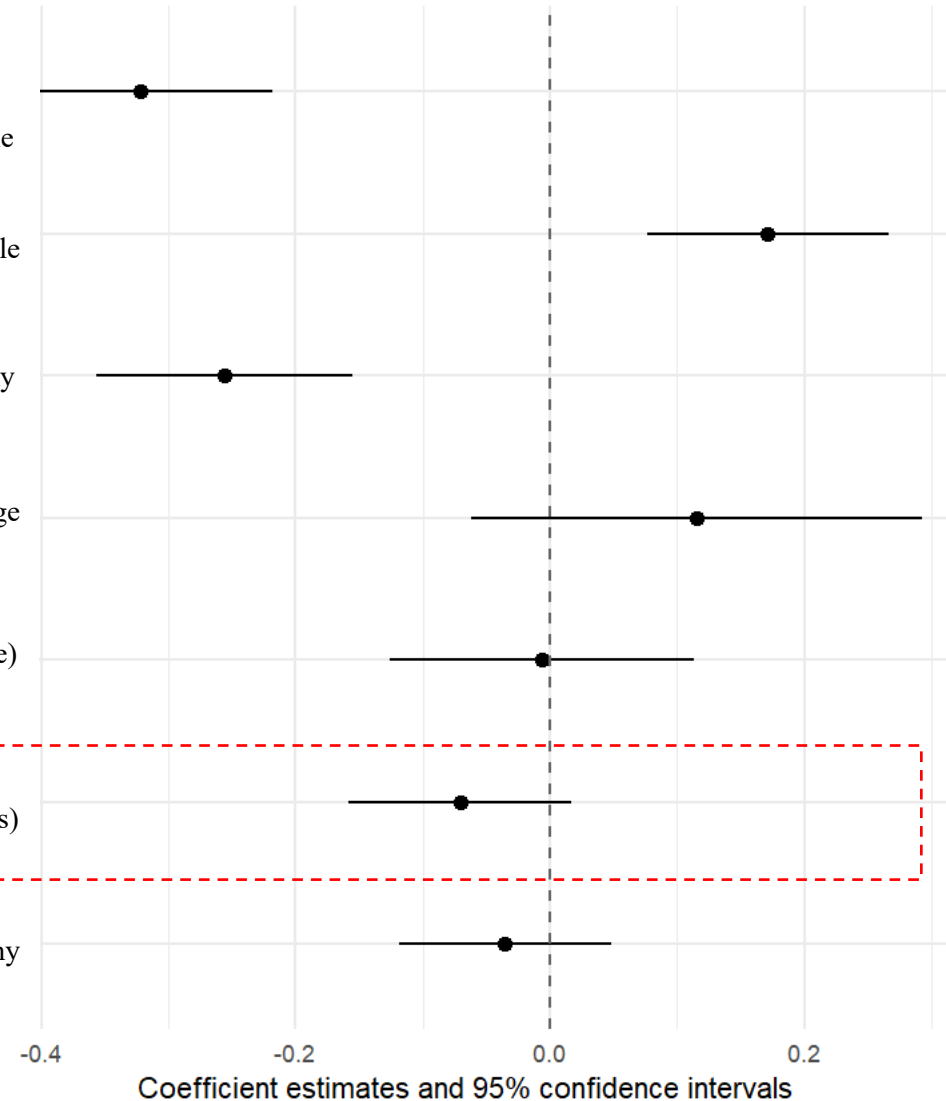
Involuntary non-regular employment dummy

Log hourly wage

Gender: male (ref = female)

Initially hired on **fixed-term** contracts and later converted (ref = Initially hired on open-ended contracts)

Full-time dummy



Conversion was not significantly associated with job satisfaction.

Controls: Age, education, main breadwinner status, weekly overtime hours, occupation, and year of joining the company (not shown).

Model 2: Adding Perceived Improvement in Job Security

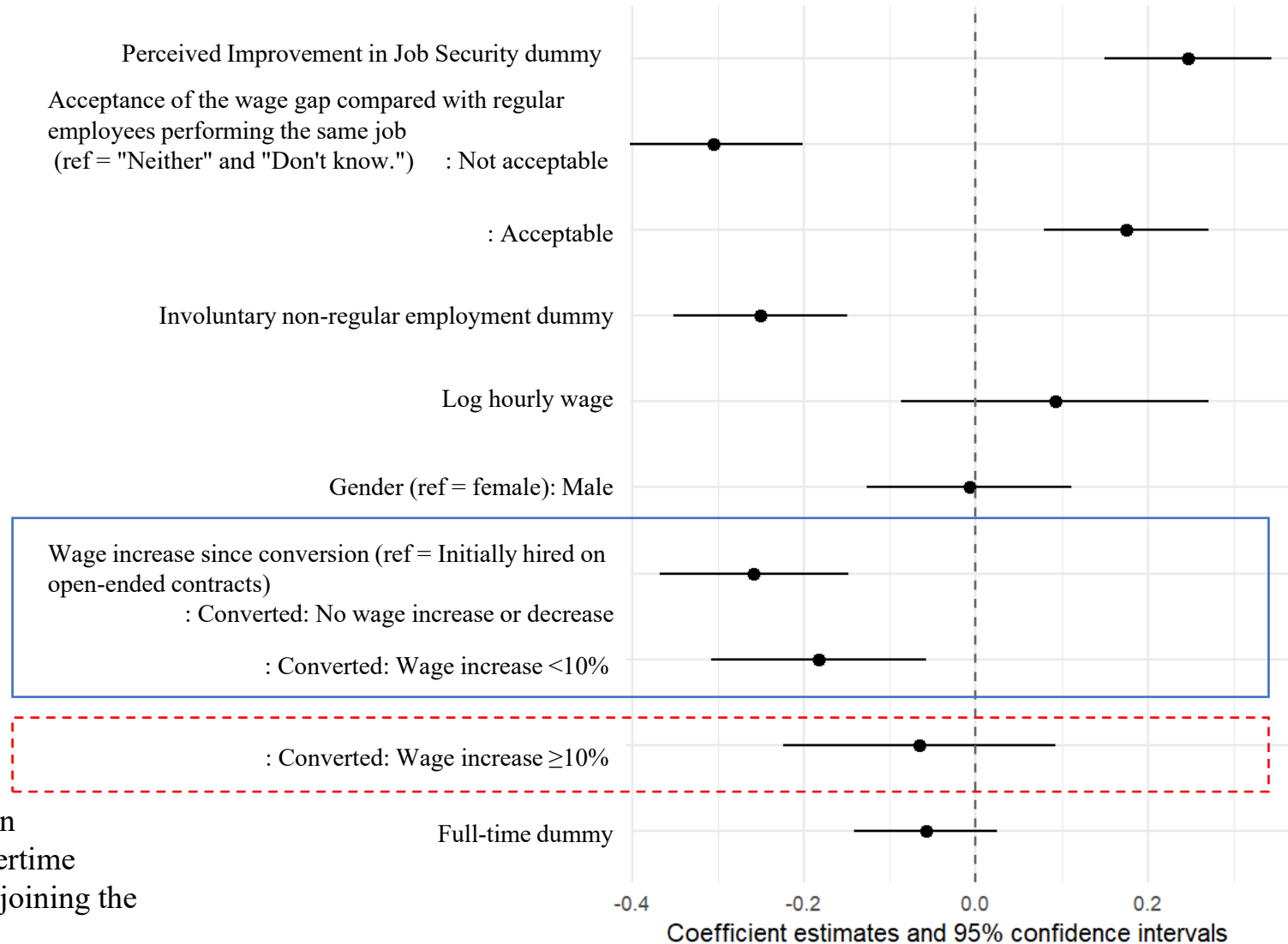


Perceived improvement in job security is positively associated with job satisfaction.

After accounting for perceived job security, the coefficient for conversion became significantly negative.

Controls: Age, education, main breadwinner status, weekly overtime hours, occupation, and year of joining the company (not shown).

Model 3: Replacing Conversion with Wage Improvement After Conversion



Lower job satisfaction is associated with conversion without substantial wage increases.

Controls: Age, education, main breadwinner status, weekly overtime hours, occupation, and year of joining the company (not shown).

Discussion

- **Findings**

- Conversion improves job security and perceived improvement in job security is associated with high job satisfaction.
- After controlling for perceived improvement in job security, conversion is negatively associated with job satisfaction.
- Converted workers who received no substantial wage increase showed lower job satisfaction.
- This pattern is consistent with the interpretation that workers may be disappointed when conversion does not meet their expectations for improved treatment beyond job security.

- **Importance of improvements beyond employment stability**

- Policies focusing only on employment stability may have limited effects on non-regular workers' job satisfaction.

Limitations

- Because the data are cross-sectional, causal relationships cannot be established. In particular, selection bias may exist among workers who have experienced conversion.
- The data does not include a comparison group of fixed-term workers who remained on fixed-term contracts.

Takeaway

- Employment stability alone may be insufficient to increase job satisfaction. Better treatment—particularly higher wages—also appears to be important for workers' job satisfaction.

Thank you

Descriptive Statistics

	Initially hired on open-ended contracts	Converted: Wage increase $\geq 10\%$	Converted: Wage increase $< 10\%$	Converted: No wage increase or decrease
Sample size	520	143	362	471
Female (%)	75%	84%	86%	81%
Hourly wage (JPY)	JPY1,369.86 (442.65)	JPY1,370.83 (323.46)	JPY1351.82 (351.91)	JPY1348.01 (361.25)
Job satisfaction (1-4)	3.16 (0.77)	3.20 (0.70)	3.00 (0.79)	2.89 (0.82)

No significant difference in hourly wages across the four groups.
Significant differences in job satisfaction across the four groups.