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11th ILERA Asian Regional Congress

Special Session
Beyond Employment Polarization?
Intermediate Employment Categories and Transitions from Non-regular to Regular Status in Japan

Introduction

Employment Polarization and Its Changes after the Mid-2010s in Japan

Koji Takahashi
(Japan Institute for Labour Policy and Training (JILPT))

Takeshi Okamoto
(Oita University)

1. Session Overview

1-1. Focus of the Session

- Japan has experienced substantial employment polarization. A distinctive trend in the nation is the wide disparity between regular and non-regular employment.
- Labor policies and market conditions have changed since the mid-2010s.
- Against this background, the Japan Institute for Labour Policy and Training (JILPT) launched a research project, and conducted large-scale surveys and in-depth interviews.
- In this special session, we inquire into whether Japan is moving beyond employment polarization, focusing on the realities of:
  - emerging intermediate employment categories (diversified regular workers; non-regular workers with permanent employment contracts)
  - transitions from non-regular to regular employment

1-2. Terms and Definitions

Regular workers (employees): Individuals employed as regular employees by a company or organization.

* In many cases, they are directly employed full-time workers with permanent contracts.

- **Conventional (traditional) regular workers**: Among regular workers, those for whom the scope of possible changes in job duties and work location is the broadest and the prescribed working hours are the longest. If the company has only one category of regular workers, all regular workers are classified as conventional regular workers.
- **Diversified (restricted/limited) regular workers**: Regular workers employed under categories in which at least one aspect of their working arrangements—job duties, work location, or working hours—is restricted. This category includes: **job-restricted (job-limited) regular workers**, **location-restricted (location-limited) regular workers**, and **working hours-restricted (working hours-limited) regular workers**.

Non-regular workers (employees): Employees other than the regular workers defined above.

* In many cases, they are part-time, fixed-term, or temporary agency (dispatched) workers.
* However, some are directly employed full-time workers with permanent contracts.
* One focus of this session is permanently employed non-regular workers.

2. Background and Basic Information

2–1. Non-Regular Workers and the Japanese-Style Employment System

- “Non-regular workers” are defined by each company or organization. Japan’s *Labour Force Survey* also adopts this definition.
- They typically include:
  - part-time workers
  - fixed-term workers
  - temporary agency (dispatched) workers
- Their role is closely linked to the “Japanese-style employment system.”

	Regular workers	Non-regular workers
Assigned tasks	Core tasks	Peripheral tasks
Working conditions	Long-term employment In-house training Seniority-based wages	Lower job security Fewer training opportunities Lower pay
Duties	Greater obligations (transfers, long working hours, etc.)	Fewer obligations

2–2. Emergence of Employment Polarization and the Turning Point

Since the late 1990s

- Amid a **prolonged economic recession**, Japanese firms pursued cost reduction and greater workforce flexibility.
- The government **deregulated labor laws** under pressure from businesses.
- Consequently, non-regular employment expanded while regular employment declined, in particular among young people. Their poor working conditions attracted considerable attention as a sign of **employment polarization**.

Responses in the 2010s

- The government **re-regulated labor laws** to improve non-regular workers' working conditions.
- The labor market shifted to **labor shortage** as the baby-boomer generation reached retirement age.

From Deregulation to Re-Regulation

Age of deregulation

1994
1995
1996 Expansion of the types of work performed by temporary agency workers (from 16 types to 26 types of work)
1997
1998 Labor Standards Act amended (expansion of the maximum period of fixed-term labor contract to three years (as a special measure))
1999 Worker Dispatching Act amended (liberalization, in principle, of the types of work for temporary agency workers)
2000
2001
2002
2003 Labor Standards Act amended (expansion of the maximum period of fixed-term labor contract to three years in principle and five years as a special measure)
Worker Dispatching Act amended (lifting the ban on sending temporary agency workers to manufacturing operations; extension of the period for dispatching)
2004
2005
2006

Age of re-regulation

2007 Labor Contract Act enacted
Minimum Wage Act amended
Part-time Workers Act amended (introduction of the principles of equal treatment and balanced or proportional treatment)
2008
2009
2010 Employment Insurance Act amended (expansion of coverage)
2011
2012 Labor Contract Act amended (introduction of the rule of converting fixed-term workers to permanent workers: prohibition of unreasonable difference in treatment between fixed-term and permanent workers)
Worker Dispatching Act amended (prohibition of dispatching day workers; obligation to give due consideration to balanced or proportional treatment between temporary agency workers and client's regular workers)
Expansion of social insurance coverage (relaxing of the requirement of working hours from 30 hours or more to 20 hours or more)
Report of the Study Group on "Diversified Forms of Regular Employees" (Ministry of Health, Labour and Welfare)
2013
2014 Part-time Workers Act amended
Report of the Expert Panel on the Promotion and Expansion of Diversified Types of Regular Employees (Ministry of Health, Labour, and Welfare)
2015 Worker Dispatching Act amended (measures for ensuring employment security, measures for promoting career development)
2016 "Plan for Promoting Conversion to Regular Employment and the Improvement of Conditions for Non-regular Workers" compiled
2017
2018 Work Style Reform Act enacted (Part-time Workers Act amended and renamed; Worker Dispatching Act amended)
2019
//
2026

Employment ice age

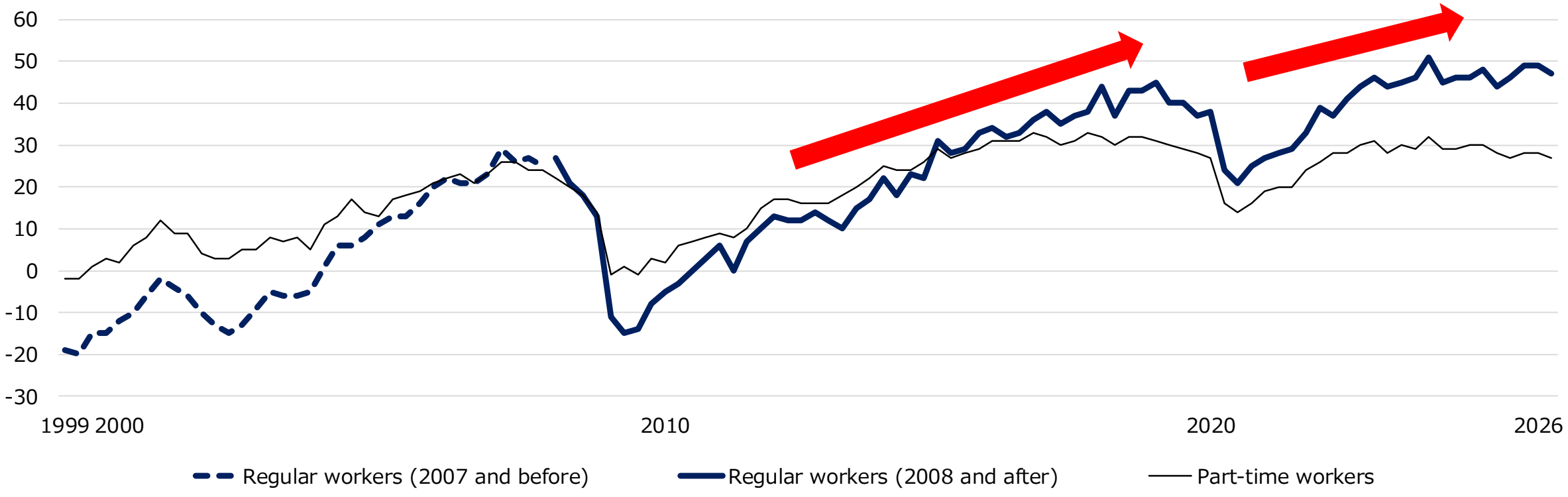
Labor shortage

- Enhancing job security
- Promoting transitions to regular positions
- Reducing wage gaps

Source: Takahashi, Koji (2023) “Non-Regular Employment Measures in Japan,” *Japan Labor Issues*, Vol.7, no.44, pp.52–60.

Figure 1. Non-regular employment policies in Japan

Ongoing Labor Shortage



Source: *Survey on Labor Economy Trend* (Ministry of Health, Labour and Welfare).

Figure 2. Diffusion index of labor shortage and excess (shortage minus excess, % points)

3. What Has Changed—and What Has Not?

- Labor law re-regulation and labor shortages have reshaped Japan's labor market since the mid-2010s.
- However, some features have remained largely unchanged, while others have changed considerably.

Largely unchanged aspects:

- The number of non-regular workers remains stable
- Differences in wage distribution remain substantial

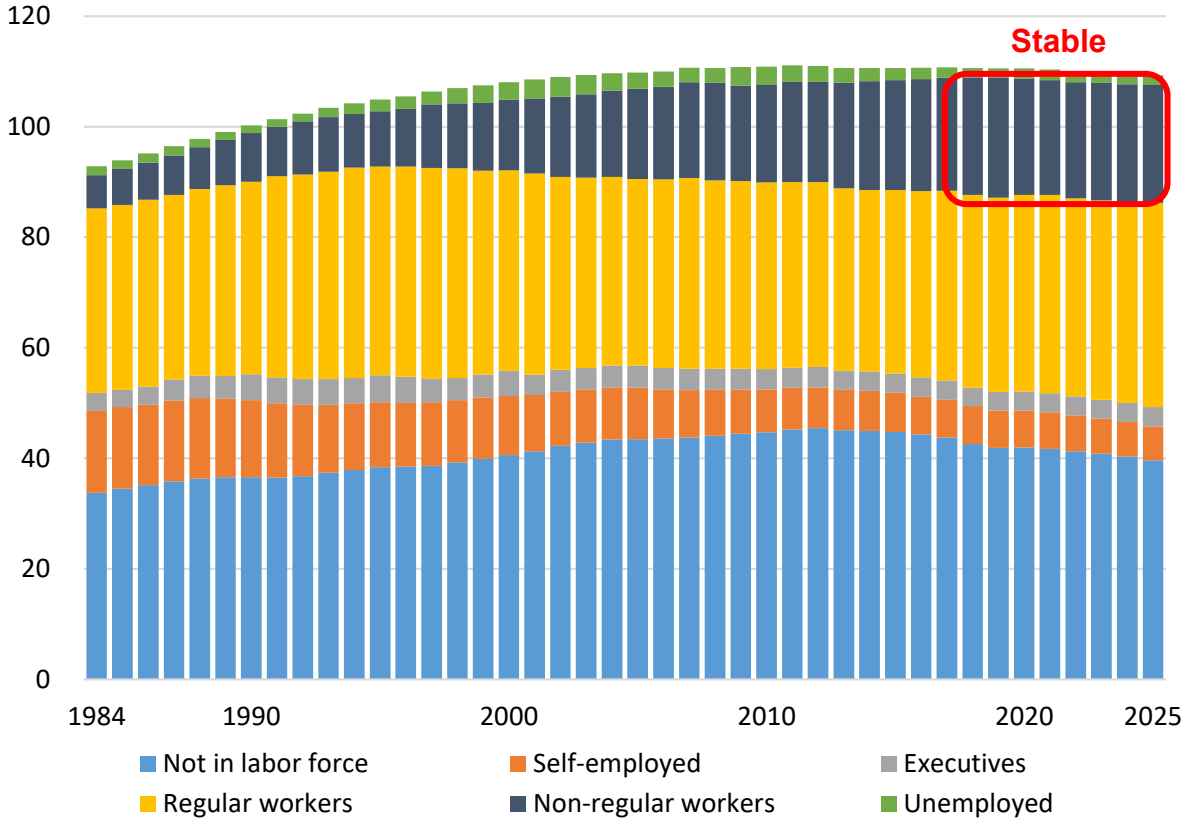
Emerging changes:

- Diversified regular employment has expanded
- The number of permanently employed non-regular workers has increased
- Transitions to regular employment appear to have become easier

- In this session, we examine these emerging changes and explore whether Japan is moving beyond employment polarization.

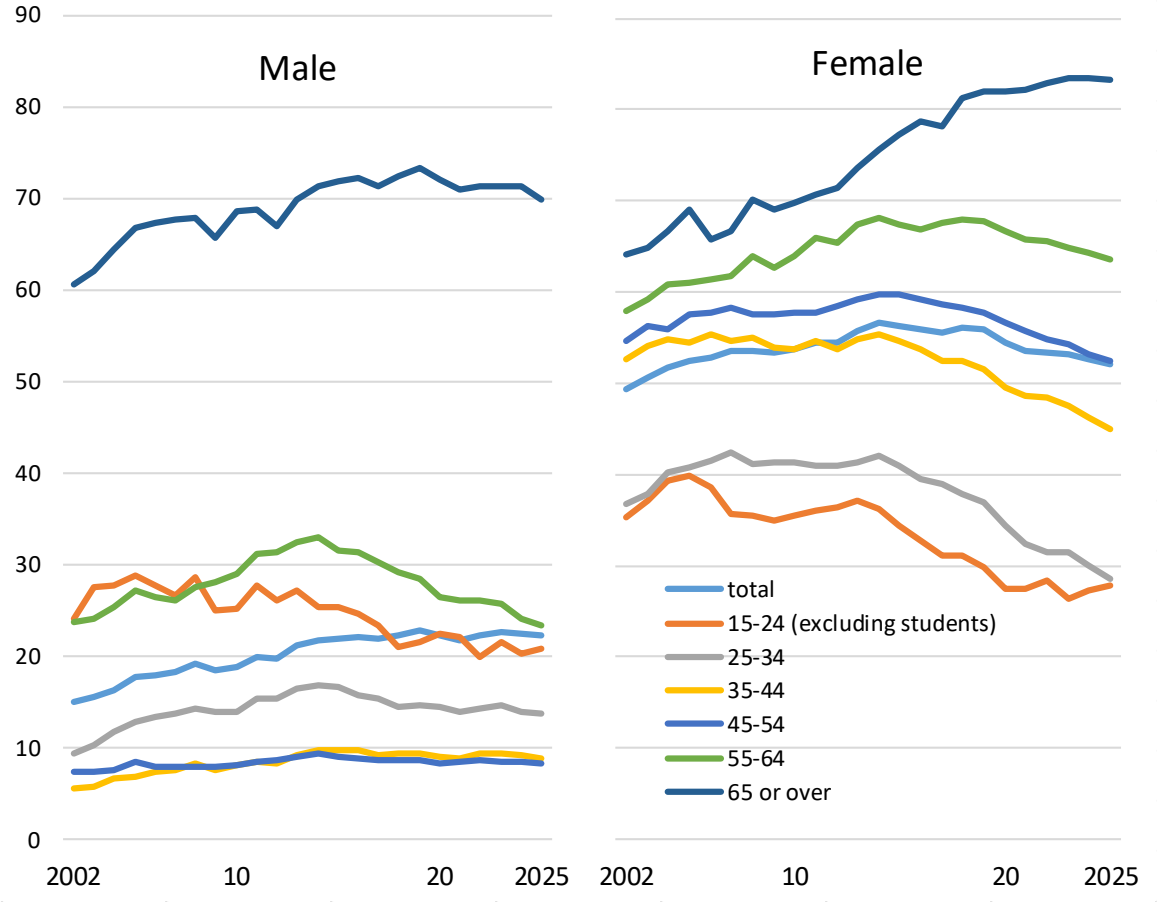
Unchanged Aspect (1)
Number of Non-Regular Workers

Non-regular employment remains high, although regular employment has increased since the mid-2010s and the share of non-regular workers has declined among women and young workers.



Source: Calculated by the authors based on the *Labour Force Survey* (Ministry of Internal Affairs and Communications).

Figure 3-1. Composition of the population aged 15 years and above (million people)

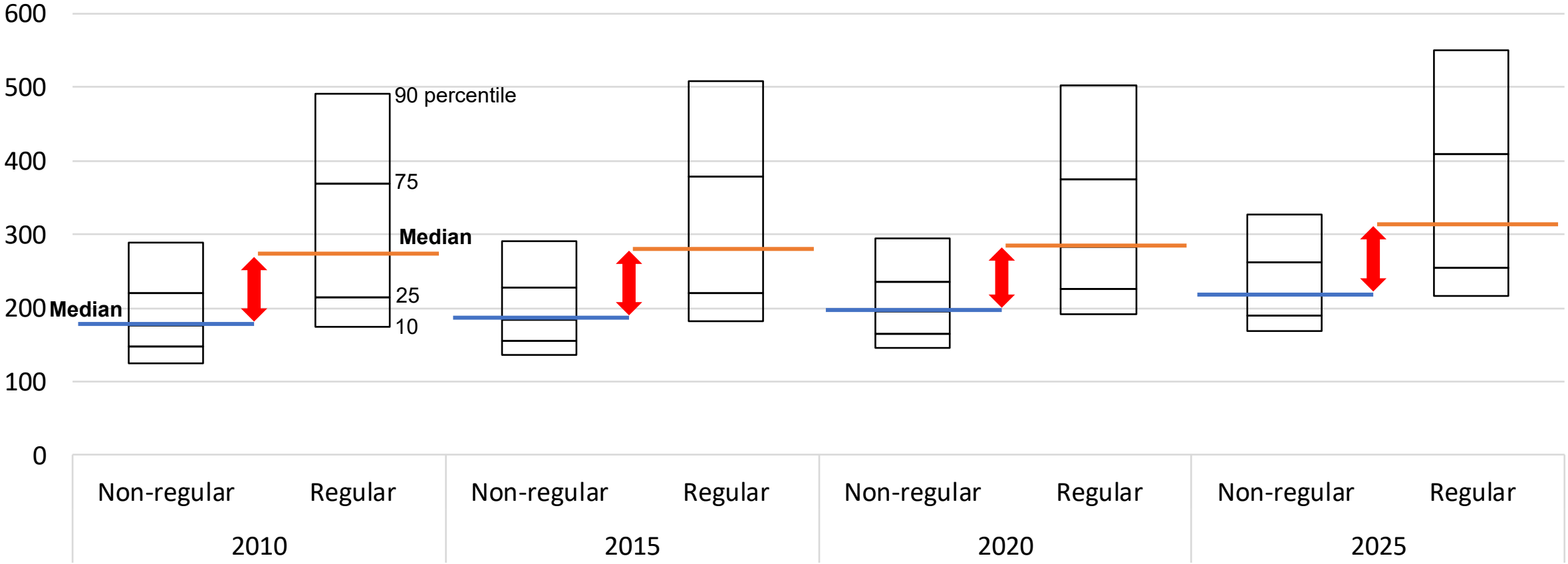


Source: *Labour Force Survey* (Ministry of Internal Affairs and Communications).

Figure 3-2. Ratio of non-regular workers among all employees by gender and age (%)

Unchanged Aspect (2)
Wage Distribution

The wages of non-regular workers remain far below those of regular workers.

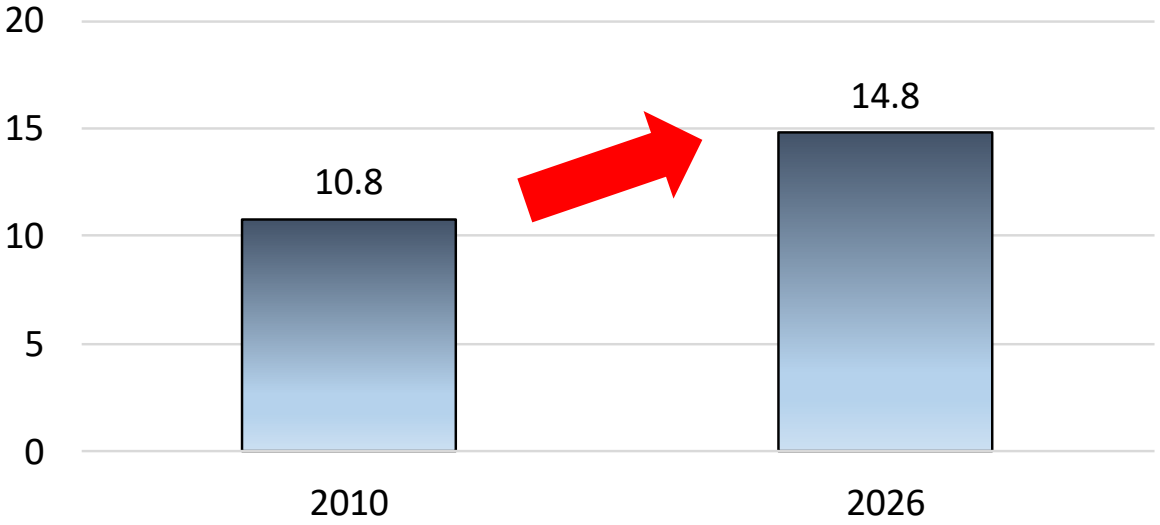


Source: *Basic Survey on Wage Structure* (Ministry of Health, Labour and Welfare). Note: Non-regular workers are restricted to full-time workers.

Figure 4. Distribution of monthly wages (thousand yen)

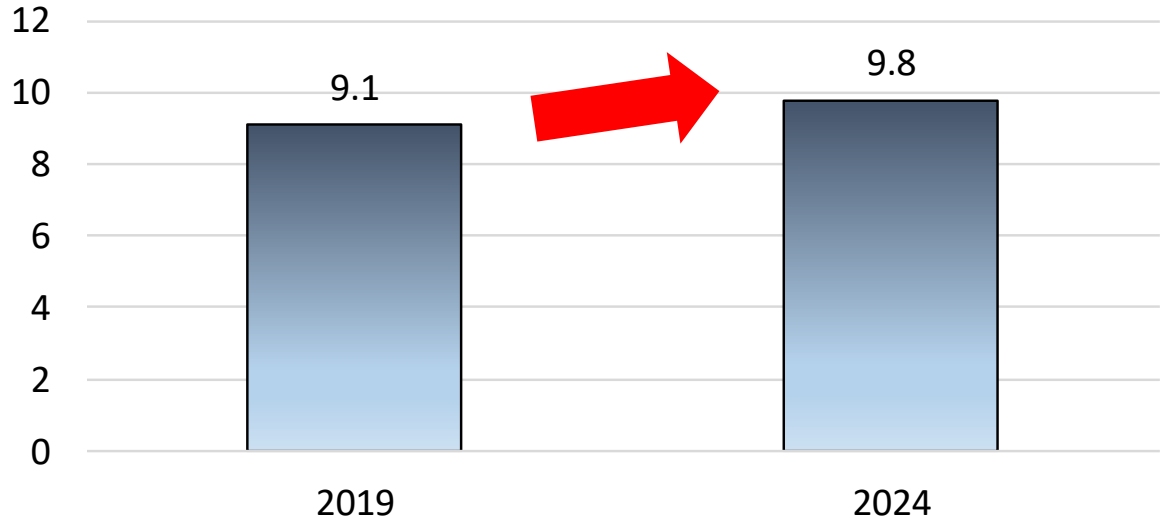
Emerging Change (1)
Diversified Regular Employment

Firms have introduced regular positions with limited job duties, work locations, and working hours for various reasons, including promoting transitions from non-regular to regular employment and enhancing the work-family balance of regular workers.



Source: Surveys conducted by JILPT (preliminary figures).

Figure 5-1. Establishments (sized 100-299) employing location-restricted regular workers (%) (preliminary figures)



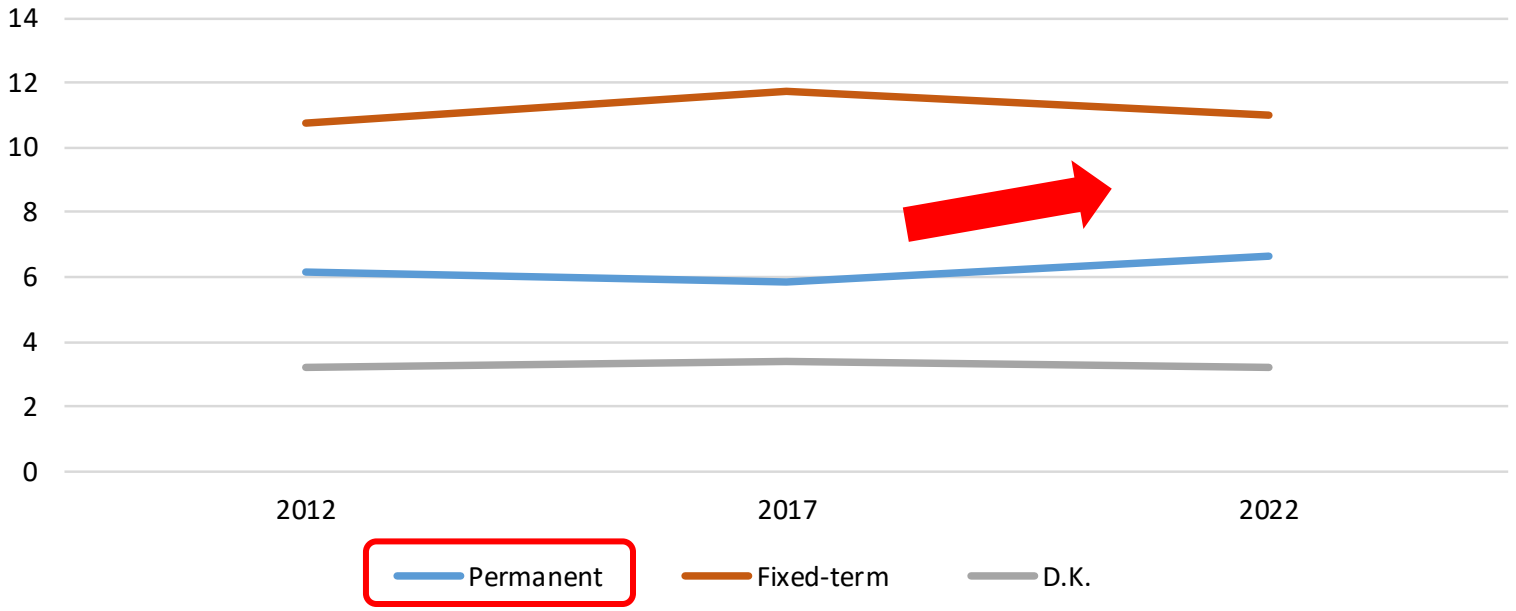
Source: *General Survey on Diversified Types of Employment* (Ministry of Health, Labour and Welfare).

Figure 5-2. Establishments (all sizes) employing diversified regular workers (%)

Emerging Change (2)
Permanently Employed Non-Regular Workers

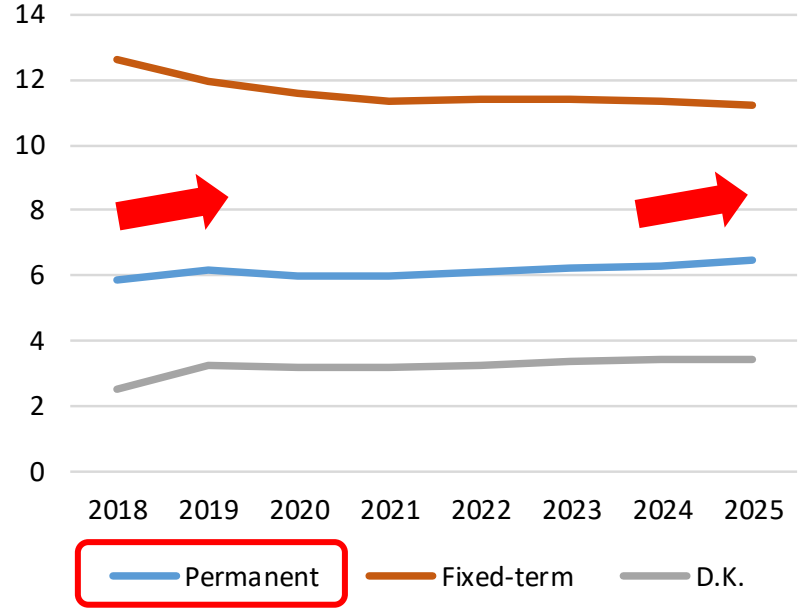
Permanently employed non-regular workers have become more prevalent since 2018*.

* “Fixed-term to permanent conversion” was accelerated in 2018 following the revision of the Labor Contracts Act in 2012.



Source: *Labour Force Survey* (Ministry of Internal Affairs and Communications).

Figure 6-1. Number of non-regular workers by type of employment contract (million people)



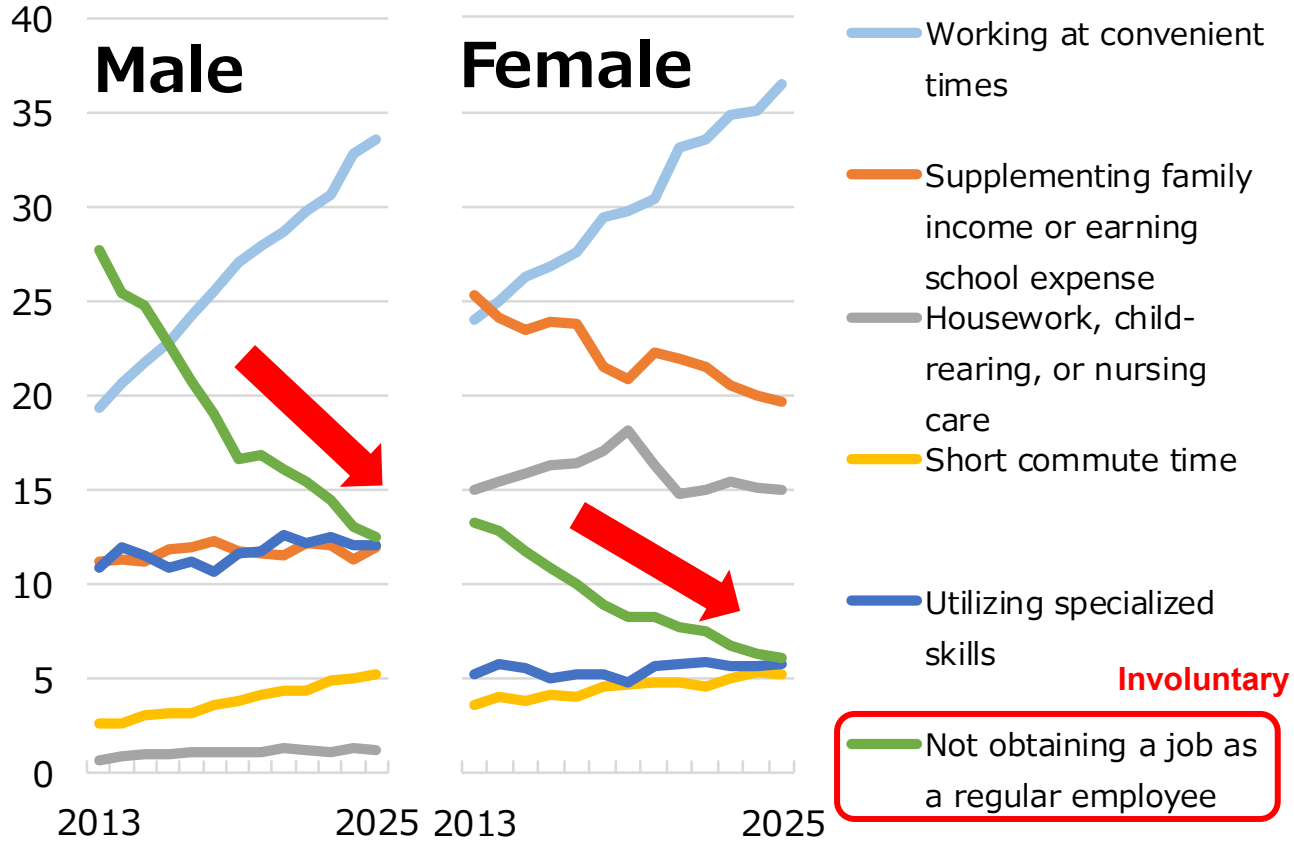
Source: *Employment Status Survey* (Ministry of Internal Affairs and Communications).

Figure 6-2. Number of non-regular workers by type of employment contract (million people)

Emerging Change (3)
Signs of Broader Transition Opportunities

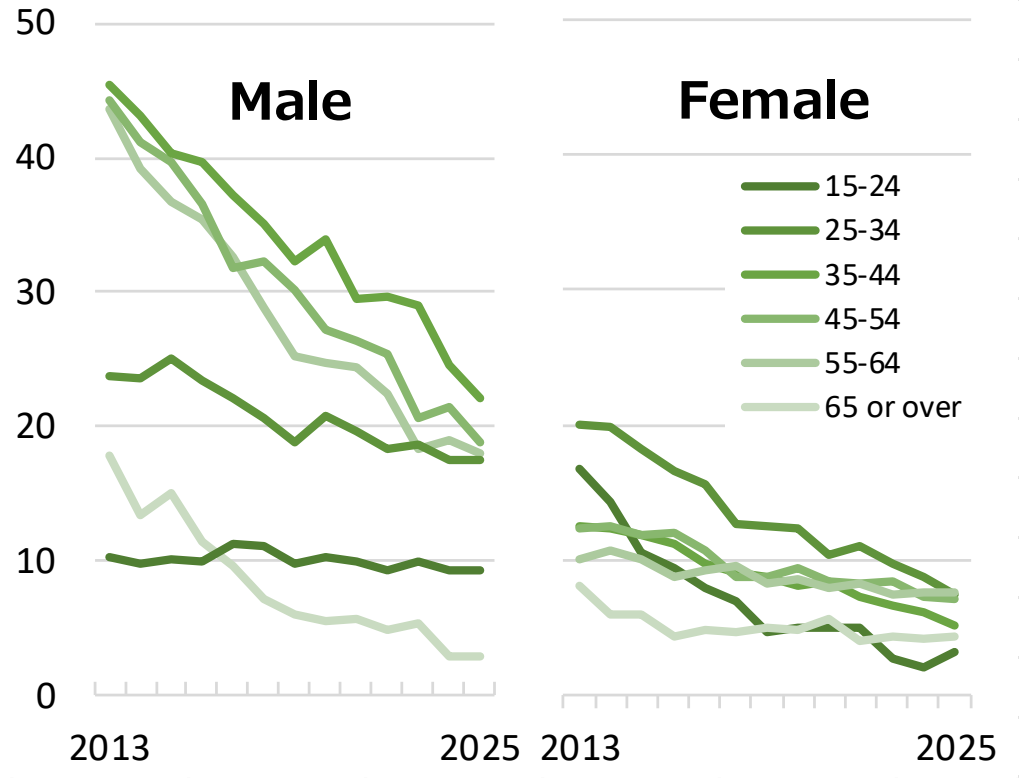
The share of involuntary non-regular workers has declined regardless of gender and age*.

* However, exact data showing an increase in the number of transitions are not currently available.



Source: *Labour Force Survey* (Ministry of Internal Affairs and Communications).

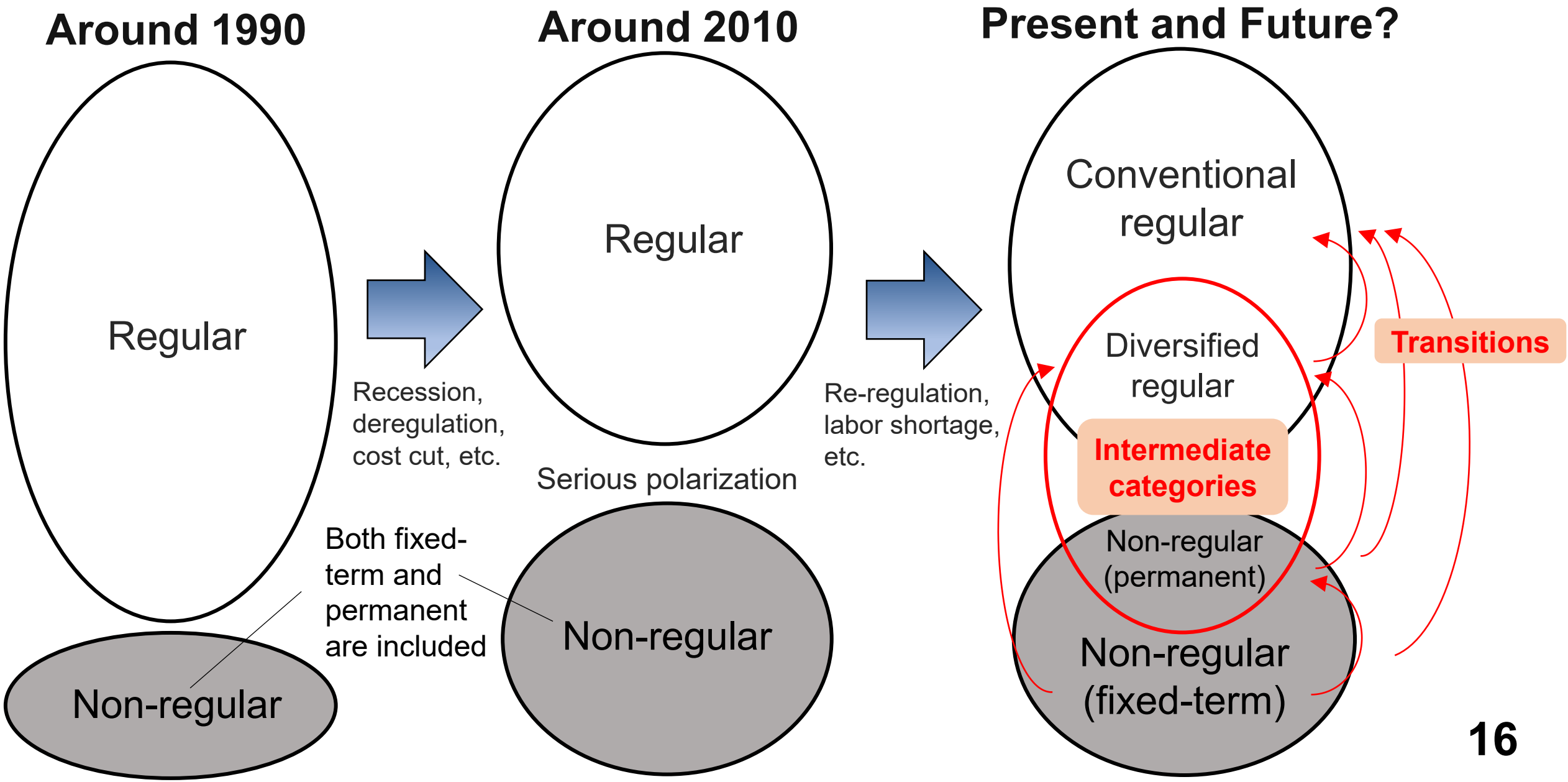
Figure 7-1. Reasons for choosing non-regular employment (%)



Source: *Labour Force Survey* (Ministry of Internal Affairs and Communications).

Figure 7-2. Ratio of involuntary non-regular workers by gender and age (%)

We Focus on


Around 1990
Regular
Non-regular
Recession, deregulation, cost cut, etc.
Around 2010
Regular
Serious polarization
Both fixed-term and permanent are included
Non-regular
Re-regulation, labor shortage, etc.
Present and Future?
Conventional regular
Diversified regular
Intermediate categories
Non-regular (permanent)
Non-regular (fixed-term)
Transitions

4. Data Used in This Session

Employer–employee matched questionnaire survey conducted by JILPT in 2024 (“Survey on the Working Conditions and Treatment of Workers with Permanent Contracts”)

- Questionnaires distributed:
  - 15,000 employers with 10 or more employees
  - 50,000 employees with permanent contracts
- Responses:
  - 3,944 employers (26.3%)
  - 8,154 employees (16.3%)
  - 7,557 matched responses
- Excluded: Daily workers, workers with contract durations under one month, temporary agency (dispatched) workers, mandatory-retirement rehires.

A series of interviews conducted by JILPT in 2025 (“Interview Survey on Transitions from Non-Regular to Regular Employment”)

- 20 from non-regular to regular transitioners (within the previous three years)
- Recruited from an online panel
- A 90-minute online interview coupled with a brief questionnaire

5. Following Presentations

- Naoko Hiramoto examines the **prevalence and HRM practices of each employment category** and **conversion paths** within firms, using **employers' responses to the JILPT 2024 survey**. (15 minutes)

- Yasutaka Fukui examines **wage disparities** across employment categories, controlling for individual characteristics and unobserved firm-level heterogeneity, using **workers' responses to the JILPT 2024 survey**. (10 minutes)

- Yuriko Morikawa examines the **job satisfaction** of non-regular workers with permanent contracts, using **workers' responses to the JILPT 2024 survey**. (10 minutes)

- Fumiko Nishino examines the experiences and perceptions of **workers who transitioned from non-regular to regular employment**, using data from the **JILPT 2025 interview**. (10 minutes)