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Human Resources Management for Railway Companies (2)

- Skills Development and HR Restructuring -

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Staff Development & HR Restructuring

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HR Development

- Corporate Training Policy -

Policy Goal: Reflect relationship between learning and company's orientation and objectives

Example policy contents list

- 1) Objectives
- 2) Management of Training
- 3) Training Needs Analysis
- 4) Planning and Designing the Training
- 5) Classification of Training Programs
- 6) Developing a Training Program Curriculum
- 7) Training Delivery
- 8) Salary During Training Activities
- 9) Evaluation of Training Performance and Follow-Up

HR Development

- Training Needs Analysis (TNA) -

Focus of TNA

- Identify company's training requirements
- Determine if identified performance problems could be resolved with training
- Determine if problems are due to the work organization, tools or equipment, or the employee

Training is not the solution to every problem!

If poor performance is due to unfit equipment, training will not resolve the problem

If poor performance is due to improper use of equipment, training is the answer to resolve the problem

HR Development

- Career Management -

- Powerful tool for helping companies plan and prepare workforce with successors of critical positions
- By addressing early potential skills shortages, the company prevents significant time gaps in filling certain positions
- Strong incentive for promising employees to deliver outstanding performances to get promoted to higher positions.



HR Development

- Career Management -

Important considerations

- ✓ Succession plans for high-level positions may require a few years of preparation
- ✓ It may require courses, training abroad, internships and a succession of positions (internal mobility) to be occupied
- ✓ Employees' progress must be tracked through regular evaluation, identifying areas for individual improvement.

HR Development

- Staff Appraisal -

Provides opportunity to highlight the strengths of an employee while identifying areas or skills that require improvement

Components of Staff Appraisal

1. Staff Appraisal Policy
2. Staff Appraisal Guidebook
 1. specific appraisal methodologies
 2. roles and responsibilities of those carrying out the appraisal
 3. what to do with the appraisal results?
 4. evaluation and monitoring of policy

HR Development

- Staff Appraisal -

Performance Evaluation for Higher-Level Positions

- Appropriate for jobs where organizations can measure outputs
- Performance criteria must be defined with clear, quantitative key performance indicators (KPIs)

Guidelines for performance indicators

- **Clearly defined indicators using quantitative criteria.** For instance (i) # of sleepers installed per month, (ii) % of trains delayed, (iii) % of locomotives availability, (iv) # days between engine repair and next breakdown, etc.
- **Indicators must fall under the incumbent employee's full responsibility.** In case of shared responsibilities between two or more employees, indicator becomes a team performance indicator.
- **Indicators for KPIs can be numbers, specific dates, or percentages.**

Workforce Restructuring

- Rationale for Restructuring -

- Staffing structure is not always adequately adjusted to **reflect the company's changing realities**, such as automation (!)
- Not adjusting the structure creates potential **ineffectiveness and inefficiencies (i.e. a loss in competitiveness)**
- Analysis may reveal **overstaffing** in some business units, understaffing in others, or an **inadequate skills mix**
- Having right skills mix is critical: Overqualified or underqualified employees is a potential risk ultimately reflected in the performance of business units

Workforce Restructuring

- restructuring process -

HR restructuring can be a rigorous process with major impact on acceptability, especially when it involves employee layoffs.

An HR Restructuring Committee should be created to execute the workforce restructuring plan

Committee composition

- a) Head or deputy head of the HRM unit
- b) Representatives from Freight, Infrastructure, and Passengers departments or similar departments
- c) Representative from the CEO's office as committee head.

Roles of the committee

1. Review restructuring plan
2. Monitor the progress of the restructuring
3. Approve the strategies
4. Approve the level of incentives/compensations
5. Validate list of positions and employees to be terminated

Workforce Restructuring

- restructuring process -

Resolving Understaffing

- Internal recruitment
- External recruitment

May lead to negative reactions from various audiences who may not understand or accept that the company is recruiting new employees while, at the same time, dismissing others because of overstaffing.



Workforce Restructuring

- restructuring process -

Resolving Overstaffing

Overstaffing is the most frequent conclusion of a workforce analysis in SOEs.

Options to resolve overstaffing

- Attrition/hiring freeze;
- Early retirement;
- Voluntary separation;
- Outsourcing of non-core activities

Workforce Restructuring

- restructuring process -

Attrition/hiring freeze

Advantages

- soft measure that allows workforce downsizing without dismissing employees
- considered to have no negative impact on the labor market
- generally accepted and received with more favorable reactions from stakeholders

Disadvantages

- obliging employees to retire when they reach normal retirement age may be prohibited by legislation
- incentive measures, such as significant downpayment in exchange for resignation, can be explored
- For critical positions, the retirement of incumbent employees will require the preparation of successors
- Lengthy process (may take up to 3-4 years to reach targeted level of workforce)

Workforce Restructuring

- restructuring process -

Early retirement

Proactive measure by which employees that are 5 years or less close to retirement age are offered the possibility to immediately go on retirement with full pension, without any losses resulting from this early retirement.

Advantages

- implemented on a voluntary basis and, therefore, is considered socially acceptable
- very easy to apply
- calculations are made jointly with the Pension Fund for payment of appropriate compensation or pensions
- a very fast process once the scheme is agreed between the employer and the Pension Fund
- do not create additional unemployment within the country, hence more socially acceptable

Disadvantages

- risk that some employees leaving on ERS create an understaffing situation in some units while overstaffed units remain overstaffed because the employees may not be willing to use ERS package. An ERS scheme cannot be selective and may not resolve the overstaffing problem precisely where it is located;
- Pension Fund may not be familiar with this instrument. It may even require pension legal laws be modified

Workforce Restructuring

- restructuring process -

Voluntary Separation Scheme (VSS)

Offering a severance payment more generous than what is prescribed by the local legal framework

Advantages

- Easy to apply.
- Very fast process once an agreement is reached with concerned parties

Disadvantages

- negative effect for some employees who may not find a new job afterwards
- risk of brain drain. Usually, most qualified employees, the ones who are sure to readily find another job in the private sector, are the first one to take the check and leave
- VSS usually addresses overstaffing globally in a company. In most cases, overstaffing is not spread evenly among the SBUs. If more than the desired number of employees will avail of VSS, this will create an understaffing situation in some units

Workforce Restructuring

- restructuring process -

Voluntary Separation Scheme

- ✓ VSS program must be selective to overstaffed units
- ✓ Program must set clear limits: When desired number of applicants has been reached, the program must be closed
- ✓ Level of incentive must consider the level of salaries paid by the company and local cost of living
- ✓ Involve trade unions in the design and implementation of the VSS may help mitigate any backlash

Workforce Restructuring

- restructuring process -

Outsourcing of Non-core Activities

Outsourcing of activities such as housekeeping, building security, building maintenance, cleaning and maintenance of freight and passenger stations, weed removal on tracks, etc.

Advantages

- Generally seen as a mean for an organization to focus on its core business;
- It is expected that outsourced activities will be executed in a more efficient manner by the contractor for which these activities are its core business.

Disadvantages

- If there is only one player, the activity would be outsourced to a monopoly with risk of price manipulation, poor service delivery, etc.
- If there are only 2–3 players, an oligopoly situation could lead to collusion among players

Competencies and Skills Gaps

Skills gaps, as revealed by a workforce analysis, can be resolved in two ways:

- 1. Retrain the existing staff:** Feasible when the training duration is relatively short. When retraining requires 1–2 years, usually outside the company, this is hardly feasible.
- 2. Dismiss or transfer existing staff:** Can be considered if the employee's profile match the job requirements in another SBU
- 3. Recruit new employees** with adequate skills and appropriate profile.

Workforce Restructuring

- Mitigation Measures -

Announcement and implementation of a staff rationalization plan is generally met with **negative reactions**. Mitigation measures should be part of the plan, along with an effective **communication strategy**.

A. Relocation Program

- Within the same department, same sector of activity, or to another department;
- generates few negative effects:

Advantages

- ✓ Does not create unemployment and helps maintain retrenched employees' income in the long run
- ✓ Relatively cheaper when workers are relocated within the same geographical location;
- ✓ Powerful tool when business is growing and expanding

Workforce Restructuring

- Mitigation Measures -

B. Retraining

Develop new skills and knowledge to facilitate reemployment to a new job in another company, or within the same company.

- Labor market analysis is required
- Requires Technical Vocational Education and Training (TVET) infrastructure and support
- Requires a minimum level of education for an employee to be retrained
- Requires analysis of employees' personal profiles in each department and/or service.

Workforce Restructuring - Mitigation Measures -

B. Retraining (cont'd)

Advantages

- socially acceptable:
 - does not create unemployment in the long term
 - helps maintain the incomes of retrenched employees in the long run
 - helps fill in skilled workers' gaps in the country's labor market
- Helps rebalancing staff structure when some SBUs are experiencing staff shortages in specific skilled jobs

Disadvantages

- demands a lot of efforts
- Arrangements need to be negotiated with TVET institutions to secure teachers and/or facilitators/materials
- For specific railway professions, in the absence of an in-house training center, arrangements need to be coordinated with the closest railways training center (which may be costly)

Workforce Restructuring

- Mitigation Measures -

C. Self-Employment Creation Program

- advantageous to an individual employee—or a small group of 3–5 employees—who are willing to start their own business;
- numerous possibilities: workshop; construction; retail; non-core service provision
- requires training on how to start and operate a small business
- Starting capital could come from the separation payment and possible from microfinance loans, donors' grants, and other sources.



Workforce Restructuring

- Mitigation Measures -

C. Self-Employment Creation Program (cont'd)

Advantages

1. Socially acceptable
2. Possibility given to employees with entrepreneurial spirits and mindset to start their own business
3. Contributes to creating a network of small businesses within a country

Disadvantages

1. Intended for a small number of employees with an entrepreneurial mindset. Impact in numbers may be small, but the subjective impact may be much greater
2. Program requires a lot of work and (legal) support from organization as well as others (such as the Ministry of Economy, microfinance institutions, and others)

Workforce Restructuring

- Implementation Strategy (1) -

- A road map with timeline that matches with technical changes that will take place in the various units or departments.
- An effective communication program to support the buy-in of the retrenchment plan and the acceptance of such change by the employees, trade unions, political authorities, media, and population in general.



Workforce Restructuring

- Implementation strategy (2)-

Communication program components

1. Elaboration of targeted communication strategies for various audiences: definition of key information to be assembled and disseminated to these audiences
2. Recruitment of a local communication expert, familiar with the specificities of the country, to support the elaboration of the communication strategies and guide the company in conducting communication campaigns.