Managing People in the World’s Largest Commercial Employer: An Exploratory Study on Indian Railways

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Abstract
The 21st century has witnessed India undergo sweeping economic changes. Riding on a host of factors, India today stands at the cusp of becoming one of the top four economies in the world. A growth rate of over 8%, prior to the slowdown, was despite the inadequacies of infrastructure. Yet, one organisation, which has shouldered the infrastructural burden of the transportation sector in India’s growth story, is the 160 year old Indian Railways (IR). IR’s profits – $5 billion over the last four years - are a far cry from its loss making days, which tempted the government of India to consider privatisation in 2001. The transformational turnaround would not have been possible but for IR’s employees who are its true assets. The objective, therefore, was to understand the ‘people side’ of IR - the world’s largest commercial employer. The study, while looking to increase awareness of contemporary HR challenges in India, is an attempt to first study the HR practices in the Indian Railways and second, to investigate changes in its HR practices and the role of HR in its turnaround strategies.

Key words: Indian Railways, Public Sector, Largest Employer, People Management, HRM, SHRM USA
Introduction

This paper reports the first large scale study of managing people in the world’s largest commercial employer, the Indian Railways. It is thus exploratory and descriptive in nature. In 2013, India celebrated the 160th anniversary of the first train journey on its soil, 25 years after the first ever train journey, in Britain. It all started on April 16th 1853 when a locomotive with 14 carriages carrying 400 people left what was then Bombay (today Mumbai) to a 21-gun salute and made its way to Thane, 34 km (21 miles) away. From there, the network grew fast, as some of it was built by the British, some by the then princely states, with many of the network’s main trunk routes were laid by private companies (Economist, 2003; Srinivasan, Tiwari and Silas, 2006; Thorner, 1955; Connell, 1885; Macpherson, 1955). In 1924, the entire system – its construction, operation and financing – was brought under the control of the British Indian Government. This is often credited with an important role in integrating not just the Indian economy, but also in helping to create the Indian nation itself (Thorner, 1951; Kerr, 2001; Hurd and Kerr, 1998). This can be appreciated in the words of Madhav Rao (1828-1891) - the Chief Minister of the Princely states of Travancore (1858-1872), Indore (1873-1875) and Baroda (1875-1882) whose writings now seem prophetic:

“What a glorious change the Railway has made in long and neglected India! The young generation cannot fully realise it. In passing from the banks of Tambrapurny to those of the Ganges, what varied scenes, what successive nationalities and languages flit across the view! Tamil, Telegu, Canarese, Marathi, Guzerati, Hindustani, Bengali- populations which had been isolated for unmeasured ages, now easily mingle in civilised confusion. In my various long journeys it has repeatedly struck me that if India is to become a homogeneous nation, and is ever to achieve solidarity, it must be by means of the Railways as a means of transport, and by means of the English language as a medium of communication”- quoted by Kerr, (2001)

Also by 1900 it had a permanent workforce of 338,041 employees already on its rolls apart from the 200,000 construction workers among many others (Morris and Dudley, 1975; Kerr, 1995). And by 1920 its employee count doubled to 710,000 (Hurd and Kerr, 1998:106). By 1947, the year of India’s independence, there were forty-two rail systems and in 1951 the systems were nationalised as one unit, becoming one of the largest networks in the world (Ramani and Mandal, 1992). Today the Indian Railways (IR) operates both long distance and suburban rail systems on a multi-gauge network of broad, metre and narrow gauges (Malik, 2005). It also owns locomotive and coach production facilities, Public Sector Undertakings (PSU’s) and various other movable and immovable assets. Thompson, (2009:11) states- along with the Ministry of Railways of China (MOR), the Indian Railways are “one of the few remaining monolithic railways”. Their current employee count is approximately 1.7 million- which includes 1.4 million permanent employees and 300,000 casual workers (IR Budget reports, 2008-09; 2009-10).

The railways have played a critical role in catalysing the pace of economic development and continue to be an integral part of the growth engine of India. They have been chugging along
transporting people and freight to almost all parts of this vast and diverse country (Ramanathan and Parikh, 1999; Sriramam, 2000; Richardson and Nigam, 1999; Malik, 2005). They have also been the backbone of India’s transportation sector and “constitute the principal mode of transport in India” (Kulshreshtha and Nag, 2000: 221). They supply the basic means of movement and are seen as the lifeline of the nation, so much so that “most Indians would have used the railways at some point of their life as a means of transportation” (Srivastava, 2005: 59).

Nonetheless they have been an unsung hero in India’s economic growth story. Being the largest publicly-owned enterprise, they have largely been supported by the exchequer. However since the early 1990’s when the liberalisation movement started the Railways have had to operate increasingly as a commercial rather than a social organisation (Richardson and Nigam, 1999). After several years of debating whether to privatisethe IR (e.g. Goulding, 1999; Galenson and Thompson, 1993), following on the lines of the US and UK (Dalvi, 1995), in 2001 the Government of India were almost ready to privatise the sector as Indian Railways was making losses and looked unsustainable as a part of the public sector (Ahluwalia, 2002). By the year 2000, IR had taken 21 loans from the World Bank totalling US $2.2 billion (Thompson, 2003; 2009). However in recent years it was reporting huge profits (Veni and Ghosh, 2005; Raghuram, 2007), close to US$5 billion over last 4 years (Source: Indian Express, 2010; IRFC- Indian Railway Finance Corporation website). This prompted an ex-General Manager of a railway zone to say- “Railways are at the Crossroads. Economy is looking up and the winds of change are blowing” (Banerji, 2005:19). ‘Bankruptcy to billions’ is what Kumar and Mehrotra, (2009) have titled their book on the transformation of the IR wherein they argue that from a position of ‘near bankruptcy’ in 2001, with a cash balance of only $83 million (US), it was converted into profit, with substantial surpluses of $3.5 billion in 2006 and $6 billion in 2008.

Without its ‘true assets’ which are its people (Analoui, 1995) Indian Railways would not have achieved this ‘transformational turnaround’ in its performance (Nelson, 2006; Raghuram, 2007; George and Rangaraj, 2008; Gupta and Sathye, 2010). The Economist, (2003) reported that a special committee on the Indian Railways was quoted to have said that it was ‘one of the most studied institutions on the planet’. However the role and management of its ‘people’ in this remarkable success has never been holistically studied and is thus a topic of real research interest.

**HRM in India Literature**

Liberalisation of markets and global linkages has created a changed outlook towards human resource (HR) policies and practices in India (Budhwar and Singh 2007). India is a large country comprising numerous cultural norms and beliefs (Biswa & Verma, 2007). Also faced with the challenge of responding to the rationale of Western ideas of organisation in the changing social and economic scenario of Indian organisation, practitioners are increasingly taking a broader and reflective perspective of human resource management (HRM) in India (Chatterjee, 2007). Within newer industries like retail (Pereira and Kalakoti, 2014) and other well established sectors such
as software services, pharmaceuticals, and biotechnology, where India is seeking to assert global
dominance, the significance of HRM is being emphasised. However despite great advances in
human resource practices in India, the relevant literature on Indian public sectors remains scarce
(recent exceptions being Chakravartula and Sengupta, 2014; Kwatra and Patel, 2014, in this
journal), and more so on HRM in Indian public sectors and the Indian railways. Increasingly,
Indian organisations are able to understand the importance of human resources and have started
to take into account the motivation, commitment and morale of its workforce and hence
(Budhwar & Bhatnagar, 2010) argue that ‘people management in India is changing face’. The
objective, therefore of this paper, is to understand the ‘people side’ of IR - the world’s largest
commercial employer. The study, while looking to increase awareness of contemporary HR
challenges in India, is an attempt to first study the HR practices in the Indian Railways and
second, to investigate changes in its HR practices and the role of HR in its turnaround strategies.

Methodology

Given that the Railway Board have overall control over the entire Indian Railways, initially they
were approached for permissions and access to conduct the case study. Their advice was that the
same could be sought from the respective railway zones. Since approaching all zones would be a
very large task, a decision was made to approach those zones that would represent different
geographical areas of India. Based on this decision, access and written permissions were sought
to conduct the study on 6 of the total 16 railway zones namely (see table 1 below):

| INSERT TABLE 1 HERE |

Qualitative data collection methods were used which included interviews with personnel
managers, ethnographic observations and experiences and secondary data such as company
reports, manuals codes etc. The 30 divisions in the six Railway zones (including the six zonal
headquarters) were visited to interview senior personnel managers. These were Chief Personnel
Officers (CPO’s) in the respective zonal headquarters and Divisional Personnel Officers (DPO’s)
in the respective divisions. A total of 62 interviews were conducted. All interviews were semi-
structured, exploratory, covering the four broad HR areas mentioned above and lasting between
an hour to an hour and half.

Due to institutional, political and cultural objections by the interviewees, in some cases, the
interviews were not tape recorded, but detailed notes were carefully taken. The data was
collected between March 2009 and February 2010. A proper ‘feel’ and ‘understanding’ of the
issues, from a range of perspectives, was sought and the development of the research was
undertaken in a way that was exploratory, observatory (ethnographic) and incremental. The
observations were undertaken with the permission of those involved (Murphy and Dingwall,
2002). Secondary data such as company reports, HR policies, company brochures and
information from the web site in the form of documents such as: Indian Railway establishment
codes volume I & II; Railways Act, 1989; Railway servants (hours of work & period of rest)
rules, 2005; Railway services (liberalised leave) rules, 1949; State Railway provident fund rules; Railway services (conduct) rules 1966; Railway servants (discipline & appeal) rules, 1968; Railway servants (pass) rules, 1986; Railway services (pension) rules, 1993; Railway services (commutation of pension) rules, 1993; Railway services (extraordinary pension) rules, 1993; Various manuals and departmental codes such as.: Indian Railway establishment manuals, Indian Railway medical manual, Railway recruitment board (RRB) manual, Training manual, Vigilance manual, Finance code, Accounts code, Engineering code, Traffic code, Workshop code etc. Secondary data such as the Railway Board’s orders and clarifications (approximately 300 per annum, compiled into master circulars which are privately published) and annual Railway budget reports, were also utilised (see for example prescriptions by Hammersley and Atkinson, 1983; Cassell and Symon, 1994).

The interview questions were formulated to take into account the exploratory nature of the research to gain insights into the implementation of espoused HRM policies as well as perceptions about the HR challenges given the context of the organisation as well as incorporating a consideration of issues such as ‘management style’ and ‘organisational culture’ as these emerged as important influencing factors as the research proceeded. Although the researcher was not an employee of the organisation the achievement of ‘objective detachment’ remained an issue, particularly in the context of his previous experience in the organisation. As an Indian with previous work experience the researcher may already have been influenced by the culture and practices that were encountered; something which is difficult to assess. However, the research strategy enabled the issues to be studied in depth and a range of different factors and influences could be incorporated into the analysis (Yin, 2003). Data were analysed using Miles and Huberman’s (1984; 1994) techniques to identify themes, categories and patterns and their linkages, and later they were content analyzed (following Holsti, 1969) and interpretations were made. Direct quotes have been used to support the discussion. Finally the analysis was shared with six senior managers, to ensure its validity.

**Key findings:**

**Indian Railways: The commercial and economic angle**

Indian Railways have a state monopoly on India's rail transport (Ministry of Railways). Perhaps Indian Railways is the only railway in the world which has the privilege of presenting its own budget separately to parliament, a week before the general (national) budget. It is one of the largest and busiest rail networks in the world, transporting 18 million passengers daily and more than 2 million tonnes of freight daily (IR budget reports, 2008/09 and 2009/10). The routes cover a total length of more than 63,327 km or 39,500 miles (Source: IR budget reports, 2008/09). As of 2008, IR owned about 225,000 wagons, 45,000 coaches and 8300 locomotives and ran more than 18,000 trains daily, including about 8,984 passenger trains and 9,387 goods trains (IR budget report, 2008/09). Indian Railways is the world's largest commercial or utility employer,
with approximately 1.7 million employees. Pay and allowances of regular employees account for about 45% of the total working expenses of Railways (excluding appropriation to the Depreciation Reserve Fund and the Pension Fund- for its 1 million pensioners) - (IR budget reports, 2008/09 and 2009/10). On an average it spends Rs.520 million ($11.19 million) as expenditure on staff per day (IR budget report, 2008/09). Traffic carried by Indian Railways has exhibited optimistic growth averaging 9% per annum in case of freight and 8% in case of passengers over the last five years (Eleventh Five Year Plan report, 2007-2012). Ministry of Railways (MoR) has set itself an ambitious target of carrying 1100 million tonnes of freight and 8.4 billion originating passengers by the end of ‘Eleventh Five Year Plan’ in 2011-12.

Organisational Structure

The Indian Railways comprise 16 zones which include 67 divisions spread across the nation. Apart from this they have several Public Sector Undertakings (PSU’s) under their control and also own their own locomotive and coach production facilities. They are a self-sufficient organisation as they hold, maintain and staff their own manufacturing, maintenance, security force, schools, hospitals, housing, cooperative banks, cooperative societies and recreation clubs to name a few.

Activities at zones, divisions, production units and PSU’s are overseen by the Railway Board, under the Ministry of Railways in New Delhi. The Railway Board has six members and is headed by a Chairman. Of these one board member, called ‘Member-Staff’ has a place at the ‘table’. General Managers (GM) head each of the sixteen zones. They report directly to the Railway Board. The zones further divide into 67 divisions under the control of Divisional Railway Managers (DRM). DRM’s in turn report to the GM’s. The divisional officers of engineering, mechanical, electrical, signal & telecommunication, accounts, personnel, operating, commercial and safety branches report to the respective DRM, responsible for the operation and maintenance of assets. The Station Masters (SM), who control individual stations and the train movement through the track territory under their stations' administration, stand further down the administrative ladder- reporting to the Divisional Operating Manager (DOM). In addition to the zones, a General Manager (GM) heads each of the six production units (PU’s) who also reports directly to the Railway Board. Certain PSU’s are headed by Managing Directors (MD’s) who again report to the Railway Board.

Who manages HR?

Staffing for the above constitutes 1.4 million regular employees and 300,000 casual workers. Railway employees are classified into IV classes of which: 800,000 are class IV; 600,000 are class III & 8,500 are class I & II. Hence class III & IV constitute 99% of the total workforce- with less than 1% comprising officers and managers in class I & II.

Until 1924, there was no separate department on the Railways, to deal with staff matters. Hence ‘Executive Officers’ had to deal with staff matters. In 1946, the Railway Board decided that, on
account of great increase in the volume and complexity of labour and establishment work on the Indian Railways, a distinct Railway Service should be established, with its own cadre, to be known as ‘Establishment Department’. Seventeen candidates were recruited through Central Services Examination held in 1945 and 1947. However in 1949 the Railway Board did away with recruiting the above. Thereafter from 1956 to 1960 there were ‘Seconded Personnel Officers’ (deputed from the line) - who looked after staff/personnel matters. In 1966 the First Administrative Reforms Commission was set and it recommended that a separate ‘Department of Personnel’ should be set up. However it was only in the 1972 railway budget that it was decided that- ‘in order to cope with the modern management techniques, there must be a separate cadre for Personnel Management’ (IR budget report, 1972). From 1980 onward the Union Public Service Commission (UPSC) started recruiting Indian Railway Personnel Services (IRPS) officers. IRPS is a small cadre with around 320 officers (called Group ‘A’ officers) on roll. They are responsible for:

1. ‘Establishment’ & ‘Personnel Management’
2. Looking after the ‘Industrial Relations’
3. Administration of ‘Labour Laws’
4. Administration of ‘Welfare Schemes’
5. ‘Legal’ matters pertaining to staff and personnel
6. ‘Human Resource Development’
7. ‘Pension’ matters of more than a million retired railway personnel.

These officers are assisted by Group ‘B’ Personnel Officers (promotes from class 3 and 4), several Group ‘C’ Personnel and Welfare Inspectors, Office Superintendents & Clerks posted in different zones, divisions, production units and PSU’s all over India. Interestingly the ‘Accounts’ department is the only department which is responsible for its own staff matters- all other departments staff matters are looked after by the personnel department. Thus the personnel department and its employees constitute a fraction of its overall workforce and are responsible for all personnel and HR matters as detailed above. An interesting anecdote by an Indian railway personnel officer wherein very early in her career she was attending a HR training course alongside HR managers and directors from different private and public sectors sums this up-

‘Whilst attending this course we were asked to introduce ourselves, our position and the number of staff we were responsible for. I was one of the last few and when I heard the positions and the number of staff my fellow HR professionals in both the sectors were responsible for I was surprised- And when I said I was merely a junior personnel officer for the Indian railways responsible for a small division comprising 60,000 staff, everyone else was stunned and asked if this was really true?’ –Personnel Manager (Western Railway)

Thus, this portrays the vastness and the colossal scale of managing people in this organisation.

Recruitment and Selection
Being a bureaucratic organisation there were fixed promotion or advancement routes. IR classifies its employees in four groups. The ‘gazetted staff’, comprising classes I & II, are officers selected through a national selection board which is common for all civil services, namely the Union Public Service Commission. Class III officers are clerical and supervisory staff, while Class IV constitute technical and other maintenance staff - both these groups are referred to as ‘non-gazetted staff.’ Also each ‘class’ of employees had different recruitment procedures and routes. The selection procedure is explained through the following quote.

“Selection to class IV posts is by the railway administrations through Selection Boards. Employment Notices are issued locally and the assistance of the local Employment Exchange is sought for getting adequate number of suitable candidates. Class III posts are usually made through the Railway Service Commissions by open competition on all India bases. Group 'A' and 'B' Officers (Class I & II) is through a competitive examination held by the Union Public Service Commission (UPSC – Civil services). Promotions from the lower grades are based on 'seniority-cum-suitability' & in higher grades it is by 'selection on merit only’”- Personnel Manager (Central Railway)

For all the above posts a stringent medical examination is carried out by the railway doctors in railways hospitals- prior to final appointment. Interestingly it was seen that there was an emphasis on character and antecedents of potential employees as these are also sought. Comprehensive training at the initial/induction stage is compulsory. Most positions have one year probation- though this varies for departments and positions.

The following is an overview of the different recruitment and selection routes to officers in different departments/branches or disciplines as class I & II officers:

**The Indian Railway Traffic Service:** This branch of the Indian Railways looks after transportation and commercial matters pertaining to transportation. The branch is therefore divided into two divisions:

- **The commercial division:** This division handles all commercial responsibilities like ticket checking, catering, administration and management of stations, reservation, announcements on the platforms, marketing, public relations etc.
- **The operations division:** This division deals with controlling movement of trains. Keeping a check on incoming and outgoing trains, detachment or attachment of wagons, etc., are the responsibilities of this division. The posts and promotions differ slightly as per the selection grade. When an officer reaches the senior administrative grade, he or she is given the post of Chief Commercial/Operations Manager.

**India Railway Accounts Service:** This branch of the railway services is engaged in handling the accounting and finance operations of the Indian Railways. Working in this branch would entail dealing with financial transactions and hence a thorough knowledge of accounting procedures and related practices would prove an asset for officers who opt for this branch of the Indian Railways. An officer in the senior grade is given the charge of a zone and the post of a Financial...
Advisor-cum-Chief Accounts Officer. At this post, the officer carries the overall responsibility for accounts for the whole zone.

**Indian Railway Personnel Service:** As the name indicates, officers in this division handle all matters related to HR and personnel such as recruitment and selection, promotions, training, welfare activities, transfers, increments, disciplinary actions and the like.

**Railway Protection Service / Railway Protection Force (RPF):** This branch of the Indian Railway services is entrusted with the task of maintenance of law and order on trains and on premises owned and used by the Indian Railways. They are also entrusted with the complete safety of all railway assets and staff. Each zone’s Chief Security Commissioner is responsible for recruitment and selection of ‘inspectors’ and ‘constables’ in the RPF. The top officers in the RPF are deputed from the Indian Police Services (IPS), a branch of the Union Public Service Commission (UPSC) - the civil services of the country.

**Railway Engineering Services:** This is the technical side of the railway services and is engaged in activities like construction and planning of railway tracks, bridges and buildings. There are branches in this division like the Indian Railway Service of Electrical Engineers and the Indian Railway Service of Mechanical Engineers- to name a few. For the selection of mechanical engineers, a ‘Special Class Railway Apprenticeship’ examination is held. The chosen candidates are given four-year probationary training.

**Indian Railway Medical Services:** The appointment of Doctors for railway hospitals as Assistant Divisional Medical Officers, Divisional Medical Officers, Specialists Surgeons, Assistant Divisional Dental Surgeons/Divisional Dental Surgeons and Miscellaneous gazetted categories directly connected with Railway Medical Services are through a Combined Medical Services Examination. Vacancies are calculated and indents placed with the UPSC for medical recruitment in Group ‘A’ for the Railways. In certain cases part-time general duty doctors and part-time specialists are appointed from the open market.

Recruitment to class III and in some cases class IV in the Indian Railways is on a national basis through the Railway Recruitment Board (RRB). Currently there are 19 RRB’s across the country. The same are: Ahmedabad, Ajmer, Allahabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Gorakhpur, Guwahati, Jammu & Srinagar, Kolkata, Malda, Mumbai, Muzaffarpur, Patna, Ranchi, Secunderabad, Thiruvananthapuram.

In 1998 the Ministry of Railways (Railway Board) set up the Railway Recruitment Control Board (RRCB) with the following objectives:

- Formulation of policy in regard to recruitment procedures.
- Monitoring the activities of all Railway Recruitment Boards (RRBs) including expenditure incurred for recruitment.
- Evaluating the performance of RRB’s, and advise them on priorities.
- Organising and managing information system for monitoring the work done by RRBs.

The process is explained by a respondent below.
A typical recruitment process would involve a railways division sending a requisition for vacancies to the RRB’s. The RRB then allocates schools for exam centre and dispatches question paper through selected agencies. The respective divisions then execute exams and the evaluation set is given to the agency..... They then dispatch the results directly to RRBs who in turn publish the result online.’ -Personnel Manager (North-Central Railway)

It was learnt that recently there have been demands from various regional political parties and people to employ regional or local candidates. This highlights the tensions of regionalism in this diverse country.

Apart from the above recruitment and selection route, Indian railways encourage sports persons with outstanding and recognised national and international track who could represent them in their respective field of sport. Another unique concept within the Indian Railways is the ‘compassionate appointment’ of a dependent child i.e. son / daughter or wife (above 18 years, subject to basic fulfilment of employment conditions), on the death of an employee. It was also reported that there has been an increased transparency in recruitment and selection leaving less scope for corruption and malpractices. Similarly current job openings / vacancies were reported to be posted on the IR website.

IR took workforce planning very seriously. It has witnessed dynamic changes in technology and modernisation, electrification, computerisation, mechanisation of track maintenance etc- to name a few. These again are taking place at an electric pace and to meet the challenges of its traffic requirements, increased competition and changing environment, systematic workforce planning is seen to be essential. In response to this the Indian Railways carry out a category-wise analysis of staff, to identify surplus staff and to arrange required categories of manpower. This as one officer puts it- ‘adjusts the surplus in one category to other categories, where there is demand...manpower planning ensures that the existing manpower is utilised to the maximum possible extent. Due to automation and modernization, the reduction in the total employee strength has been approximately 1% per annum....the total employee strength on roll has reduced from 1.7 million employees in 1999 to 1.4 million in 2009 and is projected to reduce to 1.0 million by 2012’. -Personnel Manager (North-Eastern Railway)

Thus, overall in the context of recruitment and selection in the Indian railways, there was evidence of it being highly formalised and structured. This was again for reasons of its size, vastness and complexity of operations.

Training and Development

All new recruits undergo training when they join. Gazetted officer’s train at the following seven ‘centralised training institutes’ (CTI’s):

- Railway Staff College, Vadodara.
- Indian Railways Institute of Civil Engineering, Pune.
Gazetted officers also undergo management training courses both in India and abroad. In India these are held at the prestigious Indian Institutes of Management (IIM’s). Recently IR has signed a five year contract with HEC Paris, a global business school. HEC Paris will provide international learning programs to IR’s middle and senior management and will become Indian Railway's biggest supplier of external learning for managers. Training needs of IR staff is explained through the following quote.

“The training needs of non-gazetted staff are being taken care of by approximately 200 training centres located over IR. These training institutes and centres specialise in various functional training based on the different functions or departments. For example- for operating staff there are drivers training, guards training, motormen training etc. Apart from receiving training when they start out in their careers railway personnel also receive periodic training in the form of refresher courses or when new methods or technology are introduced.” –Personnel Manager (Central Railway)

The identification of a training need was seen to be the outcome of performance appraisal which was an annual exercise. An annual ‘Training Calendar’ (calendar year – January to December), is planned at the Board level, which is then percolated to the different zones and respective zonal training centres. This training calendar is rolled out every 5 years. The zonal training centres request for nominations from the divisions and schedule the training. The nominations are then sent from the divisions to the HQ and the zonal training centres for administration of training to the employees on the said date.

It was learnt that a few employees at all levels in the Indian Railways resist training outside their respective division / HQ, as they are required to stay away from their families till the duration of the training is completed. Hence employees prefer in-house training to outstation training at the zonal training centres. However training attendance is compulsory for all technical ‘running staff’, i.e. staff associated with running of trains. An officer said-

“The duration of training programs maybe from 2 days to 15 months, where to delve into 1 subject, there are at least 6 to 7 sub-category training programs held. A training centre is a place where employees experience sharing of information with other employees. This widens their learning experience”- Personnel Manager (South Central Railway)

Post training, the training centres conduct examinations- both written and practical- to measure the effectiveness of training. It was also learnt that another way the railways measure
effectiveness of a training program is the practice of a ‘Simulation Exercise’ as is practiced in the Sabarmati locomotive maintenance section in the state of Gujarat. The ‘Running’ Staff are expected to undergo a ‘Simulation’ test where their abilities to run a train are tested. Here in the words of an officer- ‘They will be allowed to operate the trains only if they pass in the simulation test’. The Sixth Pay Commission has also introduced training programs such as ‘Train the Trainer’, wherein employees trained at the zonal training centres may train staff internally at the division.

Thus overall learning, training and development were available at all levels. It was also paramount for the organisation as it concerns transportation and hence safety.

**Compensation and Benefits**

The structure of emoluments and conditions of service of railway employees, like those of other Central Government employees, are reviewed periodically by the ‘Pay Commissions’ appointed by the Government from time-to-time. All employees on rolls of the regular establishment of the Railways are placed on time scales of pay, in which they draw annual increments as a matter of course except on reaching an ‘efficiency bar’. ‘Allowances’ are related to the cost of living index (as in the case of Dearness allowance). Employees are also compensated on account of unusual working hours or special nature of duties (such as night-duty allowance or running allowance), or inhospitable or expensive place of posting (such as bad climate allowance, hill allowance, house rent allowance, city compensatory allowance). The rules governing the pay and allowances, leave entitlement, retirement-cum-death benefits, etc., of railway employees are collectively known as the ‘Establishment Rules’, and are embodied in the Indian Railway ‘Establishment Codes’ and the Indian Railway ‘Establishment Manual’. Permissible deductions can be made from the wages of an employee in the form of Income tax; Employees State Insurance; Provident Fund; Death-cum-retirement fund. A historical perspective of this reward system is provided through a quote by a respondent below.

‘To increase the productivity of workshops and Production Units and creating incentive for the employees and their supervisors, an incentive scheme like a Performance Related Pay (PRP) has been in existence on the Railways for a number of years. It was initially introduced in Chittaranjan Locomotives. Time is the yardstick for measuring the work and productivity. ‘Allowed time’ is fixed after a detailed time study and includes allowances for fatigue, general handling, etc., extra allowance to enable a workman of average ability to earn 33-1/3 per cent over and above his basic wages.’- Personnel Manager (South-Central Railway)
The hours of work, periodic rest and overtime entitlement of all railway employees (including casual workers, except those employed in the workshops or on the ferries) are governed by the Hours of Employment Regulations (H.E.R.).

The genesis of the H.E.R. dates back to the Indian Railways (Amendment) Act, 1930 which was enacted to implement the provisions of Washington Convention No. 1 of 1919, ratified by the Government of India in 1921, and Geneva Convention No. 14 of 1921 which was ratified by the Government of India in 1923. In 1956, the Indian Railways Act was amended by the introduction of Chapter VI-A, and in 1961, the Central Government framed rules under Section 71-E of the same Act and these rules were published under the title ‘Railway Servants (Hours of Employment) Rules, 1961’.

Having an enormous staff on its rolls, it would always be a challenge to service payroll. On an average the Indian railways spends Rs.520 million ($11.19 million) as expenditure on its staff per day (IR budget report 2008-09). Payments however are made on a monthly basis. The mode of payment is through banks and in some circumstances paid in cash. All gazetted staff is paid through banks but non-gazetted staff can opt for cash or bank payment. The management though encourages bank payments, but practically this is not seen to be possible with the vastness of its operations, especially for employees posted in rural or remote places.

Railways were the first departmental undertaking of the Government of India wherein the concept of Productivity Linked Bonus (PLB) was introduced, as is explained by a respondent below.

The main consideration at that time was the important role of the Railways as an infrastructural support in the performance of the economy as a whole. In the overall context of railway working, it was considered desirable to introduce the concept of PLB as against the concept of ‘Bonus’ on the lines of ‘The Payment of Bonus Act – 1965’. Even though the Payment of Bonus Act does not apply to the Railways, yet the broad principles contained in that Act were kept in view for the purpose of determining the “Wage/Pay Ceiling,” definition of ‘Salary’/’Wage’, etc. -Personnel Manager (Western Railway)

The PLB Scheme for the Railways came into force from the year 1979-80 onwards and was evolved in consultation with the two recognised federation’s viz. the ‘All India Railwaymen’s Federation’ (AIRF) and the ‘National Federation of Indian Railwaymen’ (NFIR)-with the approval of the Cabinet. The scheme envisages a review every three years.

The recent Sixth Central Pay Commission (CPC) has recommended that all Departments (including the Railways) should ultimately replace the existing productivity linked bonus schemes with Performance Related Incentive Scheme (PRIS) (Source: Sixth CPC report). It also

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1 For the purpose of hours of work, the Railway employees are classified as “intensive”, “continuous”, "essentially intermittent" and "excluded": (see details of classifications in Annexure)
stated that in places where PLB is applicable and it is not found feasible to implement PRIS immediately, the existing productivity linked bonus schemes may be continued in a modified manner where the formula for computing the bonus has a direct nexus with the increased profitability/productivity under well-defined financial parameters. In respect of the Railway’s PLB scheme, the Sixth CPC in their report have opined that a new formula for computing PLB that is based on financial parameters and where profit is computed as per the established principles of commercial accounting, wages with appropriate adjustments for increases, the impact of the capital investment, element of subsidy, etc. needs to be devised in case the PRIS is not implemented immediately in Ministry of Railways.

The Government on the said recommendations of the Sixth CPC relating to the PLB schemes has decided to examine the same separately. However, the recommendation regarding PRIS has been accepted by the Government. Thus individual Ministries/Departments are required to devise PRIS in accordance with their own organizational structure and need as per guidelines to be issued by the nodal Ministry.

Productivity linked Bonuses (PLB) are paid to all Class III and IV staff on the Indian Railways. In 2008 they were paid 73 day’s pay & 75 days in 2009 - (1.38 million employees were on the rolls in 2008 and 1.35 million in 2009: Source: IR Budget report 2008/09). PLB is based on the productivity indices reflecting the performance of the Railways. The financial implication of payment of 75 days’ PLB to railway employees has been estimated to be $192 million. This is normally paid to employees in the month of October before the Hindu festival of ‘Dushera’, which comes before the festival of ‘Diwali’.

The Ministry of Railways plans to procure a Human Resources Management System (HRMS) and other modules for integrating and automating its payroll, accounting and pension functions. Indian Railways aims to have a centralised system for managing its staff better. The organisation plans to spend around $1.5 billion over the next two to three years on technology. IT giants such as Wipro and Tata Consultancy Services are seen to be competing for this contract.

Interestingly and which is opposite to the plan to outsource as seen above- is a recent development initiated by the Ministry of Railways- to automate in-house all operational and personnel practices and elimination of the age-old manual and paperized ‘Record System’ of maintaining employee records. It proposes to automate the entire Indian Railways system, with a centralized Enterprise Resource Planning (ERP) system. Some of the recommendations of this proposal are to automate/computerize:

Annual Confidential Report (Performance Appraisal Report); Leave Management; House Building Advance loans; Provident Fund Advances; Pay Bill Processes; Promotion Processes; Training Management; PC / Car / Scooter Advances; Recruitment; Transfers; Grievances; Penalties; Retirement Management; Staff Benefit Fund; Court Cases; Holiday Homes.
It is proposed to make this system totally user-friendly and operational in 3 languages such as English, Hindi and the respective regional language of the state e.g.: Marathi in Maharashtra, Gujarati in Gujarat and so on. This will bring about integration of data at a national level, though there does exist some resistance from the employees to accept this system, due to fear of job losses and security. It has the possibility to be implemented as a centralized all-India ERP system, for central access to all Personnel and office related information, with a central monitoring mechanism.

Currently each division or headquarter may have its own in-built internal Personnel Management system. Thus there is no link between systems. Western Railway HQ currently has two internal Human Resource Information Systems (HRIS) namely:

1. Personnel Management Information System (PMIS) - which will cover all employee related information such as Cadre Strength; Promotion; Posting; Staff on Roll; Rosters; Leave Records and so on.
2. PRIME system- which is used for Payroll, Settlement and Income Tax related information.

A Western Railway officer informed the author that- ‘In Bilaspur division of the South Eastern zone, the PMIS System has been integrated with the PRIME’. It was also widely felt by the officers that- ‘In the Indian Railways an overall ERP implementation impact will be seen within the next 5-8 year’s timeframe’. The Western Railways has been chosen by the Ministry of Railways for pilot implementation of ERP implementation at a national level. The Railway Board plans to commence operations of the ERP system by planting computer Kiosks at various stations and terminals across India. This work has already commenced with creation of employee – related service kiosks at various divisions of the Indian Railways. These kiosks allow the employees to easily access their service related information instead of approaching the personnel department to resolve even the smallest queries. It is also proposing to launch a ‘Call Centre’ to manage internal customer (employee) related queries.

Over the years the Indian railways reduced the staff on payroll from about 1.58 million in 1999 to about 1.41 million by 2006, down 0.17 million or 10 percent. This resulted in the decline of overall expenditure by at least $431.22 million in 2006, compared to what it would have been had the staffing levels been comparable to those in 1999. In 1998, due to the impact of the Fifth Pay Commission the expenditure on staff and pension payments increased by almost 35 percent in just one year. The following table 2 shows the expenditure on wages, growth rate and staff numbers for the period 1996 to 2008:

**INSERT TABLE 2 HERE**

In summary, pay and conditions within IR was seen to be a complex structure. Again given the size, scale and vastness of its operations, it was commendable how this was managed.
Management and Organisational Culture

It was learnt that as in the case of any other Indian government service, a person chosen to work in this field should as one officer put it have ‘the willingness to work in a predetermined hierarchy’. Unlike the private sector, hierarchy is adhered to quite closely in the government sector. As the railways are always on the move so are many of its employees. Railway personnel, it was learnt, ‘should be prepared to spend time away from home and family’. The railway employees are responsible for the safety of the passengers and their belongings- This sense of responsibility, it was learnt, ‘governs each and every action of railway employees’. Care is also taken they do not compromise passenger safety in any manner. In the course of duty, railway employees are seen to interact with many people and hence it was learnt are seen to be ‘flexible enough to be able to adapt to different situations and different people’. But while doing that they are governed by an ‘inner discipline’, which ensures that they stick to their responsibility towards railway users and the department.

IR was also seen to be an employer with many attractions. IR employees enjoy fringe benefits such as free passes and concessional tickets to travel the length and breadth of the country. These cover the employee and his / her dependent family at all levels. Officers often quoted that these were seen to be factors that ‘attracted them to join the railway service’. Another ‘motivational’ or ‘pull’ factor to join the railway service, it was learnt, is the ability to maintain a ‘work-life balance’ in comparison to the private sector and also an opportunity for a fixed ‘career progression’. Hence though the remuneration is lower than in the private sector, railway employees enjoy ‘job security’ at all levels except under exceptional cases in an otherwise highly volatile job market. The low level of staff turnover is evident from the number of pensioners which is a staggering one million, which almost equates to the number of serving employees. It was also learnt that in the current economic climate there has been an increase in the number of applications for jobs as it is seen as a ‘job for life’.

Inevitably, the multifarious spheres of railway operation impose certain responsibilities and obligations on the railway employees. All railway personnel are expected to observe a general code of behaviour as embodied in the relevant conduct rules in regard to various matters such as:

1. Employment of near relatives in private undertakings enjoying government patronage
2. Joining of associations or unions
3. Indulging in criticism of Government and unauthorised communication of information
4. Maintaining and furnishing a record of movable and immovable assets

As an employee of Central Government in the Ministry of Railways or in the Railway Administrations, a railway worker is expected to be a ‘good, honest and conscientious member of
In summary, hierarchy and discipline were seen to be taken very seriously at IR. Again the size, scale, vastness and complexity of the organisation have over time led to the prevalence of this culture.

Conclusions

The study set out to increase the awareness of contemporary HR challenges in India, by attempting to first study the HR practices in the Indian Railways. Evidence from the study suggests that recruitment and selection was seen to be rigorous, structured and formalised. The Indian Railways are an attractive job proposition, seen as an employer of choice where millions vie for a job. They have decent pay grades and the latest sixth pay commission have announced certain policies that would attract and retain talent. Identification of future staff needs and rightsizing by ‘benchmarking’ and ‘workforce-planning’ were proactive and strategic steps on part of the railways and have added value to the bottom line of their financial performance. Training was seen to be very important and available at all levels. It is seen to be an investment and not a cost. Apart from internal training centres, the Indian Railways also train their staff at national and international institutes of repute. It also became clear that highly quality trained and skilled staff was as asset.

It is common knowledge that ‘pay’ is an important ingredient and a key motivator for staff. This is especially difficult to manage within a large PSU such as the Indian Railways. The fifth and sixth Pay Commissions realised this and have designed the pay packets of the Railway staff accordingly. Hence it is not surprising that it was during this period that the financial turnaround in its performance took place. There are also important and interesting changes taking place in terms of payroll management. The Indian Railways plan to outsource their payroll. Interestingly they are implementing ERP systems for improved and efficient services. However both these, and not surprisingly, are being resisted by the personnel staff due to fear of job losses and redundancies. Another interesting aspect is the rising payroll/cost on staff and pensions bills-which is seen to directly affect its finances. This it was seen is offset by a 1% annual reduction in staff, as was seen in the study. It would be interesting to follow this in the future.

In terms of the second objective of this study, i.e. to investigate changes in the Indian railways HR practices and the role of HR in its turnaround strategies, evidence suggests that there was an evolution of HR practices over a period of time. Thus, recruitment and selection is now more transparent, leaving less scope for corruption. The last two pay commissions have increased the pay levels of all employees substantially. They have also introduced several strategies to attract and retain key talent. Some of them include substantial pay hike, personal development initiatives which include for e.g. a 2-year study leave and a 2-year child-care leave for female employees. More and more emphasis is being placed on quality training both nationally and
internationally. Safety is paramount as the accident levels within the Indian Railways are always a challenge. Also, the latest management practices such as benchmarking within its workforce management, supply chain management, operations management, logistics management— to name a few—are being introduced in the railways. They are shedding their image and culture of a typical PSU as the benefits of a global economy are seen to be trickling down. The officers said they want to be seen as a professional and transparent organization (The RTI—‘right to information act’ has now been in force in the Indian Railways) as they are now seen to be on the global stage with the world’s eyes on them.

In terms of comparing and contrasting the HR practices geographically, no major differences were found. There were some cultural differences between the Railway zones. In the North the national language Hindi was used more than English. In comparison, South and West/Central zones were more comfortable with English language. To solicit responses questionnaires had to be translated in Hindi for the North zone. The West/Central zones were also seen to be more technologically advanced— the evidence being West/Central zones are the first to use touch screen kiosks, where employees can check the status of their provident fund, loans, savings balance etc. Also the Western Railways were chosen as the first for the ERP systems project which is planned to be implemented on all zones.

Thus overall, this paper contributes to HRM in India (Budhwar and Bhatnagar, 2010), and more specifically to HRM in the world’s largest commercial employer, the Indian railways.

Reflections

The seeds for this idea, the first large scale case-study research on HR practices in this very large organisation, were sowed in 2009. The society for HRM (SHRM), USA, through its Indian operations, got in touch with the author, and after deliberations it was decided to undertake this study. Both were aware that this would be a mammoth task. Detailed planning went into creating a strategy in approaching this case-study research analysis. A review of previous literature showed studies that looked at different aspects of the Indian railways— its performance strategies, its sourcing strategies, bits and pieces of its management functions and styles etc. But there was never a holistic study into its HR practices. It was also known that it would not be possible to cover all and everything—in one go. However the plan was to cover most in terms of content and context and since there were no similar studies, it needed to be exploratory in nature. Looking back this has been a long journey into the world of the largest staffed commercial organisation and a lot has been achieved. Also now that it has materialised it brought to light various challenges, some expected some unexpected. The vastness and spread of IR’s operations, the intricacies and complexities of its working and operations, its unique culture etc., are just a few. However the fact that thousands around the world would now be aware and learn of the HR practices in the world’s largest commercial employer is a source of satisfaction to the author. It was also realised, though the Indian Railways is a commercial enterprise, albeit a Government PSU organisation, it is also very much what one officer called a ‘social cause’— where 1.3 million
people are gainfully employed with a ‘job for life’. This translates into a stable and better society and adds value to the economy. A great deal of data has been collected so far, but in many ways this is no more than the ‘tip of the iceberg’: the scope for further research is enormous.

Acknowledgements

This paper is an outcome of a larger study sponsored by the Society of Human Resource Management (SHRM), USA

ANNEXURE

1. The employment of a railway servant is said to be "continuous" except when it is excluded or has been declared to be essentially intermittent or intensive (shall not be employed for more than fifty-four hours a week on an average in a two-weekly period of fourteen days);
2. The employment of a railway servant is said to be "essentially intermittent" when it has been declared to be so by the prescribed authority on the ground that the daily hours of duty of the railway servant normally include periods of inaction aggregating to fifty per cent or more (including at least one such period of not less than one hour or two such periods of not less than half an hour each) in a tour of twelve hours duty (on the average over seventy-two consecutive hours), during which the railway servant may be on duty, but is not called upon to display either physical activity or sustained attention (shall not be employed for more than seventy-five hours in any week);
3. The employment of a railway servant is said to be "excluded", if he belongs to any one of the following categories, namely:-
a) Railway servants employed in a managerial or confidential capacity;
b) Armed guards or other personnel subject to discipline similar to that of any of the armed police forces;
c) Staff of the railway schools imparting technical training of academic education;
d) Such staff as may be specified as supervisory under the rules;
e) Such other categories of staff as may be prescribed.

4. The employment of a railway servant is said to be “intensive” when it has been declared to be so by the prescribed authority on the ground that it is of strenuous nature involving continued concentration or hard manual labour with little or no period of relaxation (shall not be employed for more than forty-five hours a week on an average in a two-weekly period of fourteen days).

<table>
<thead>
<tr>
<th>Zone</th>
<th>Headquarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Railway</td>
<td>Mumbai</td>
</tr>
<tr>
<td>Central Railway</td>
<td>Mumbai</td>
</tr>
<tr>
<td>North-Eastern Railway</td>
<td>Gorakhpur</td>
</tr>
<tr>
<td>North-Central Railway</td>
<td>Allahabad</td>
</tr>
<tr>
<td>South-Western Railway</td>
<td>Hubli</td>
</tr>
<tr>
<td>South-Central Railway</td>
<td>Secunderabad</td>
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Table 1: Studies Zones and its Headquarters
<table>
<thead>
<tr>
<th>Year ending March</th>
<th>Wage Bill ($ millions)</th>
<th>Growth rate (%)</th>
<th>Staff Numbers (‘000)</th>
<th>Wage Staff per annum ($)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>2018.758</td>
<td>15.92</td>
<td>1587</td>
<td>1,265</td>
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<td>1,424</td>
<td>12.51</td>
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<td>1579</td>
<td>1,922</td>
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<td>2,124</td>
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<td>2000</td>
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<td>4.34</td>
<td>1577</td>
<td>2,218</td>
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<td>2001</td>
<td>4062.398</td>
<td>15.61</td>
<td>1545</td>
<td>2,616</td>
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<tr>
<td>2002</td>
<td>4142.755</td>
<td>1.98</td>
<td>1511</td>
<td>2,730</td>
<td>4.27</td>
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<td>3,643</td>
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<td>3,992</td>
<td>7.05</td>
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</tbody>
</table>

Table 2 Expenditure on wages, growth rate and staff numbers for the period 1996 to 2008
(Source: Various Reserve bank of India Bulletins, Various Railway Budgets & Reports)
(Note: These are approximate figures. The exchange rate- INR Rupees to US Dollars is as was on May 2012)

References


Indian Express, (2010)


Indian Railway Finance Corporation (IRFC) website


