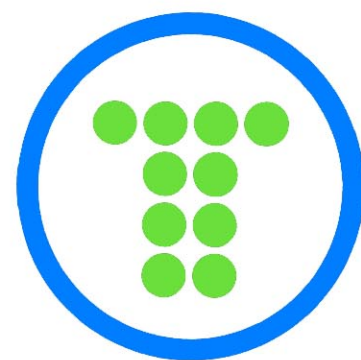


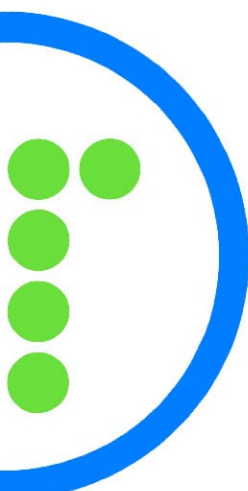
HUMAN RESOURCES AND LABOUR RELATIONS



*Main Entrance
of the Madrid-Colón
Building*



OBJECTIVES



The main human resource management objective in 1985 has been adaptation to the new technological, organizational and service environment in the Company. In this sense, on the basis of a more solid organization and information policy, priority was given to optimum human resource assignment as a function of Company objectives and increasing staff motivation and integration.

Progress was made in this context for planning the improvement, expansion and systematization of the information bases. The **1986-1990 Human Resource Plan** articulates a set of ambitious actions and a guideline framework for staff trends on the basis of strategic objectives for the five-year period, to face up to the challenges that the immediate future holds.

PRODUCTIVITY TREND	
YEAR	Revenue from services/employee (millions of Pesetas)
1981	3.38
1982	3.97
1983	4.73
1984	5.56
1985	6.27

Within the framework of the Social and Economic Agreement (AES), the **XIII Collective Wage Agreement** was signed on March 1, 1985, covering two years and constituting a major step in modernizing labour relations, technifying evaluation procedures and selecting and reducing rigidity in contracting mechanisms and the functional adjustment of labour groups.

The most outstanding aspects of this XIII Collective Wage Agreement are summarised below:

Economic Aspects

- 7.5% increase in overall wages and salaries in 1985, with a review clause for possible deviations in the R.P.I. forecast which, at the end, of the year, was translated into an additional increase of 1.18%. A proportional increase was established for 1986 for all staff levels as a function of the forecast R.P.I. for that year. The character of these salary increases will impede the gradual closing of the salary range and facilitate adaptation to market conditions.
- Freezing of the accumulated seniority bonus, applying the amount that would have been assigned to increase this item to the basic salaries, in order to promote a professional approach among staff.
- Rationalization of expenses and implementations of a single level for all staff categories.

Employment

- Maintenance of the level of employment, involving the creation of as many permanent jobs as retirements.
- Introduction of new "training" and "industrial experience" contract modes, as established in the Social and Economic Agreement (AES). To this end an Agreement with the Ministry of Work and the National Employment Institute (INEM) was signed, in which the company undertook to accept 5,103 people applying for their first job, in the con-



tract modes mentioned. In the first phase, covered in 1985, 2,512 contracts have been signed for different staff categories throughout the company's area of operations.

- Increased flexibility in high level staff contracts by including a clause to this effect in the Agreement.
- Collaboration commitment on searching for solutions to the employment problem in the sector. This commitment was instrumented with the ITT-**Telefónica**-Government-UGT Agreement by which a number of employees from the ITT Group of Companies were provided with a means of access to **Telefónica**.

Labour Groups

The need to adapt human resources to new service and technology requirements and to promote commercial management, made it recommendable to create new labour categories with better qualifications and wider ranging characteristics. The new labour categories established are: Commercial Promoter, Sales Agent, Auxiliary Plant and Network Technician.

STAFF EXPENSES TREND	
YEAR	% of Revenue from Services
1981	48.0
1982	47.1
1983	44.2
1984	41.3
1985	39.9

As a summary of our staff characteristics and of human resource management in general, the following headings could be mentioned:

- At the beginning of the year, the Company's staff comprised **62,817 employees in service**. Throughout the year, 1,005 direct permanent jobs were created to cover retirements that took place, giving a final number of employees of 62,790, basically similar to the initial figure. Temporary job contracts under the Social and Economic Agreement (AES) modes mentioned above are not included in this figure.
- The staff increased its level of **qualification** with the substitution of retirements and promotions in some relatively unqualified groups by people with medium and high level qualifications. At the year end, the University-Qualified Staff and the Auxiliary and Technically-Qualified Staff represented 8.3% of total employees, as opposed to 7.4% the year before.
- Average staff age is **38.9 years old** with a seniority of 16.6 years, which guarantees us a young staff with experience arising from their stability in the Company.
- There was a **37.5 hour working week** for all labour groups and categories.
- Absenteeism fell again in 1985 to **11.8 working days lost** per employee and year; the lowest figure for the last five years.
- Productivity, expressed as gross revenue from services per employee, was **6.27 million pesetas**, a considerable increase over 1984.
- The ratio of staff expenses to revenue from services continued to fall, at **39.9%**.





The main activities of the Training Department in 1985 are as follows, expressed in figures in the corresponding table.

a) Diagnosis and Selection Activities

The following selection processes have been carried out:

- Notices under the Annual Employment Plan.
- **Telefónica**-INEM (National Institute of Employment) Agreement.
- **Telefónica**-ITT Agreement.
- Temporary Contracts.
- Functional Scale of experts.
- 4th Clause (XIII Collective Wage Agreement).

Furthermore, a collaboration project has been implemented with the Complutense University for Selection model design and validation.

b) Training Activities

An effort has been made to cover priority requirements with the resources available, emphasizing the following aspects within a general increase in activity compared to the previous year:

- 1.º **The systematization** initiated in 1985 for Management training.
- 2.º **The development** of basic levels that allow evaluation of different training activities to be instrumented.
- 3.º **The increase** in courses given and pupils trained by **Telefónica** for Advanced Technologies, when compared to other companies.
- 4.º **The development** of education technology with respect to Computer-Assisted Training and Audiovisual Facilities.

Furthermore, a collaboration project has been implemented with the University to validate and implement a home study methodology, developing the concept in preparatory courses for access to

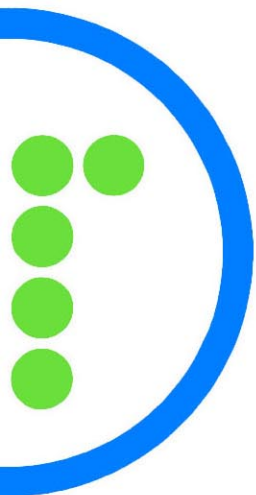
the Auxiliary Plant and Network Technician Labour Group.

Under the heading of Social Affairs, in 1985 the policy of rationalizing auxiliary staff services has been intensified, on the basis of profitability and equality criteria.

The following services have been negotiated:

- Social, cultural and sports activities.
- Holiday plans.
- Company shops and membership of consumer organizations.
- Study Aids and Assistance.
- Guarantees and assistance for housing purchase.

ABSENTEEISM INDEX	
YEAR	Working Days Losts per Employee
1981	13.2
1982	12.9
1983	13.5
1984	12.2
1985	11.8



TELEFONICA STAFF DISTRIBUTION

By Departments	1985	By Labour Categories/Groups	No. of Employees Dec./1984	No. of Employees Dec./1985	Average Basic Salary in 1985 (Pesetas)
Basic Equipment	13,428	Office managers	478	576	2,023,786
Special Equipment	1,157	University-Qualified Staff	1,695	1,945	2,525,033
Manual Services and Cont. C.	3,560	Auxiliary and Technically-Qualified Staff	2,959	3,241	1,979,005
External Plant	5,608	Draughtsmen and photographers	232	254	1,477,936
Internal Switching Plant	8,285	Technical Operators and Plant Supervisors	7,331	7,278	1,609,437
Construction	4,801	Mechanical Fitters	4,616	4,329	1,407,623
Real Estate	2,199	Network Group and Gang Foremen	2,515	2,656	1,606,828
Subscriber management	4,741	Linesmen, Spicers and Drivers	19,971	19,399	1,404,745
User Information	1,640	Administrative Supervisors	1,091	1,102	1,686,778
External Plant Engineering	1,293	Subscriber Ser. Represent. and Supervisors	2,566	2,656	1,487,460
Billing	1,512	Administrative Staff	8,680	8,677	1,407,271
Internal Transmission Plant	3,366	Operation Supervisors and Managers	730	686	1,499,074
Procurement and Supplies	1,320	Operators	5,488	5,337	1,391,126
Labour Relations	1,130	Warehouses, Trades and Vehicle Maintenance	1,185	1,252	1,329,956
Operations (I. T.)	1,443	Auxiliary Staff	1,219	1,219	1,267,690
Other Departments	7,307	Radioteleg., Radioteleph., Telegraph Operators	52	45	1,455,004
TOTAL STAFF IN SERVICE	62,790	Categories being phased out	20	19	1,657,020
Staff Temporarily off work (on leave, illness, etc.)	3,871	Systems Analysts and Engineers	122	141	2,365,127
		Programmer-Analysts and Programmers	257	264	1,897,457
TOTAL EMPLOYEES	66,661	I. T. Operators and Assistants	1,610	1,714	1,505,261

93



Training Activities		
TYPE OF COURSE	No. OF COURSES	No. OF PUPILS
Recycling and Perfectioning	4,074 (1)	43,326 (1)
Initial Training and Promotion	104	3,572
Management	22	326
Languages	—	242
Advanced Technologies:		
• Switching Area	85	784
• External Plant and Transmission Area	13	194
• Telematics Area	13	176
TOTAL	4,311 (2)	47,620

(1) Two staff training campaigns have been carried out in 1985 for Technical Assistance on Basic equipment with 20,897 pupils.

(2) Including courses given by Consultancy Companies.