



**THE HONG KONG DEMOCRATIC FOUNDATION
SUBMISSION IN RESPECT OF
TERMINATION AND LONG SERVICE PAYMENT
OFFSET AGAINST EMPLOYER'S MPF CONTRIBUTIONS**

Employee Termination Compensation

The Hong Kong Democratic Foundation is of the opinion that compensation in respect of employee termination is solely the employer's responsibility and there should be no allowance for this to be offset against the employer's MPF contributions for the employee concerned.

Long Service Payment

In the view of the Hong Kong Democratic Foundation, logically the introduction of the MPF should have replaced the long service payment and it should have been abolished at the time of the introduction of the MPF.

Since, in practice, the long service payment is rarely made as a separate payment to a retiring employee, due to the offsetting mechanism, the Hong Kong Democratic Foundation believes it is appropriate for this to be abolished, but as compensation the employer's MPF contribution should be increased by 2.5% to 7.5%, while the employee's mandatory contribution should remain at 5%. After more than 15 years experience of the MPF it is quite evident that the total contribution of 10% is inadequate and resolving the issue of the offsetting mechanism is an appropriate time to introduce an increase in contribution level.