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NEWS BRIEF

HR Leaders Expect More Layoffs in 2027, Reduced Severance Benefits

According to LHH's 2027 Severance and Separation Benefits Benchmark Study, nearly two-thirds of HR leaders expect workforce reductions over the next 12 months. The survey of 600 U.S. HR and business leaders found that 66% of HR leaders anticipate layoffs, nearly double the share reported in 2024. Expectations run higher among other leaders, with 72% of business leaders and 80% of CEOs expecting reductions.

According to the study, HR's role in outplacement decisions has shrunk, with HR teams leading those decisions at only 30% of organizations, down from 58% in 2024. Conversely, chief financial officers spearhead those decisions in 18% of companies, up from 6%, while procurement is in charge in 13%, up from 2%.

As layoffs loom, organizations are tightening separation benefits. The share that reduced severance packages over the last two years rose to 38%, up from 9% in 2024, while the share offering more generous packages fell from 76% to 56%. Health coverage reflects the same trend. Although 85% of organizations keep separated employees on the medical plan for some period, most end coverage at the close of the month or quarter in which termination takes effect.

Only 12% of organizations continue medical benefits for the full severance period, down from 52% in 2024.

Furthermore, the survey confirmed that companies are tailoring severance to each person's situation. Flat formulas that treat every employee the same have nearly disappeared. For example, 40% of organizations are taking factors such as age, service, level and ability to find new work into consideration, up from 22% in 2024.

At the same time, employers are expanding career transition support. Outplacement services are now available to 85% of exempt employees, up from 61%, and 79% of nonexempt employees, up from 58%. Nearly all organizations (99%) also routinely evaluate alternatives to involuntary reductions, including retirement incentives (42%), voluntary departure programs (40%) and temporary leave (38%).

Employer Takeaway

As more employers brace for layoffs in 2027, the report shows that benefits are part of the conversation. Fewer organizations are keeping medical coverage in place for the full severance period, and finance leaders are taking a bigger hand in these decisions. Employers are using the remainder of 2026 to preemptively look at their separation policies, including how long health coverage continues, before decisions become urgent.

Contact us today for more resources.

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