רשות החדשנות
Israel Innovation Authority

High-Tech Employment Survey

Israel Innovation Authority in collaboration with Zviran

August 2026

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Executive Summary

In recent months, we have seen an increase in publications on broad layoffs and operation closures across many Israeli high-tech companies.

According to data from the Central Bureau of Statistics, demand for employees remains strong, with approximately 15,000 job vacancies (vacant positions and seasonal adjustments) as of February 2026. At the same time, employment in the high-tech sector increased by approximately 18,000 during the same month.** This indicates continued demand rather than a decline in employment across the high-tech industry.

Initial employment data published by the Central Bureau of Statistics also point to an increase of approximately 7% in the number of employees in the high-tech sector in the first quarter of 2026, reaching 424,000 employees.

The integration of these Data sources may be better explained by significant employee turnover: the movement of experienced employees between software companies, or the hiring of employees with AI Native skills in place of some veteran employees. The explanation may therefore lie in changes in the distribution of employees across different businesses, reflecting movement between sectors or between companies at different stages.

The purpose of this publication is to provide a broader perspective on these trends in order to better understand their overall impact on employment in the high-tech industry, while also examining the drivers and motivations behind the major layoffs in the sector. In particular, we seek to understand the implications of artificial intelligence in these trends.

This publication serves as a continuation of the analysis of the impact of artificial intelligence published by the Israel Innovation Authority in January 2026.

* Israel Employment Service ** Job Vacancy Survey, Central Bureau of Statistics
*** Aaron Institute processing of Central Bureau of Statistics data

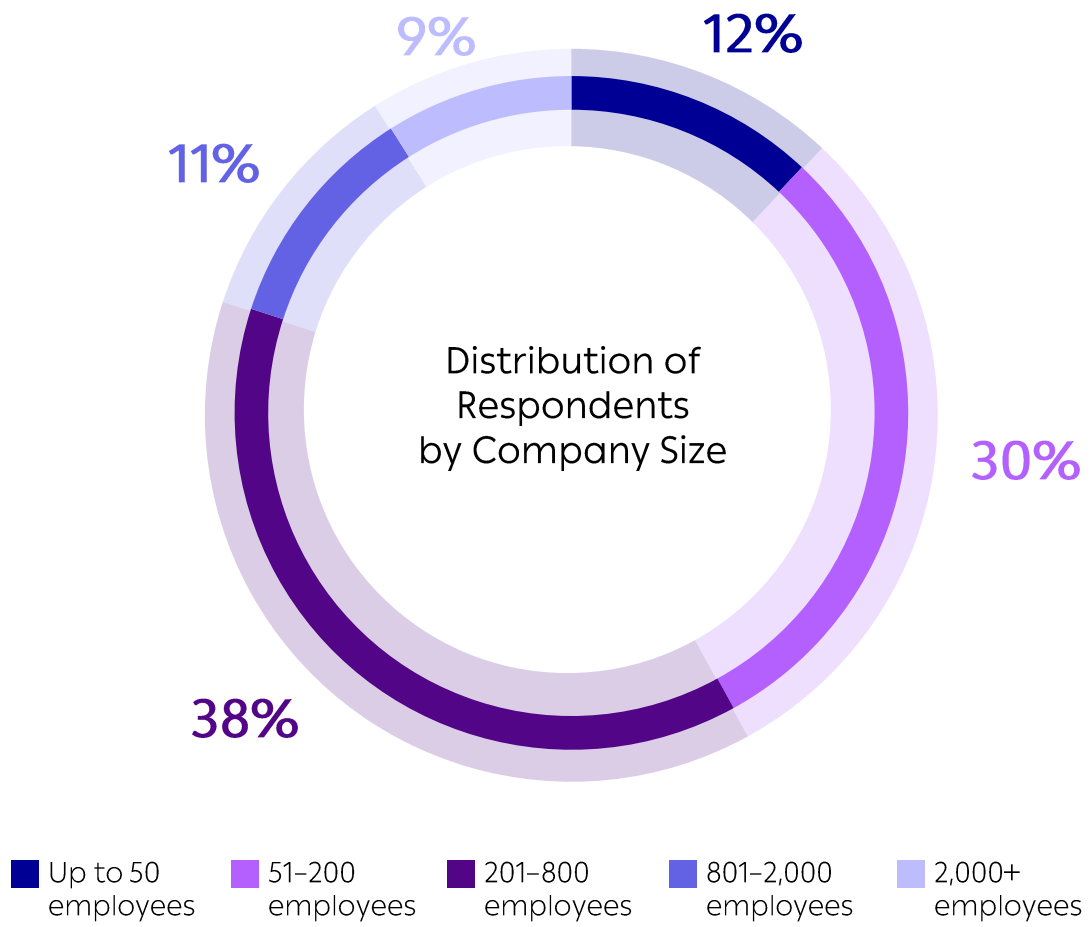
Sample and Respondents

The survey covered approximately 500 businesses during the final weeks of June 2026, based on a representative sample of Israeli companies.

The survey included 289 high-tech companies, of which 73% (210 companies) are part of the core high-tech sector. Together, these companies employ approximately 130,000 employees and constitute a representative sample of approximately 80% of employees in the high-tech industry.

In weighting the sample, the survey assigned greater weight to companies that employ the majority of the high-tech workforce. At the same time, the sample also includes many small startup companies at different stages of development.

The findings presented in this publication relate to trends in the Israeli high-tech industry only. However, the sample methodology and size also provide a broader perspective on the labor market, even if they do not necessarily reflect all changes taking place across the industry.

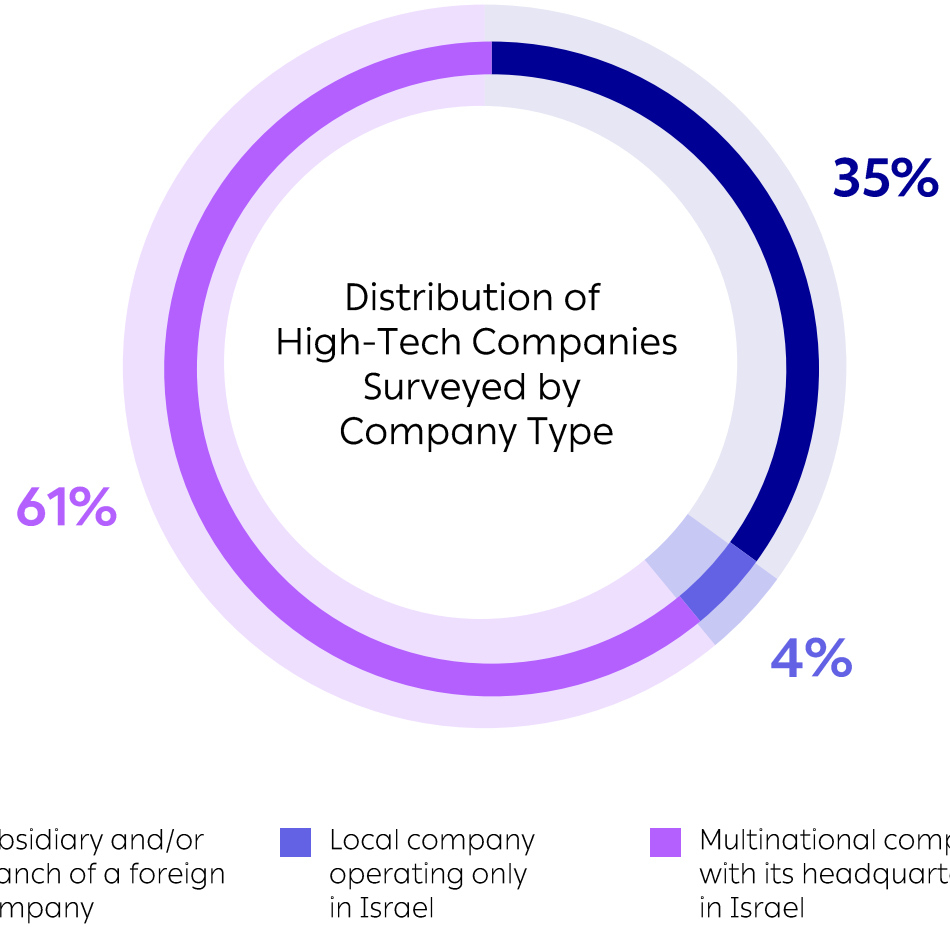


Sample and Respondents

The sample of high-tech companies includes companies that are registered in Israel or maintain significant operations in Israel.

The high-tech companies included in the sample represent the following sectors: internet, gaming, software, hardware, transportation technologies, climate tech, cybersecurity, fintech, biotechnology and life sciences, medical devices, medical equipment, and communications.

The sample also includes industrial companies, consumer goods manufacturers, food and beverage companies, retail chains, local authorities, and service providers.



Key Findings

Recruitment and Employee Turnover

Stability in high-tech employment: The companies surveyed reported an average recruitment rate of 8% during the first half of 2026, while the average layoff rate was only 2.8%. In addition to layoffs, 4.3% of employees resigned voluntarily. Overall, the data do not indicate a significant change in employee turnover across the high-tech industry.

Significant differences across sectors: The highest layoff rate was recorded among software companies, at 6.6%. In contrast, the layoff rate among hardware companies stood at 1.1%, while pharmaceutical and biomedical companies reported a layoff rate of 2.7%. The data also show that layoffs were more common among medium-sized companies with 50–200 employees, where the layoff rate was more than three times the overall average (8.7%, compared with 2.8% across the sample).

Companies' hiring plans for the second half of 2026 point to continued stagnation in employment : The share of employees that companies plan to recruit declined from 7.2% (based on the workforce as of December 2025) to 5.9% (based on the workforce as of June 2026). At the same time, among companies planning layoffs, the expected layoff rate increased from 4.1% to 6.4%. Most companies planning layoffs also intend to recruit new employees.

Key Findings

The Impact of Artificial Intelligence (AI)

Artificial intelligence is not the primary driver of widespread layoffs. The employee turnover reported by companies that indicated AI had contributed to layoffs increased by only 2 percentage points, from 5%–7% from the end of 2025 to the first half of 2026.

At the same time, **implementation of AI in higher rates** is becoming the main reason for downsizing recruitment and expanding planed layoffs.

More than three times as many companies reported recruiting new employees due to implementation of AI in June 2026 compared to December 2025 (10% of companies in June 2026, up from 3% in December 2025).

An increase of 72% was recorded in the share of companies reporting that AI had a significant impact on planned layoffs. Approximately 29% of companies planning layoffs in December 2025 reported a substantial impact, compared with 50% of companies reporting a substantial impact on planned layoffs in June 2026.

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Hiring and Layoffs

First half of 2026

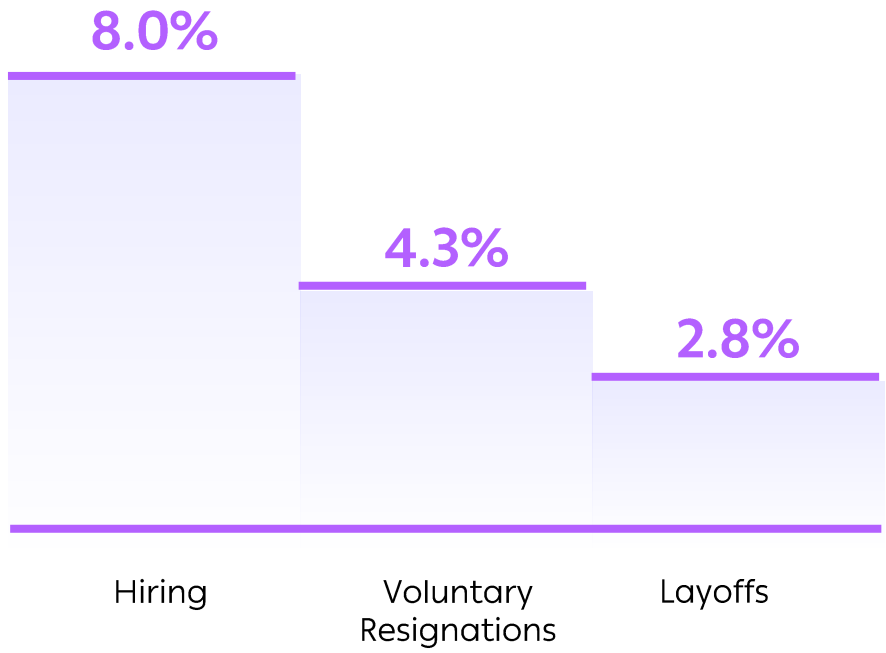
High-Tech Companies Report an Average Layoff Rate of 2.8% at the Beginning of 2026, Similar to the End of 2025

During the first half of 2026, most companies reported layoffs (81%), recruitment (94%), and voluntary resignations (94%).

Nevertheless, there remains a gap between recruited employees (8%) and employee layoffs (2.8%). This gap is explained by the fact that 4.3% of employees in the companies surveyed chose to resign voluntarily, primarily due to employment alternatives in other companies or personal circumstances.

It is important to note that, in addition to employee turnover resulting from business-related alternatives, there is also a tendency for voluntary departures among employees of companies that have undergone layoffs, driven by concerns that they may be affected by the next round of layoffs.

Average Employee Turnover in High-Tech Companies, First Half of 2026 (Average turnover among companies that reported employee turnover)



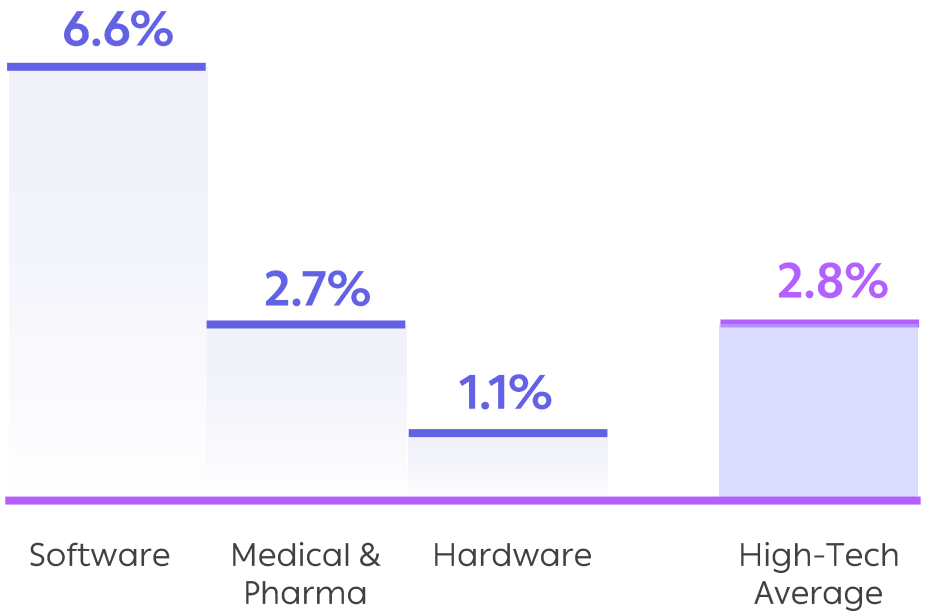
Significant Differences Across High-Tech Sectors: The Highest Layoff Rate Was Recorded Among Software Companies

Although overall employment in the high-tech industry appears stable, analysis of the data by sector reveals diverging trends between software companies and the rest of the industry.

While the layoff rate among hardware companies (including semiconductors, defense industries, and similar sectors) and pharmaceutical and medical technology companies remains below the industry average (1.1% and 2.7%, respectively), **the layoff rate among software companies is significantly higher than the average, reaching 6.6%.**

These differences are consistent with the varying impact of artificial intelligence adoption across high-tech sectors. While software companies are experiencing increased competitive pressure, hardware companies are benefiting from productivity gains, and some are also seeing increased demand for their products, driven by growing demand for semiconductors, computing infrastructure, and energy solutions.

Average Layoff Rate in High-Tech Companies by Sector First Half of 2026



The Highest Layoff Rate Was Recorded Among Medium-Sized Companies Employing 50–200 Employees

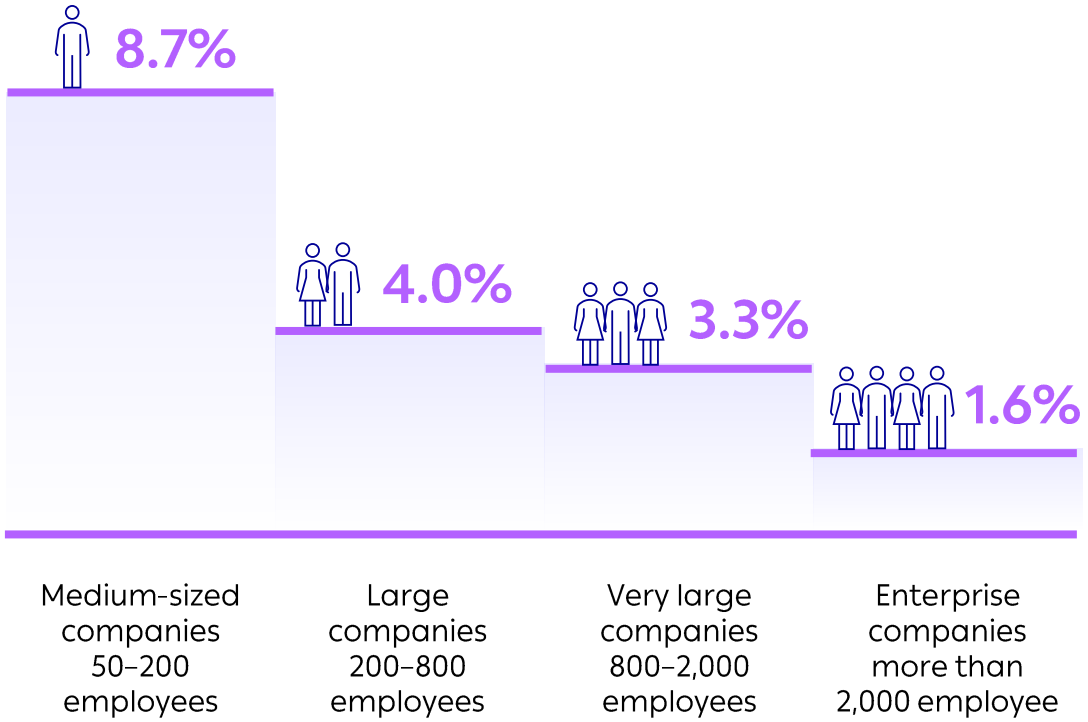
Among companies employing 50–200 employees, the layoff rate reached 8.7%, more than twice the rate recorded among companies with 200–800 employees, and more than five times the rate recorded among the largest enterprises.

Medium-sized companies accounted for approximately 35% of all companies that carried out layoffs. When considering only companies that laid off more than 5% of their workforce, the share of medium-sized companies increased to 46%.

Medium-sized companies may be more exposed to cash flow and business pressures, including exchange rate fluctuations and rising employment costs in Israel. At the same time, they typically have a sufficiently large workforce to implement substantial efficiency measures and workforce reductions.

Additionally, some of the variation may be explained by the dominance of software companies in this group, where the layoff rate is significantly higher than in other sectors (6% of total employees, compared with an average of 2.8%)

Average Layoff Rate in High-Tech Companies by Company Size First Half of 2026

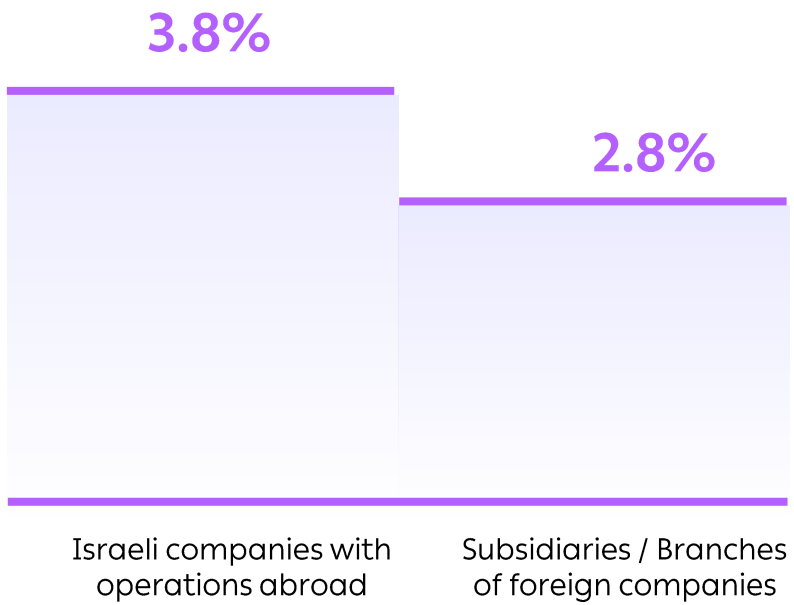


Most Layoffs Were Recorded Among Israeli Companies with Operations Abroad

The layoff rate was highest among Israeli companies with operations abroad, reaching **3.8%**, compared to **2.8%** among subsidiaries of foreign companies.

This gap may reflect greater exposure to changes in global markets and cross-border efficiency measures. However, it may also be influenced by differences in company size and the composition of the survey sample.

Average Layoff Rate in High-Tech Companies by Company Type First Half of 2026



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Planned Hiring and Layoffs

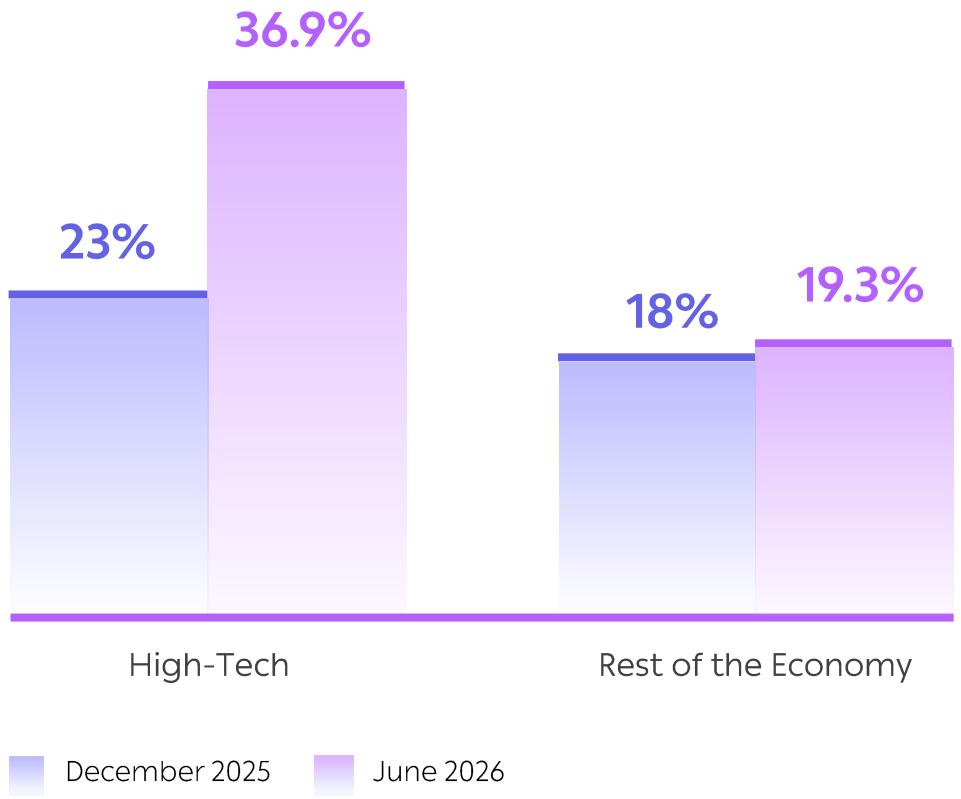
Second Half of 2026

More Than One-Third of High-Tech Companies Plan to Scale Back Hiring in the Second Half of 2026

Nearly 37% of high-tech companies expect their hiring volume during the second half of 2026 to be lower than in the first half, compared with only 19.3% across the rest of the economy.

Compared to the previous survey, this rate increased by 14 percentage points among high-tech companies, rising from 23% to 37%. In contrast, the rest of the economy remained relatively stable, with only a slight increase from 18% to 19%.

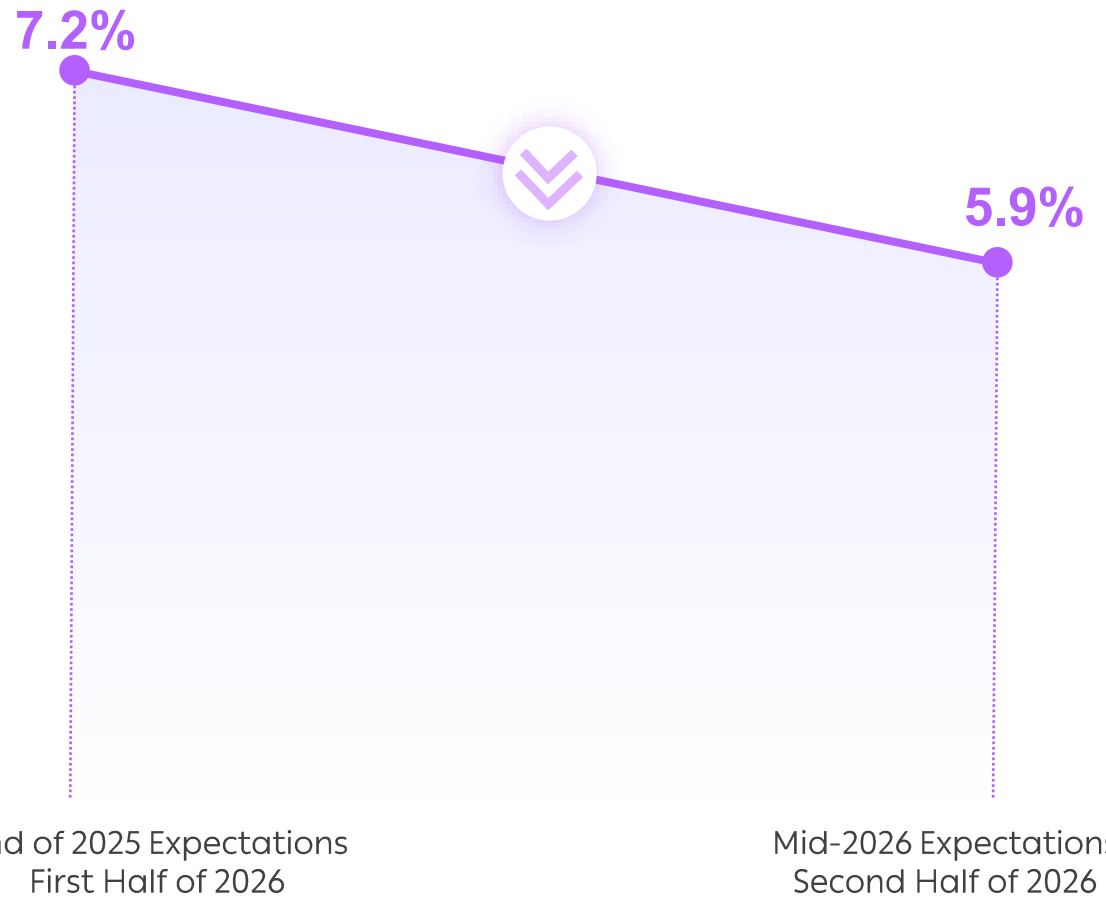
Companies Expect Hiring to Decline During the Second Half of the Year Compared to the First Half
(December 2025 Survey vs. June 2026 Survey)



Decline in Hiring Plans for the Second Half of 2026 Compared to the First Half of the Year

Comparing the expectations reported at the end of 2025 for the first half of 2026 with those reported in mid-2026 for the second half of the year shows a decline in expected hiring. The planned recruitment rate decreased from 7.2% for the first half of 2026 to 5.9% for the second half of 2026.

Planned Hiring During the Next Six Months
(Average Planned Hiring Rate as a Percentage of the Workforce)

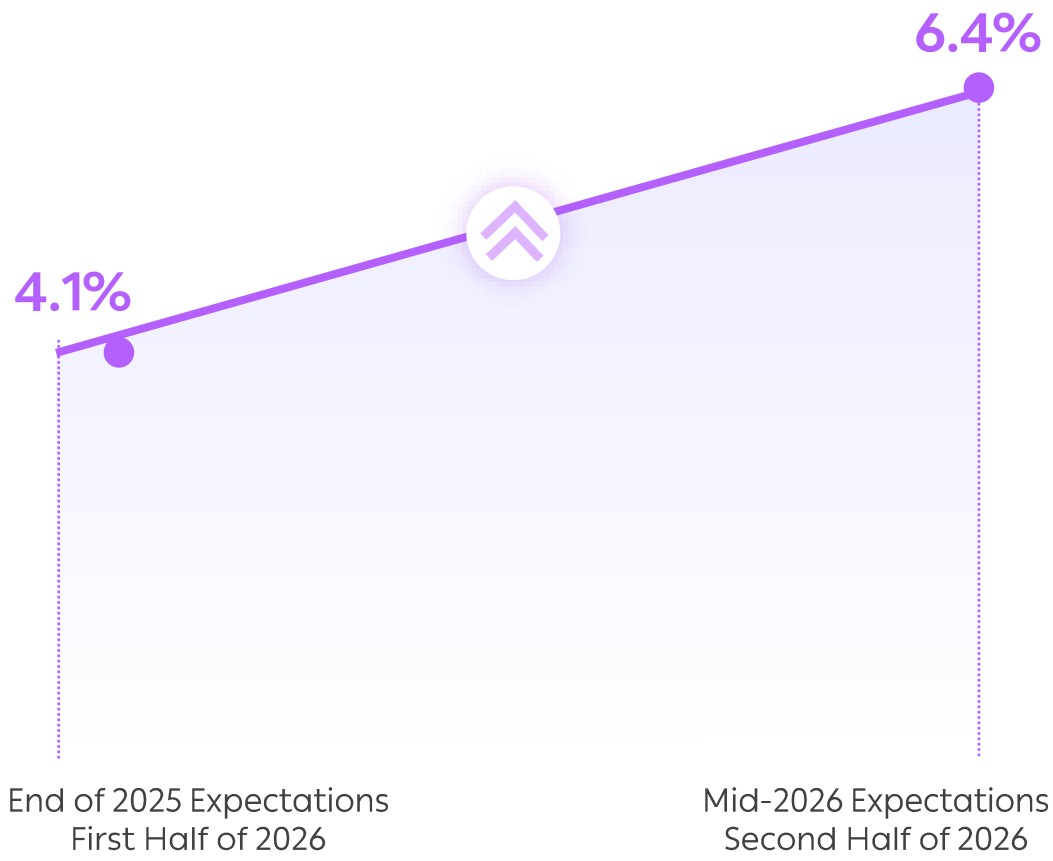


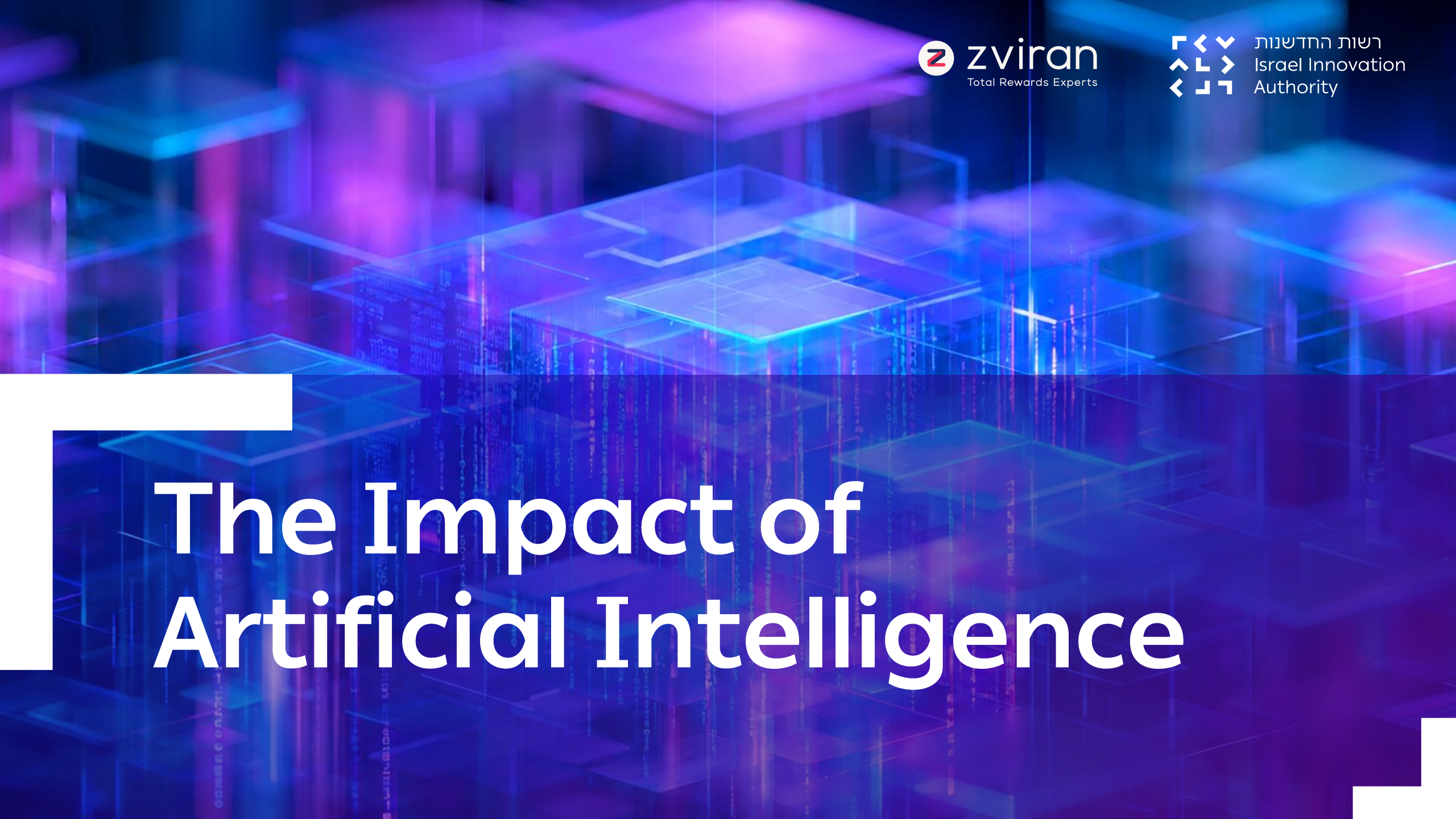
Increase in Planned Workforce Reductions

In comparison to employers' layoff plans reported at the end of December for the first half of 2026 with those reported in mid-2026 for the second half of the year shows an increase in planned layoffs, rising from 4.1% to 6.4% of the workforce.

The gap between expected layoffs at the beginning of 2026 (as reflected in the December 2025 survey) and the actual layoff rate should not be interpreted as significant, since the planned layoff figures reflect expectations only among companies implementing broad-based, planned workforce reductions. This measure is inherently higher than the average layoff rate, which includes all companies that laid off employees to any extent, including targeted layoffs based on individual employee performance.

Planned Layoffs During the Next Six Months
(Average Planned Layoff Rate as a Percentage of the Workforce Among Companies Planning Broad-Based Layoffs)

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The Impact of
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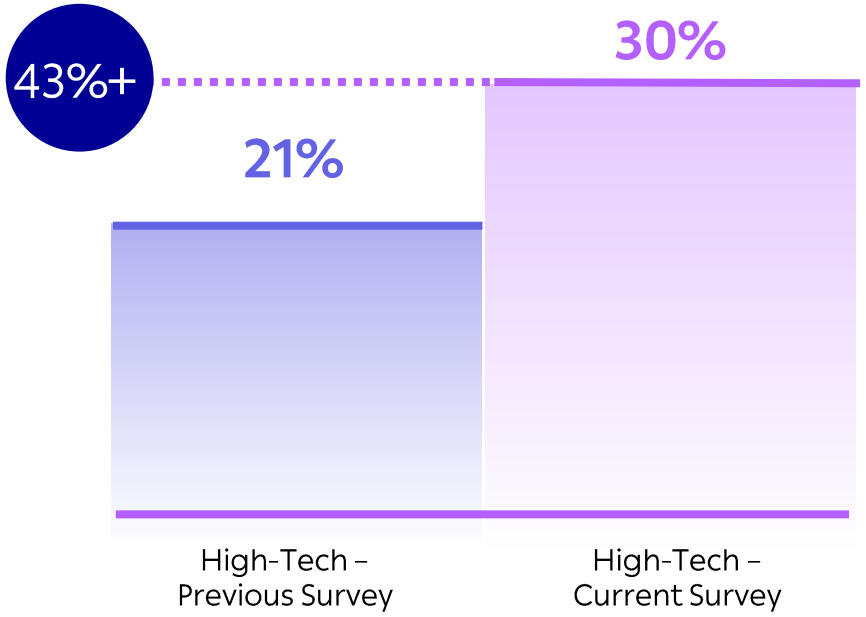
AI Integration into Products Is Increasing: A 43% Increase in High-Tech Companies Where AI Is Widely Integrated into Their Products

The share of high-tech companies reporting that AI is widely integrated into their products increased from 21% in the previous survey, conducted in December 2025, to 30% in the current survey, conducted in June 2026. This represents a 43% increase compared to the share of companies reporting broad AI integration in December 2025.

Share of High-Tech Companies Reporting Broad AI Integration into Their Products



Moderate Increase in the Share of Companies Reporting AI as a Reason for Broad-Based Layoffs

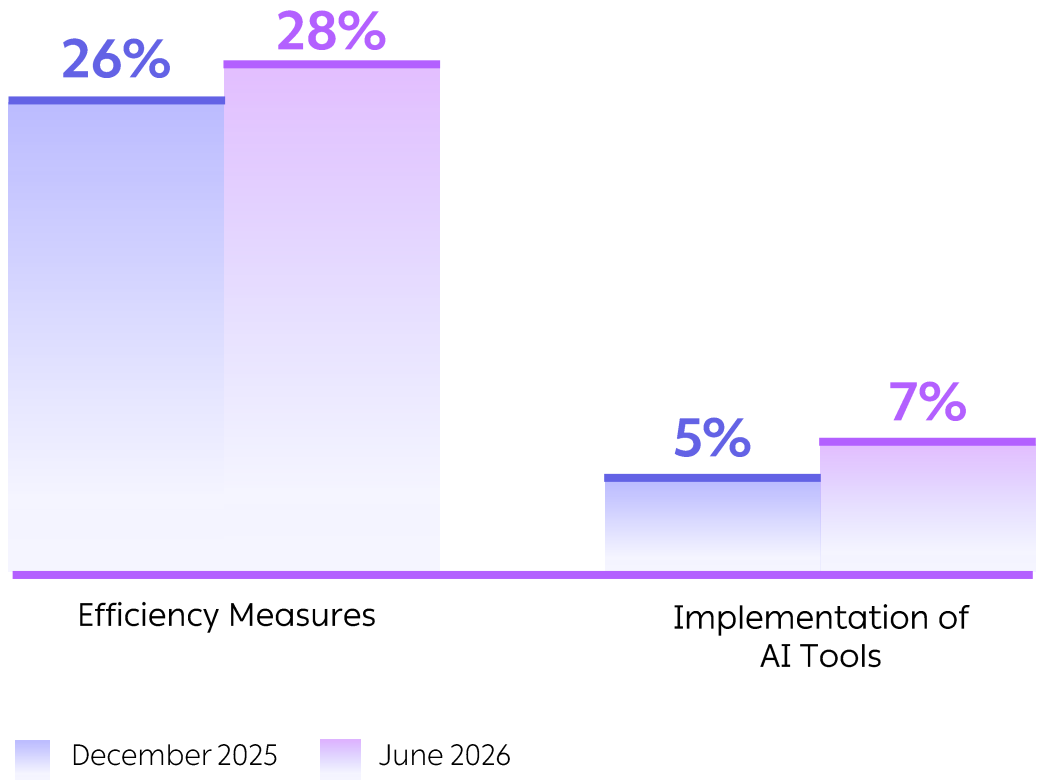
The share of high-tech companies reporting increasing efficiency contributed to workforce reductions or to closing divisions increased from 26% in December 2025 to 28% in June 2026.

At the same time, the share of high-tech companies reporting that AI has contributed to workforce reductions or the closure of teams and departments increased from 4.69% in December 2025 to 6.93% in June 2026.

This represents a similar increase of approximately 2.2 percentage points, but a sharper rise in relative terms: approximately 48% compared with the rate measured at the end of 2025, versus 8% in efficiency measures.

To date, the adoption of artificial intelligence is not the primary reason for workforce reductions. However, the increase may indicate that its implementation is gradually becoming a stronger reason when considering streamlining organizational processes and implement structural changes.

Share of Companies Reporting the Primary Reason for the Broad-Based Layoffs They Carried Out (% of Companies in the Sample, Multiple Responses Allowed)



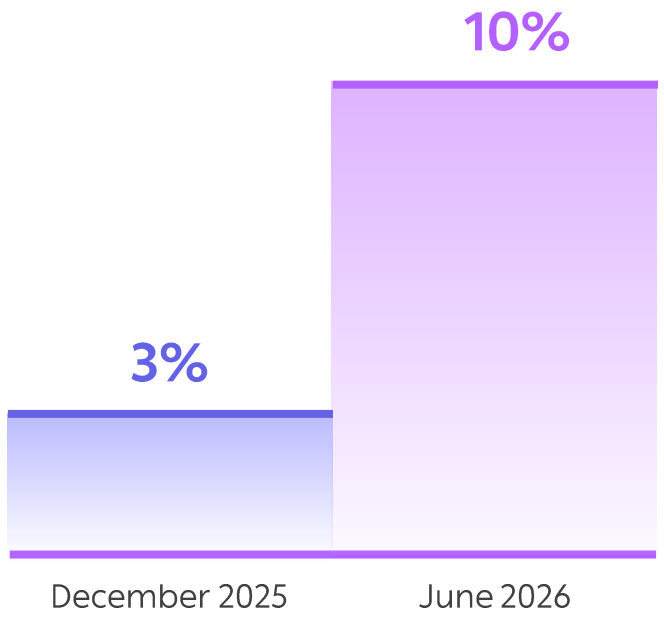
Threefold Increase in the Number of Companies Reporting Reduced Hiring of New Employees Due to AI Adoption Between December 2025 and June 2026

In the survey conducted in December 2025, approximately 3% of all high-tech companies in the sample reported that they had reduced hiring as a result of AI adoption.

In the June 2026 survey, approximately 9.8% of all high-tech companies in the sample reported that they had reduced hiring following AI adoption.

This represents an increase of nearly 7 percentage points and a more than threefold increase compared with the previous half-year. The findings indicate a strengthening relationship between AI adoption and reductions in hiring during the first half of 2026.

Share of Companies That Reduced Hiring During the First Half of the Year Following AI Adoption
(% of All Companies in the Sample)

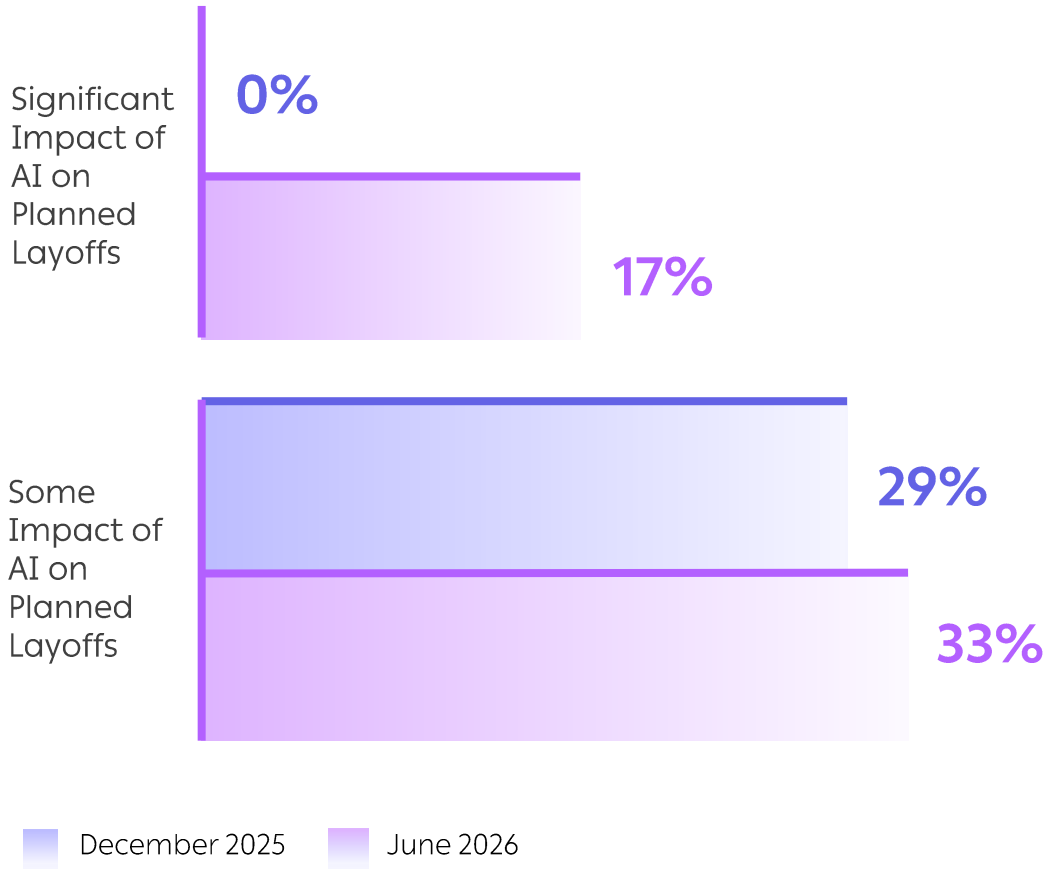


The Impact of AI Tool Adoption on Planned Layoffs Is Increasing, Particularly in Future Workforce Plans

Among companies planning layoffs, the share reporting some degree of AI impact increased from 29% to 50%. The change is particularly evident in the reported level of impact: in the December 2025 survey, no company reported that AI had a significant impact on its planned layoffs, whereas in the June 2026 survey, 17% reported a significant impact.

The findings indicate that AI is playing an increasingly important role in planning future efficiency measures, even though its impact at the beginning of 2026 was more moderate.

Comparison of the Impact of AI Tools on Planned Layoffs Across Surveys



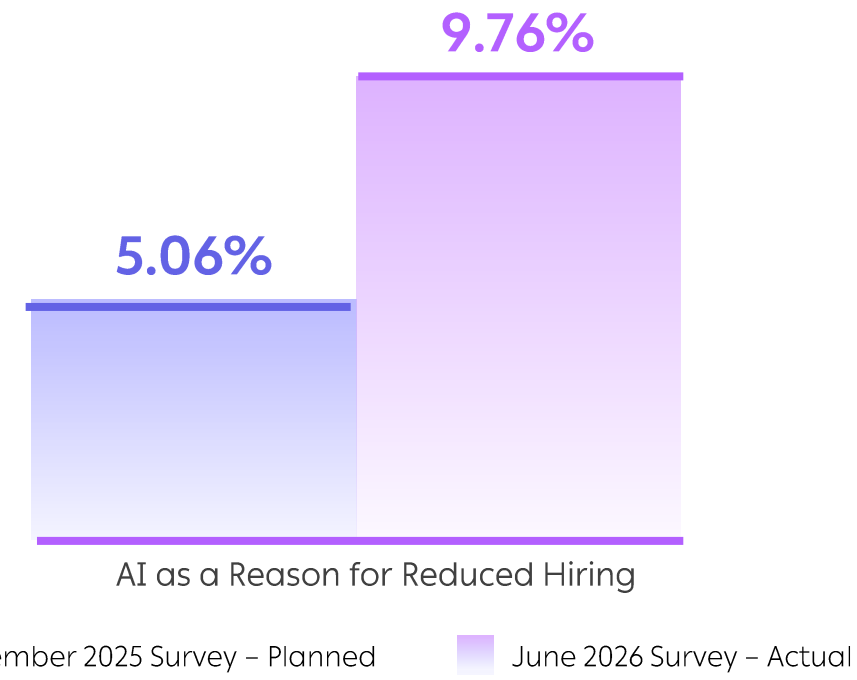
AI Was Cited as a Reason for Reduced Hiring More Frequently Than Companies Had Planned at the End of 2025

In the survey published in December 2025, companies representing approximately 5.06% of all high-tech companies planned to reduce hiring as a result of AI adoption.

In the June 2026 survey, companies representing approximately 9.76% of all high-tech companies reported that they had actually reduced hiring following efficiency measures associated with AI adoption. This represents an increase of 4.7 percentage points and nearly double the level anticipated at the end of 2025.

The findings may indicate that the impact of AI on hiring decisions proved to be more significant during the first half of 2026 than companies had originally expected. However, due to differences in the wording of the survey question and in the population of respondents, the comparison should be interpreted as an indication of a trend only.

Share of Companies That Reduced Hiring Due to AI Adoption Planned Reduction AI
Reduction for the First Half of 2026 (December 2025 Survey) vs. Actual Reduction (June 2026 Survey)



The data are based on different survey questions and respondent populations. The comparison between companies that cited AI adoption as the reason for planned hiring reductions in the December 2025 survey and companies that reported efficiency measures associated with AI adoption in the June 2026 survey should therefore be interpreted as an indication of a trend only.

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Methodology

To assess the impact of AI on employment trends without introducing response bias, employers were asked about AI adoption within their organizations only after they had answered questions regarding their hiring and layoff plans.

Respondents were first asked about their hiring and layoff plans. They were then asked about the primary reasons for layoffs, with AI adoption presented as just one of the response options. Finally, employers were asked directly about the impact of AI tool adoption on their future hiring and layoff plans.