

IIA Survey Reports Israeli High-Tech at Turning Point as Software Companies Downsize and Hardware Companies Expand

Despite layoffs, Israeli high-tech employment remains stable, divide emerges between software and hardware, and AI is beginning to reshape hiring and workforce

JERUSALEM, ISRAEL, August 11, 2026 /EINPresswire.com/ -- A new survey conducted by the Israel Innovation Authority, in collaboration with Zviran, reveals a significant structural shift in Israel's high-tech labor market. Despite a recent series of high-profile layoff announcements, the overall number of employees in the industry has remained largely stable, with companies continuing to recruit at a significant rate.

Beneath this overall stability, however, the industry is increasingly diverging along two distinct paths. Software companies are streamlining their operations amid rapid advances in artificial intelligence, while hardware companies continue to expand and recruit employees.

The result is a labor market that remains stable at the macro level while undergoing one of its most significant transformations of the past decade.

Dror Bin, CEO of the Israel Innovation Authority, said: "The survey indicates that Israeli high-tech is not in a period of decline, but rather in the midst of a profound structural transformation. Despite the sense of uncertainty created by the wave of layoffs, the data show that overall employment in the industry remains broadly stable, but behind this figure lies a more complex reality. We are seeing a clear divide between software sectors, which are undergoing significant



Dror Bin, CEO of The Israel Innovation Authority
(Credits: Israel Innovation Authority)¹

adjustments in response to technological changes and the adoption of artificial intelligence, and deep-tech fields, including semiconductors, computing infrastructure, defense technologies, and others, which continue to demonstrate strong demand for employees and serve as significant engines of growth. This process illustrates the importance of deep innovation and the ability to lead in breakthrough technologies. Alongside the challenges created by this transformation, it is also opening up new opportunities for entrepreneurs and companies. We must therefore continue investing in R&D, Human Capital, and deep-tech fields to ensure that, even in the age of artificial intelligence, Israel remains among the world's leaders in innovation. We are not seeing a high-tech industry that is weakening, but one that is changing rapidly. We already understand that the story of 2026 is not how many employees are being laid off, but which skills the market is seeking."

Key Survey Findings

Israeli high-tech employment remains stable: companies recruited employees equivalent to an average of 8% of their workforce and laid off only 2.8% in the first half of 2026.

A clear divide is emerging between sectors: the layoff rate at software companies was 6.6%, compared with just 1.1% at hardware companies and 2.7% at pharma and medical companies.

More than one-third of high-tech companies expect hiring to decline in the second half of 2026, while the planned hiring rate has fallen from 7.2% in the first half of 2026 to 5.9% in the second half.

AI is still not the primary reason for layoffs, but its impact on hiring and employment decisions is growing. The share of companies citing AI as the main reason for workforce reductions rose only moderately, from 5% to 7%.

The share of companies that reduced hiring following the adoption of AI tripled within six months, from approximately 3% to approximately 10%.

Half of the companies planning layoffs report that AI is influencing their decisions, compared with only 29% in the previous survey.

The survey, conducted in the second half of June 2026 among 210 high-tech companies employing approximately 130,000 people in total, shows that, contrary to the impression created by individual layoff announcements, the Israeli high-tech industry continues to demonstrate stability in overall employment. The survey represents trends among companies with more than 50 employees, which collectively employ more than 80% of high-tech workers; trends among startups may differ.

During the first half of the year, the companies surveyed recruited employees equivalent to an average of 8% of their workforce, while the layoff rate was only 2.8%. At the same time, 4.3% of

employees voluntarily left their jobs, meaning that overall, there was no significant change in the total number of people employed in the industry.

The findings are also consistent with macroeconomic data. While Israel Employment Service data indicated approximately 15,000 jobseekers in tech professions, there were simultaneously approx. 18,000 job vacancies in the industry. Central Bureau of Statistics data, meanwhile, indicated a nearly 7% increase in the number of high-tech employees in the first quarter of 2026. The survey offers a possible explanation for this apparent discrepancy: the labor market is not contracting but rather changing the composition of its demand. Employees are leaving certain roles while new positions are simultaneously opening that require different skills and, in some cases, different types of experience.

One of the survey's most notable findings is that the high-tech industry average conceals significant differences among its various sectors. While the industry as a whole appears relatively stable, a closer look reveals that software and hardware companies are currently moving in almost opposite directions.

The layoff rate at software companies reached 6.6% in the first half of the year, more than twice the industry average. By contrast, the layoff rate was just 1.1% at hardware companies and 2.7% in the medical and pharma sectors.

The survey findings are consistent with the differing effects of the AI revolution across different fields of activity. While software companies are experiencing pressure on their competitiveness, hardware companies are benefiting from the gains in efficiency, with some also seeing increased demand for their products due to growing demand for semiconductors, computing infrastructure, and solutions based on other deep technologies.

This means that macro-level data does not necessarily reflect the reality experienced by many employees. An employee leaving a software company cannot always immediately transition into a position opening at a hardware or semiconductor company, because the required knowledge, experience, and specialization differ. As a result, even when the total number of people employed in the industry remains stable, some employees may face genuine difficulty reentering the labor market in the short term.

In parallel, the Israel Innovation Authority estimates that alongside the challenges created by the AI revolution, it is also expected to generate new opportunities. By lowering development barriers, AI tools make it possible to establish small software companies more quickly, with smaller teams and significantly fewer resources than were required in the past. In the coming years, this trend could lead to a new wave of technological entrepreneurship and the establishment of new companies.

Significant differences were also recorded among companies of different sizes. The highest layoff rate was recorded among companies employing between 50 and 200 people, where it reached

8.7%, more than three times the industry average. These companies accounted for nearly half of the companies that carried out particularly extensive layoffs.

The Israel Innovation Authority explains that companies of this size may be more exposed to business and cash-flow pressures, including changes in the exchange rate and the rising cost of employment in Israel. At the same time, they are large enough to undertake broad efficiency measures.

The survey also found that the layoff rate was higher among Israeli growth companies with international operations, than among R&D centers of multinational companies. This finding may indicate greater sensitivity to changes in global markets, international competition, and cross-border efficiency measures. Here, too, exchange rate fluctuations may affect decision-making.

According to the survey data, among companies that carried out broad-based layoffs, 17.6% did so because of the exchange rate. Among companies that reduced the scope of their workforce recruitment, 28% did so because of the exchange rate.

In addition to examining the current situation, the survey assessed companies' plans for the remainder of the year. The data show that more than one-third of high-tech companies expect a decline in hiring in the second half of 2026, nearly double the share recorded in the previous survey and significantly higher than is typical in other sectors of the economy.

Accordingly, the planned hiring rate declined from 7.2% to 5.9%, while the planned layoff rate among companies expecting broad-based layoffs increased from 4.1% to 6.4%. The Israel Innovation Authority emphasizes that these figures reflect employers' plans rather than a forecast of the actual number of employees who will ultimately be laid off. Nevertheless, they are an important indicator of the direction in which companies' decisions are evolving.

One of the survey's central findings is that AI's impact on the labor market continues to grow. At this stage, however, its effects are primarily reflected in decisions concerning new employee recruitment rather than in layoffs that have already taken place.

The share of companies reporting broad adoption of AI in their products increased from 21% to 30% within six months, representing a 43% increase. At the same time, the share of companies that reduced hiring as a result of AI adoption rose from approximately 3% to 10%, nearly tripling within six months.

Looking ahead, technology's growing influence is also evident. Half of the companies planning layoffs reported that AI has some impact on their decisions, compared with less than one-third in the previous survey. Nevertheless, AI is still not the primary reason companies are laying off employees. The share of companies citing AI as the main reason for workforce reductions increased only moderately, from 5% to 7%, while business efficiency measures remained the primary driver.

The Israel Innovation Authority emphasizes that the data do not indicate the immediate replacement of employees by artificial intelligence, but rather a gradual shift in the composition of labor-market demand. Companies are reassessing which roles they require, which tasks can be performed using AI tools, and which new skills will be required of the employees they recruit in the coming years.

As the pace of technological change accelerates, the flexibility, entrepreneurship, and adaptability of Israel's human capital will become increasingly important to maintaining Israel's competitive advantage and the resilience of its high-tech industry.

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