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DIVERSIFIED  
ISRAELI TECH  
INDUSTRY

# 2022 POWER IN DIVERSITY REPORT

VINTAGE

**QUMRA**  
CAPITAL

**GLILOT**  
CAPITAL PARTNERS

**VIOLA**

**pitango**

**GROVE**  
VENTURES

**HEARST**



Elah Fund

**svb** Silicon Valley  
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**REDDOT**  
CAPITAL PARTNERS

**NEWERA**  
Capital Partners

**MAOR**  
INVESTMENTS

**F2 BRM**

**DTCP**

**NfX**

**Hetz**  
Ventures

**10D**

DIANE & GUILFORD  
**GLAZER**  
PHILANTHROPIES

3	Executive Summary
4	Key Findings
5	Gender Diversity
7	Additional Minority Groups Israeli Arabs and the ultra-Orthodox
9	Private Companies Leading Diversity and Inclusion
10	Public Companies Leading Diversity and Inclusion
11	Best Practices for Startups & Investors
12	How to Measure D&I
13	Information & Sources
14	Summary

# EXECUTIVE SUMMARY

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We are happy to share the Second report of the Power in Diversity Initiative, outlining the state of diversity in the startup and growth eco-system in Israel. Our first report focused on women in the industry. This year we added an analysis of the composition of Arab and ultra-Orthodox Employees within start-ups. This review surveyed 650 private and public companies which started out as Israeli based VC-backed firms. PID's perception on diversity, equity and inclusion (DEI) is based on the understanding that this type of data and information helps the high-tech sector to maximize the potential embedded in a diversified human capital as a source of innovation, disruption and ultimately professional and financial success. We at PID, aspire to provide a comprehensive view of the industry's state of affairs regarding diversity, equity and inclusion, which in turn, will inspire and motivate entrepreneurs, leaders, and investors to lead by example until the desired change is attained. It is our hope that this will result in internal changes and adoption of measurement tools to increase diversity of our eco-system's companies.

According to this year's data, women make up 34% of startup employees. 24% of management positions and 27.8% of technological positions are held by women, Israeli Arabs make up 0.2% of startup employees, while the ultra-Orthodox population makes up 0.4%. The gap between the number of diverse employees in startups and their percentage in the population is significant in all three populations. Reasons for these numbers are not necessarily just a lack of enough talents from all three diversity groups but also lack of organizational "cultural add", equity-based solutions, and an increased focus on a wider definition of belonging.

In a volatile market and arena, DEI can become an essential and necessary tool for a stable and healthy organizational culture, for maximizing the individual's potential, particularly when priorities and strategies shift rapidly. Setting solid foundations in work conditions, investments,

and technology is especially critical when we are uncertain is what is yet to come. While we all understand the importance and value of DEI, we are also aware of the challenges they create for start-ups, whose ability to contain organizational complexities is compromised due to their nature, priorities, and rapid changes.

Nonetheless, broad implementation of DEI principles can help meet the challenges involved in developing a new product or changing/improving an existing one, when an organization attempts to fix a problem or fill a void in the marketplace. This stems not only from the fact that different individuals provide different solutions to a problem but also from creating intra-organizational disruption. The connection between individuals who do not share a common language, culture, or behavior style, and whose social status in the Israeli culture differs, the complexities of the potential conflicts – all of these can add value when managed successfully.

# KEY FINDINGS

 Women make up 51% of the Israeli population<sup>1</sup>, but only 34% of startup employees are women, a slight increase of 0.4% since last year. The modest increase is especially surprising given the extensive recruitment in high-tech during the first half of 2022.

 The percentage of women in technological roles increased slightly (by 0.8%) since last year and stands at 27.8%, in congruence with the growing demand for technology talent during the beginning of 2022 as well as at the present market. This speaks volumes regarding the importance of technological training for the diverse workforce.

 The percentage of women in management roles remains constant and stands at a mere 24%, which directly impacts the probability of advancing additional women in key roles and the widespread recruitment of women in the industry.

 In contrast to women's positions in leadership and development, which are measured by the companies, many companies do not consistently measure the numbers of their ultra-Orthodox and Arab employees, which directly impacts the probability of promoting suitable inclusion policies and recruiting workers from these sectors.

 The percentage of Israeli Arabs in startups stands at a mere 0.2% compared to their participation in traditional high-tech which stands at 3%<sup>2</sup>. Still, both statistics demonstrate a significant gap, considering this sector's presence in the general population which stands at 21%<sup>1</sup>.

 ultra-Orthodox make up 13.5% of the Israeli population<sup>3</sup>, but only 0.4% of startup employees are ultra-Orthodox, compared to their presence in traditional high-tech, which is 0.7%<sup>2</sup>. This is a significant gap; however, it is smaller than that of other diverse populations (for example, Israeli Arabs). There is a significant difference in employment rates in high-tech between men and women in the ultra-Orthodox sector.

 Many organizations that were highlighted as the industry's leading companies last year made it to the current year's list with even greater achievements. Some of these organizations grew exponentially, presumably due to their stable, long-term practices, their solid foundation for increased diversity, and a focused agenda, which will also impact their ability to face the industry's increasingly uncertain future.

 Due to the low presence, we were not able to obtain valid statistical data pertaining to the number of workers from the Ethiopian sector in startups. Even though their percentage in the population is lower than that of other diverse populations and stands on 1.7%<sup>1</sup>, this is an alarming fact that should be addressed urgently by all related factors, from the demand and supply side.

 Most companies do not measure the statistic pertaining to employees with disabilities. This should be dealt with urgently to ensure proper organizational conduct, employee retention and the satisfactory participation of individuals with disabilities in workplace.

 The health-tech industry consistently presents significantly higher statistics than the rest of the industries. Healthtech, biotech, cleantech and foodtech industries' data were considered in this report statistics; however, the ranking of companies and practical conclusion in these disciplines will be presented separately.

[1] Israel Central Bureau of Statistics

[2] Innovation Report- State of High-Tech 2022, Israel Innovation Authority

[3] Israel Democracy Institute

# GENDER DIVERSITY

2021 saw a new record in demand for technological employees in Israel's high-tech companies. More specifically, recruitment efforts focused on locating candidates who are identified as "technological talents" – those who are at the forefront of Development, Coding, Algorithms, and Information Engineering. At the same time, the unusual rise in recruitment, paired with the vast amount of funds invested in companies, led to the creation of numerous shell roles and a significant increase in women-dominated recruitment positions.

Data presented in the 2021 Women in Startups Report published by PID demonstrated a women's participation rate of 27% in tech roles. This year, excluding public companies that did not participate in last year's report, the participation of women in research and development roles in the industry is 27.8% – a 0.8% increase from the data presented last year.

## 27.8% of Startup Tech Roles Positions Are Held by Women

It is no surprise that the pipelines are restricted mainly due to the fact that the previous year did not see significant government reforms that support women's advancement in tech positions. This includes in the academy and in science, math, and technology studies, or, alternatively, those that are relevant to the tech roles as well as military training that increase the candidates' pool.

## Compared to Last Year's Statistics (33.6%), This Year, 34% of Startup Employees Are Women

We would expect that the dramatic growth in investment in startups between 2020-2021, the overseas regulation, the increasing (yet slowly) number of women investing in funds, the growing numbers of startups as well as an increased global awareness regarding gender equality would impact the data. The absence of a dramatic change, as reflected in our data, is one of the main obstructions to increasing the number of high-tech employees in the market. The lack of correspondence between global trends that define the high-tech ecosystem and those that characterize our local market accentuates the gap in social responsibility-related issues. As stated, the intensity of talent recruitment which reached a peak in 2021, hardly affected women's presence in Israel's high-tech industry. Although the impact of 2022's layoff data cannot be measured yet, it is apparent that the decrease in employees in the work pool had immediate and direct consequences in relation to women's roles in high-tech, for example, in the human resources field. The Recruiter position was a preferred, increasingly well-paid, role in 2021. During the following year, as soon as the first round of layoffs occurred, many female recruiters, along with female and male workers in various other HR positions, were dismissed. Still, a comparison of the number of women in technological roles to that of last year demonstrates that despite the cutback of HR positions in the industry, R&D departments have hardly been reduced. Rather, they saw a significant increase in the percentage of women recruitment in new technological companies. (This presumably occurred during the first half of 2022, prior to the changes made following the industry crisis). Women's tendency to hold a position longer than men in development roles in high-tech led to an increased number of women in Healthtech, Cleantech, and Life Science (for which a separate report was created due to the fundamental difference in DEI data), overall and in tech positions specifically – with a significant discrepancy to other sectors in the industry.

2021 saw a new record in demand for technological employees in Israel's high-tech companies. More specifically, recruitment efforts focused on locating candidates who are identified as "technological talents" – those who are at the forefront of Development, Coding, Algorithms, and Information Engineering. At the same time, the unusual rise in recruitment, paired with the vast amount of funds invested in companies, led to the creation of numerous shell roles and a significant increase in women-dominated recruitment positions. These static data or the moderate increase in the number of women employed in tech roles in Israel's high-tech and their eminent absence from the startup industry present one side of the discussion. On the other side of the scale is the issue of women's presence, or, indeed, their absence, from management, entry-level, mid-range, and upper management roles, as well as entrepreneur, founding, and leadership positions in the ecosystem.

## Women Hold **24%** of the Management Positions in Startups, an increase of a Mere **0.6%** Compared to 2021

A key parameter worth examining, when studying the data on gender equality, is the number of women in upper management positions. This piece of data is significant when we look at the number of women who join the company in Junior level roles, those who grow within the company, as well as those who hold key positions in the ecosystem as a whole. also affects young girls by providing an example of equality in the workplace and the ability to aim high and look forward to the days when the glass ceiling will no longer be relevant. The statistics, which are a mere 24% this year, present an increase of less than 1%, (the stats for the 2021 Women in Startups Report were 23.4%) in the number of women who hold management roles in the ecosystem. The small number of women in management, and the discrepancy between these data and women's overall presence in the industry is one facet of the absence. The other facet is the issue of specific roles women hold in management and upper management positions.

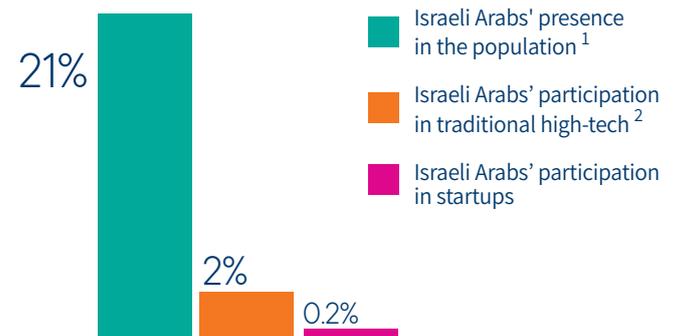
Most of the upper management roles held by women are in recruiting, finance, and business development, and this directly impacts their involvement and influence in other important disciplines, the pay gaps between various management positions, their workplace stability (shell roles are the first to be eliminated during times of crisis) as well as the development opportunities for women in leadership positions in areas that are critical to the company's growth. The significantly lower numbers in startups are not surprising. In most companies, top leadership roles are held by the founders, of which over 90% are men, due to the tendency to recruit friends and military veterans during the first few phases, as well as to the unconscious bias which asserts that women will find it difficult to adjust their lifestyles to fit the fast pace of a growing company, paired with the commitment, irregular hours, and innovative technology which is at the core of these firms. Increasing the number of employed women in these companies is praiseworthy, but it is not enough. Organizations that won't be able to balance the numbers and take advantage of the pool of qualified women fit for leadership positions (in all disciplines) will create an internal pipeline that is discouraging to women in the ecosystem, one which would motivate them to seek opportunities with companies that do not place barriers for advancement, and will ultimately lead to an organizational culture that does not reflect the majority of the population. This will inevitably impact the company's products, sales, and the new markets to which it is exposed. Furthermore, despite the projected change in the rate of companies' growth compared to the last two years, companies that work toward an IPO or acquisition would face the issue of women's representation in management positions and on their boards. Creating a foundation and working on the proper recruitment and advancement strategies are some of the keys to a successful solution.

# OTHER DIVERSE POPULATIONS: ISRAELI ARABS & ULTRA-ORTHODOX

## Israeli Arabs

Between 2005-2019, the number of young Israeli Arabs who integrated into the high-tech ecosystem increased from about 1,000 to 4,600. Statistically, the integration of young Arabs into this field increased throughout this period from 1.3% to 4.4%. This included men and women alike. Still, the most significant gap in the Israeli high-tech industry, and the most alarming piece of data, is the gap between the number of Israeli Arabs who have the potential to work in high-tech versus their actual presence in the industry. The startup sector demonstrates an even grimmer where the gap is significant to the extent that there is no point in examining the difference between the participation of Arabs in the high-tech industry as a whole versus their presence in tech positions as the numbers are too low. Israeli Arabs (men and women alike) are almost non-existent in the country's startup arena, albeit their ample presence in STEM (Science, Technology, Engineering, and Math) studies. Research shows that Israelis from the Arab sector who work in high-tech tend to hold their positions longer than Israelis from the Jewish sector. These are encouraging employment data in terms of growth, but the gap between the potential and its realization remains. This discrepancy is also due to other significant and varied barriers, such as education, living in the periphery and in villages that are distant from the workplace (80% of the country's startups are in central Israel), cultural gaps, language barriers, and a limited relevant social capital. The lack of networking circles typical to this sector is yet another barrier in an industry where prior acquaintances provide a significant advantage. Also, the high-tech field provides the opportunity for stable employment, more so than startups that are identified by uncertainty. All of these are limiting factors in the entrance of Israeli Arabs to startup companies. As the data of our report demonstrate, the presence of Israeli Arabs in the industry does not scratch the surface of the professional potential embedded in this population group.

## The Percentage of Israeli Arabs Employed in Startups



## ultra-Orthodox Jews

The ultra-Orthodox population, within high-tech, demonstrates significant differences between men and women. According to the Israel Innovation Authority, women who graduated from Software Engineering studies in Haredi seminars dominate the sector, with a 57% integration rate about 1,900 women. This isn't substantially different from the 67% integration rate into the general workplace of women with a BA degree in STEM studies. Traditionally, ultra-Orthodox women showed a preference for the education professions. However, in recent years, more women within the sector have integrated into high-tech. Training programs that incorporate engineering studies in Education curriculums and assist with obtaining a matriculation certificate with Math proficiency of merely 3 or 4 study units do not

measure up to the educational background of candidates with technological qualifications. The desire to produce a growing number of Haredi Seminar graduates to enter the technological field resulted in an inconsistency between the training methods and the industry's demands, which oftentimes disrupted the placement process.

Most of the assimilated graduates work for large corporations or for companies that provide outsourcing services and participate in gender-segregated work teams, part of which are in the ultra-Orthodox communities. Their ability to assimilate into the startup ecosystem is significantly lower than that of other groups. The question remains are these women able to fit into the organizational culture of startup companies as full-fledged employees? Working in an organizational culture that holds parties and multiple social events (compared to other industries), has long work hours, and encourages working in small teams at an open workspace is challenging for those requiring gender segregation in the workplace. The discrepancy between this ecosystem and the outlook and lifestyle of ultra-Orthodox women interferes with the latter's assimilation abilities. Furthermore, in a culture that values belonging and connectivity, which in turn affects the employees' commitment to the company, segregation may stir antagonism amongst the rest of the employees. Oftentimes, ultra-Orthodox men who give up their Torah studies and attempt to assimilate into high-tech seek a path that will allow them to support their families. The challenge of balancing work and studies is added to the lack of educational infrastructure and Math – subjects that are not included in the core studies of ultra-Orthodox institutions. These obstacles and the low motivation of ultra-Orthodox men to integrate into high-tech resulted in the initiation of various training programs, which include academic tracks, short-term programs, and training programs that provide paid work upon completion. Like the women in this sector, there are significant barriers to these individuals' integration into the startup ecosystem, as most of the ultra-Orthodox men lack the necessary professional experience, as well as the capacity to fit into the organizational environment, socially and culturally. Startup companies do not have the capability and time to

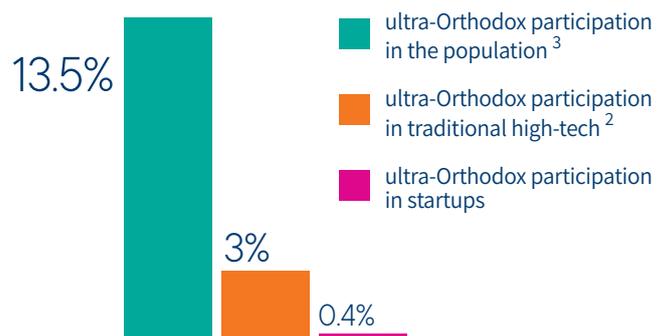
conduct lengthy absorption processes that include substantive adjustments, like those conducted by larger organizations, which may also interfere with the integration process. The key here is not only to increase the candidates' pipelines but, to prepare the organization to absorb diverse populations and help it appreciate the added value of a diverse workforce.

Do ultra-Orthodox employees experience unique barriers to employment that differ from those of other diverse populations? The employment of individuals from the ultra-Orthodox sector involves various specific adaptations:

1. Adaptations in the work environment and the creation of a segregated work culture.
2. Providing Glatt Kosher meals.
3. Adapting social events to modesty requirements or creating alternatives to social gatherings. Forming alternatives is tricky as it creates a separation between ultra-Orthodox employees and the rest of the organization.

Startups and growth companies that operate with a restricted employee pool are fast-paced, have limited resources, and are constantly measured. These entities may not be able to readily conduct the necessary adaptations and identify candidates within the ultra-Orthodox population. In this case, the state must increase its efforts to reduce the gaps and develop this population's soft skills and language capabilities, which will, in turn, bridge the substantive gaps and enable organizations to view the ultra-Orthodox as fit candidates in the ecosystem.

## The Percentage of ultra-Orthodox Jews Employed in Startups



# PRIVATE COMPANIES LEADING DIVERSITY & INCLUSION

Among the 650 organizations under study, the following are the companies that present the highest numbers of employees from diverse populations.

## LARGE COMPANIES 500 Employees & More

1.  minute media
2.  yotpo.
3.  bob
4.  verbit
5.  AppsFlyer
6.  meliq
7.  papayaglobal
8.  via

## MID-SIZE COMPANIES 100-500 Employees

1.  TAILOR BRANDS
2.  syte
3.  zencity
4.  HoneyBook
5.  Book a Way
6.  GROWTHSPACE
7.  duda
8.  optimove

## SMALL COMPANIES 50-100 Employees

1.  Phone. do
2.  DARROW
3.  rise Up
4.  venn
5.  cymbio
6.  cloudshare
7.  DataLoop
8.  frontegg

### Highest representation of ISRAELI ARABS



### Highest representation of ULTRA ORTODOX



These organizations are ranked as the top leading ten companies this year - a fact that reflects their focused efforts in promoting diversity and inclusion. It should be noted that in 2022, more companies came close to making the leading ten list. Many organizations demonstrated better data than last year, which is a positive trend that implies a wind of change in the industry. Nevertheless, averaging each piece of data demonstrates that there is room for improvement in the industry and in the Israeli culture.

# PUBLIC COMPANIES LEADING DIVERSITY&INCLUSION

In January 2022, the Tel Aviv Stock Exchange published a public appeal to encourage public companies to produce ESG reports which including, a brief pertaining to the state of diversity in the company and its Board of Directors. This is part of a larger global trend, that officially started with the SEC's (Security and Exchange Commission) demand of public companies to publish data pertaining to individuals of diverse populations' participation in their Board of Directors. It is the expectation from investors and regulators that public companies in advanced phases carry the flag and prioritize diversity and inclusion.

As of January 2022, 45% of the corporate investments in Europe and about 33% of the corporate investments in the United States were in line with ESG's policy. Israel's situation, however, differs from that of the rest of the world: Globally, about 90% of the companies included in the S&P 500 Index publish corporate responsibility reports, compared to only about 25 public companies included in Tel Aviv's-125 Index. Additionally, some of the published reports are not quantitative and do not allow for monitoring the yearly change rate. Consequently, and considering the request of various public companies that lead the way in the employment of diverse populations, 2022's report includes the most impressive data on the advancement of diverse populations in the company.

## Top 5 Companies

1.  **riskified**
2.  **Payoneer**
3.  **Outbrain**
4.  **fiverr.**
5.  **monday.com**

# BEST PRACTICES FOR STARTUP&INVESTORS

In our 2021 report, we presented three basic recommendations for startups interested in promoting diversity, equity, and inclusion (“DEI”) practices:

1. Be clear about your needs, aches, and challenges as an organization and adjust the recruitment processes of these populations and their absorption to your startup needs.
2. A startup that deals with a decreased professional pipeline should identify new recruitment channels and locate new populations per its needs.
3. The process should be congruent with the organization’s ambiance, culture, and pace.

This year, the ecosystem is changed: Ample layoffs and a hiring slowdown (compared to the previous five years) generate concern and compromise predictability. Nonetheless, startups are in desperate need of technological talent even during times of recruitment slowdown.

As for implementing diversity, equity, and inclusion processes, this period in the ecosystem should be viewed as an opportunity for in-depth organizational, professional, and business development via DEI tools.

1. Consider the present time period as an opportunity to improve your employees’ management skills and help them practice inclusive leadership. Train them to engage in flexible, attentive management. Take advantage of this slowdown to develop managers’ listening techniques and their ability to identify capabilities among less vocal individuals. Help them utilize this newly acquired knowledge for the benefit of professional development.
2. Create a long-term strategic plan for implementing DEI principles. Identify the organization’s leaders and form an organizational language that encourages DEI. We recommend assigning a core team to lead the process with the help of professionals in the organization.

## Recommendations for investing Funds:

The global ecosystem is on a fast track toward adapting DEI values, due to regulatory requirements as well as requirements of the private sector. Corporations require their suppliers to measure up to the strict standards of a diversified workforce in management teams and to lead inclusion processes. In the United States, Nasdaq requires an ample women’s presence in public companies. Various other states require structured reporting systems and insist on having measurable targets for the inclusion of a gender and ethnic-diversified workforce.

In the EU, the UK, and Australia, the government and business sectors demand improved DEI mechanisms. As a result, investors and funds examine the state of affairs of the startups in their portfolios and intensify reporting requirements and DEI implementation.

This is the time to count, measure, set development goals, report back, and improve the presence of diverse populations in the organization via various relevant tools. Funds have the capability and leverage to require the implementation of DEI values and procedures both from their portfolio companies as well as in-house.

# MEASURING DEI

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Data collection and measurement are essential steps to attain the successful implementation of policies for promoting DEI. The collection and measurement of data enable the employer to identify underrepresented populations in the organization and form clear, focused procedures, which include goals and a control mechanism. The (measured) results will assist with the successful implementation of DEI programs. It is legal in Israel to collect employees' data. Still, in the instance of an employee's lawsuit for wrongful termination, the burden of proof of just cause, rather than the employee's identity, shall lie with the employer, as is customary in anti-discrimination laws pertaining to an employee's personal/family status or ethnic/gender/religious background. The Equal Employment Opportunity Commission recommends the inclusion of steps for promoting employment equity during the measurement process. It is advisable to obtain the employee's consent prior to the release of information.

Therefore, we recommend reaching out to the employees to find out if they are willing to anonymously answer questions pertaining to gender, ethnicity, age, religion, and disability. The information obtained should be solely utilized for the purpose of promoting DEI and this should be clearly communicated to the employees. Oftentimes, data collection, when combined with steps for implementing equity, increases the employee's trust in the organization and its management, as long as the information is obtained willingly, is used for the declared purpose, is not shared, and is confidential.

It is imperative to provide the cause for the data collection, ensure confidentiality, and obtain informed consent for the collection and processing of information for the benefit of workplace equality.

**Our recommendations for an employer regarding the collection and measurement of data for the purpose of DEI implementation:**

1. Create a written plan for diversity/equal opportunity implementation. Explain the need for measurement, define recruitment goals, and present a tracking process that will ensure that the plan is utilized for the implementation of equity and the inclusion of populations that are underrepresented in the market. The inquiry and data collection steps must be aligned with this plan and its objectives.
2. Employees should be notified that they are not obligated to provide any information and that they will not be negatively affected should they choose not to participate. In addition, an employee's informed consent should be obtained regarding relaying the information further.
3. Limited access to information: Access to the information obtained will be limited to a restricted number of individuals in the organization.
4. Separate the gathering of information from the hiring process. (For example, do not collect data during a personal interview or a job interview).

# INFORMATION & SOURCES

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The Diversity in Startups Report is Power in Diversity's second research publication pertaining to the local startup industry. The goals are to provide (data) accessibility and insights to all individuals involved, investors and managers alike, as a first step to drive game-changing practices and highlight the companies that implement diversity-focused strategies. We examined 650 startups and public companies - all of which are VC-backed or started out as such. The reviewed companies are firms with meaningful/significant activity in the Israeli ecosystem, with a minimum of fifty employees locally, which were founded from 1995 onwards, and which raised at least \$1M. Only companies that agreed to verify the data in its entirety were ranked. The data were collected between November 1st, 2022, and December 31st, 2022. The data collection was conducted via information collected by external resources. After the data was analyzed, it was verified by the relevant entities in the leading companies. The deviation between the data reported by the companies to those collected by us stands at 5%. Among the examined data were the number of women employed, the number of women in management positions, the number of women in development positions, and, for the first time, the number of Israeli Arabs and ultra-Orthodox employed by the company. It should be noted that a considerable number of firms do not measure the number of their ultra-Orthodox employees. Consequently, in an effort to keep the data reliable, the weighting factor assigned to this piece of data was lower. Last year (2021), we presented a separate index and an in-depth diagnosis of Health Tech and healthcare data, whereas this year (2022), we are publishing these sectors' data in a separate edition due to the significant difference in numbers and insight these industries experienced. Regarding women and employees of the Arab sector, the healthcare, CleanTech, BioTech, and moderately growing FoodTech companies in Israel present a distinct and unique picture. As discussed in our 2021 report,

the afore-mentioned industries have an increased number of women employees and an increased number of women in management positions. The numbers are significantly different from those displayed in other tech sectors, including those of the Arab population, possibly because of the percentage of students that major in these subjects in higher education, these companies' locations (they are more widely spread), and for various other causes that explain the higher numbers pertaining to women employability presented in the 2021 annual report. When comparing 2022 to 2021, the data considered all startups that met the aforementioned prerequisite requirements. We have attempted to include other diverse populations, such as workers from the Ethiopian community and individuals with disabilities, in an effort that proved unsuccessful for various reasons. Unfortunately, the participation of workers from the Ethiopian sector in high-tech is extremely low. This makes any statistical review or data calculation for this group irrelevant. This profound fact must alarm the ecosystem and encourage companies to take practical steps for the advancement of individuals from the Ethiopian sector in high-tech. Many university graduates and army veterans from this sector have a vast integration potential, and yet, their representation within the startups ecosystem is nearly non-existent. In the case of individuals with disabilities, the complexity stems from the wide range of disabilities that create difficulty in tracking the numbers. Although we cannot measure the numbers, we have reached out to companies to ask them to meet the legal requirements of local private companies when hiring individuals with disabilities and urge them to go beyond this scope. The added value for the company and its employees is invaluable, as is apparent from the example we have presented earlier in an article that relates to employees who are on the autistic spectrum.

# SUMMARY

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This is the Second publication of Power in Diversity's Annual Report pertaining to the local startup industry. Among other things, this report highlights leading companies in Diversity, Equity, and Inclusion ("DEI") practices. This year, we worked diligently on addressing additional diverse populations (other than women): Israeli Arabs and the ultra-Orthodox. The data collection process was challenging as most organizations do not measure diversity groups other than women, and this discrepancy forms a barrier when it comes to the promotion and recruitment of additional diverse populations.

Regrettably, and, despite our efforts, we were unable to include several additional diverse populations, such as Israelis of Ethiopian descent (due to their low numbers in the high-tech industry) or individuals with disabilities (due to measurement issues concerning this population). This alarming fact should motivate organizations to work closely with the entities and companies that prepare these populations for high-tech and academia. The choice of academic studies as preparation for a career in the industry should be carefully re-examined to support employment pipelines. Mainly, the government must allocate resources for preparatory education programs, provide broad-scale solutions, and work in partnership with all the relevant entities to DEI.

As the report indicates, a significant improvement in the presence of women in startups is unlikely, as 2022 data suggests a mere 34% presence, whereas their presence in the population is 51%. This low number, which illustrates the percentage of women employed in the Israeli Innovation ecosystem (without relevance to their academic background and which includes shell roles), should alarm organizations in the ecosystem and motivate them to take considerable steps toward solutions. In addition, as indicated in the report, the percentage of women employed in management and leadership roles is significantly low and stands at 24%, which affects the overall low presence of women in the organization.

A gender-diversified Board of Directors and the presence of women in leadership positions (not merely in recruitment, finance, and operations) are important first steps. An additional key statistic is the number of women in technological positions in startups which increased by a mere 0.8% since 2021 and stands at 27.8% in 2022. As indicated earlier, R&D roles are considered the most stable positions in the industry, providing the pipeline to the next generation of technological managers and entrepreneurs.

A review of the state of affairs of Israeli Arabs employed in startups demonstrates an incredibly low participation rate. Most organizations do not hire Israelis from the Arab sector or hire them in very low numbers compared to the number of employees from the general population. The percentage of Arabs employed in startups is a mere 0.2%, whereas, in traditional high-tech, it is 3%. This is due to the restrictions and challenges this population faces (as presented in the report), the geographic location of startups, the relative instability involved in working for startups, and the industry's limited resources (compared with those of traditional organizations) when it comes to identifying and recruiting candidates. Additionally, Israeli Arabs' presence in the general population is 21%, and their participation in STEM studies consistently increases -this represents a gap that requires organizations in the ecosystem to devise inclusion strategies.

When it comes to the ultra-Orthodox population, the gaps stem mainly from the candidates' backgrounds and lack of work experience, as well as to the adjustments required (for successful absorption) and the sense of isolation from the rest of the employees because of these adjustments. Due to these challenges, organizations tend to utilize outsourcing companies for recruitment. Again, there is a discrepancy between ultra-Orthodox employees' presence in startups (0.4%) to their presence in traditional high-tech (0.7%) as of 2022.

When we examine the integration of the ultra-Orthodox into high-tech, it's important to look at gender differences (within the population). The report's findings are intended to provide startups and investors with statistical data and highlight the gaps within the industry as a catalyst for change and improvement. Our mission is to encourage the examination of recruitment strategies, drive improvements in organization's culture, and implement long-term processes to enhance employment diversity. Creating a solid foundation for the successful recruitment of employees as a tool to overcome the industry's shortage in manpower.

The industry's leadership and key players, as well as the investing funds that are responsible for promoting inclusion in the early stages of funding and throughout the startup's investment life cycle, as well as during board meetings and early recruitment phases, must carry the torch of DEI. An improvement in diversity will lead to enhanced innovation and creativity, improved performance, and will position the Israeli high-tech ecosystem at the forefront of the global technology scene with a full realization of its potential.



DIVERSIFIED  
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INDUSTRY

2022

## ABOUT POWER IN DIVERSITY

Power in Diversity Israel is a joint venture of over 60 Israeli VC firms and over 170 Israeli startups, coming together to promote diversity and inclusion in the Israeli tech industry.

We believe that diversity is one of the key elements for innovation and ingenuity. For Israel to continue to serve as an international model for innovation, it is essential that the members of the Israeli tech industry reflect the diverse world we live in. As we increase diversity within our community, our companies – and society as a whole – we will achieve greater success.



Learn more and join us [▶](#)