

Israel's vaunted tech sector is going to war

CEOs and venture capitalists are among the 360,000 reservists being called up to fight



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CORRECTION

A previous version of this article misstated Amir Mizroch's role at Start-Up Nation Central. He is the former head of communications for the organization. The article has been corrected.

Last week, Or Shoval, a 29-year-old Israeli tech start-up CEO, was on holiday in a seaside Egyptian town, celebrating his recent engagement. His 18-month-old medical software start-up was thriving, and he was preparing to fly to the United States for a major health-care conference.

But on Saturday morning he woke up to a barrage of news alerts and texts that Israel was under attack from Hamas, and hundreds had already been killed.

Now, Shoval is one of around 360,000 reservists, or 4 percent of Israel's entire population, called up to join the country's fight against Hamas, the Palestinian militant group that controls the Gaza Strip. About 15 percent of his company is now on active duty, but the work goes on, especially since his firm, like most start-ups, serves clients and has investors outside Israel.

"I have a weapon on my knees, I have a helmet on my head and I have a vest, but I'm waiting for half an hour ... so I'm working for half an hour," Shoval said in a phone interview while driving back to his base from attending the funeral of a friend who was killed in Hamas's attack over the weekend. "You're fighting, then two hours after you have a conference call with the rest of your team."

Thousands of Israeli tech workers, venture capitalists and start-up founders are among those being called up to serve in the military's combat units as they prepare to invade the Gaza Strip. The tech sector contributes about a fifth of Israel's gross domestic product, and many big U.S. tech companies including Intel, Amazon and Google have big offices in the country. Israeli start-ups account for a large amount of the country's exports and many people in tech refer to it as the "start-up nation" for its high concentration of tech companies.

“It’s not just men. There’s women who are being called up, and there’s wives whose husbands are being called up — the disruption is all over,” said Eyal Bino, founding partner of venture capital firm 97212 Ventures. Still “the morale is high in making sure there’s no disruption to services, and also defeating Hamas.”

Not all of the tech world supports Israel’s war with Hamas. On Tuesday a coalition of workers at Amazon and Google urged their employers to stop selling technology to the Israeli government through a cloud-computing partnership called Project Nimbus. The employee group called Amazon and Google “complicit in this devastation” in the Gaza Strip. Amazon spokesperson Brad Glasser said the company is “deeply saddened by the tragic loss of life” and is focused on the safety of its employees. Regarding Nimbus, he said Amazon Web Services “is focused on making the benefits of our world-leading cloud technology available to all our customers, wherever they are located.” (Amazon founder Jeff Bezos owns The Washington Post, and interim CEO Patty Stonesifer sits on Amazon’s board.)

All Israelis are required to do compulsory military service after high school, and most remain in the reserves after completing it. The country’s tech founders and venture capitalists often come out of elite cyberintelligence divisions like Unit 8200. But many tech workers completed their military service as regular infantry, meaning that as reservists they could be called to serve in front-line combat units.

On Saturday, hundreds of Hamas militants breached the high-tech perimeter fence Israel had built around Gaza, a Palestinian territory home to 2 million people and one of the world’s most densely populated places. The attackers rampaged through southern Israeli communities, killing at least 900. Israel has responded with a blistering bombing campaign on Gaza, killing at least 680.

But the war is just beginning. With a grueling ground search of Gaza for around 100 Israeli hostages kidnapped by Hamas likely, and the potential for more attacks from Hezbollah in the north and other militant groups in the West Bank, it’s unclear how long Israeli reservists will be fighting, and away from their companies.

The impact on tech companies and the rest of the economy could be serious.

Workers who are called to reserve duty still get compensated from their employer for the time they spend in the army, said **Ofir Angel, chairman of Auren Israel**, the Tel Aviv branch of an international consulting company. Angel estimates that the majority of the companies in Israel are having 10 to 25 percent of their personnel recruited.

Most of the workers being called to reserve duty are ages 21 to 35, Angel says, which is also the prime age of tech workers in Israel. Angel predicts that Israel’s tech sector will have higher percentages of workers absent from their day jobs than other sectors like agriculture.

Within his firm’s 30 employees, five — mostly young men — have been called to reserve duty, a number that could grow if the war drags on. Meanwhile, some of his remaining female workers are having to cut back on their hours because they’re now doing more at home as their spouses are being called to reserve duty.

“The real challenge is that usually we like to do general calculations that each employee is generating three times their salary for the company,” Angel says. If the employee is going to serve, Angel adds, that’s less productivity and activity for the company. He predicts that the conflict’s damage to Israel’s GDP will be “significant.”

Israeli companies are accustomed to young workers leaving their jobs for reserve duty; workers under 35 generally have a week or two of scheduled reserve duty per year, Angel says. But those stints are planned well ahead of time, and companies have more time to adjust to changes to their workforce. Now, Angel's employees are getting notices to report to a base and leaving within hours.

On Saturday morning, David, a venture capitalist who declined to share his full name because he is on active military duty, was busy getting his kids ready for the day when sirens began blaring, warning of an incoming rocket attack.

An Orthodox Jew, David's phone was turned off for the Sabbath. But as the attacks kept coming, he knew something was deeply wrong. He turned on his phone and saw the news, then called his reserve commander.

By 1 p.m., David was on a military base, in uniform. The scale of the attack and the mobilization is unlike anything he's ever seen, he said. Even an older friend who had served in the 1973 Yom Kippur war, when Israel was also taken by surprise by an invasion from Syria and Egypt, told David this time was different.

"Thousands and thousands of soldiers, everyone just making their way onto base," David said. "A lot of anger, a lot of frustration, a lot of shock, a lot of people were completely blindsided, myself included."

Tech founders, venture capitalists and engineers who haven't been called up are contributing by donating funds to help equip reservists with better gear, and are organizing support for people who lost family members in the attacks.

"My wife and I just moved out so we could give our apartment to a bereaved family, a woman whose brother was killed," said David Stark, a general partner at Ground Up Ventures in Jerusalem. Large American venture capital firms such as Index Ventures and General Catalyst have also pledged to donate to humanitarian relief efforts in Israel, and mental health start-ups are offering free services to Israelis.

Many of the networks of tech workers who are rallying to provide support were formed over the past year, as many tech founders and venture capitalists joined the political opposition to Prime Minister Benjamin Netanyahu's attempts to weaken the power of the country's judiciary, a move seen by many Israelis as anti-democratic.

The months of political turmoil have put Israel's tech sector in an already-difficult position, said Amir Mizroch, a former tech journalist and former head of communications for Israeli start-up hub Start-Up Nation Central. Major foreign investors pulled their money out of Israel over the political uncertainty.

"While start-ups and the tech economy might be bouncing back in Europe and America, it's not here," Mizroch said. But the war is pushing divisions among Israelis into the background, he said.

Bino, the venture capitalist, agreed.

"This is a very big moment in the history of Israel, and right now I think the mission of everyone is to come together to defeat Hamas," he said. "We'll deal with the rest later."

Lisa Bonos and Caroline O'Donovan contributed to this report.