



BUILDING A CREATIVE SOCIETY IN JERUSALEM

Prepared for the Honorable Mayor Nir Barkat • Spring 2015



Photo by Tal Shahaar

Introduction

Jerusalem, one of the oldest cities in the world, is rich with culture, history and heritage. It was written in the Talmud, "Whoever did not see Jerusalem in its days of glory, never saw a beautiful city." Long a locus for three of the world's five dominant religions, Jerusalem is a place of authenticity, spirituality and purpose.

Often defined by religious and political divides, Jerusalem today is ushering in a new way of life as a world-class city with inclusive economic opportunities that cut across secular lines.

And for good reason: Cities are perhaps the greatest expression of human civilization. They began as centers for regional commerce, but their density soon made them attractive places for people to live, work and play. The abundance of cultural, religious and academic institutions in cities gave life to powerful social networks, many of which still exist today. Cities represent innovation, creativity and talent and drive the economic growth for which cities were originally intended.

Two centuries ago, only 3 percent of the world's population lived in cities. At the turn of the 20th century, this was 14 percent. Today,

more than half the world's population—3 billion people—live in cities, a number expected to eclipse 5 billion by 2030. Without question, cities are replacing nation-states as the primary social and economic organizing units of our time.

Jerusalem exhibits many of the positive signs of a truly cosmopolitan city. It is multicultural and serves as a breeding ground for art, music and literature. Education is highly valued and innovation celebrated. A strong civil society brings people together to share activities and embark on neighborhood-based projects. Much of the foundation for Jerusalem's future competitiveness already exists.

Yet in Jerusalem, like many cities globally, growing social and economic division within and between cities undermines social cohesion and political stability. To counteract

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these trends, Jerusalem must continue to improve upon basic services to all residents and, just as importantly, position itself to attract and retain its Creative Class.

The Creative Class consists of the highly skilled, highly creative people whose function is to create new ideas, new technology and new discoveries. The Creative Class spans occupations, including science, medicine and engineering, architecture and design, education, arts, music, media and entertainment and finance and management. While members of the Creative Class do not

Introduction // continued

necessarily share a collective identity, they do share a common ethos—one that values creativity, individuality, authenticity and merit. Long gone are the days where agriculture, natural resources or manufacturing solidified a nation's economic strength. Today, it is the Creative Class driving the new global economy. Jerusalem's ability to attract and retain this Creative Class will determine its competitiveness within the global hierarchy.

In this chapter, we assess Jerusalem's existing creative economy, its strength relative to comparable cities and opportunities for its expansion. This chapter will conclude with recommendations for Jerusalem officials as it positions the city for growth into the 21st century.



Why Creativity Matters to Jerusalem

Creativity is the ability to invest meaningful new forms, designs or processes that are readily transferable and widely used. Whether it is the latest discovery in biotech or the newest breakthrough in science, creativity is the ability to think and innovate using the human mind. It isn't a physical or geographic resource, like oil in the ground or a natural deep-water harbor. Creativity comes from talented people, and people are decidedly mobile factors of production—they can pick and choose where to live or work. Economic creativity requires a social and economic ecosystem that attracts, nurtures and retains this top talent.

For a city or region to prosper in the creative age requires the *3Ts of Economic Development: Technology, Talent and Tolerance*.

- **Technology:** A city must have a thriving tech scene and research universities that can generate innovation and transfer it into marketable products and scalable companies. Beijing, Copenhagen and San Francisco continue to prosper, in large part, due to the growth of their technology industries, but also because of the creativity that gives these hot tech markets their life.
- **Talent:** A city's talent includes its educated, skilled and creative workers, including those working in technology and R&D, arts and culture, professional services and

education. To grow, a city must be able to attract and retain highly educated and creative talent, the driving force behind any effective economy.

- **Tolerance:** To develop and retain technology and talent, a city must be an open-minded place that draws a diverse group of talented people. Creativity comes in countless forms, and a community must be open to everyone—artists and entertainers, gays and lesbians, immigrants—and to the new ideas they bring. A city needs an inclusive people climate and an astern business climate to provide strong expansion markets for innovative products, services and startups.

Economic creativity requires a social and economic ecosystem that attracts, nurtures and retains this top talent.

All of this comes together in place—the central social and economic organizing unit of the creative age. More than ever before, place matters.

Our Approach

We assessed Jerusalem on more than 40 key metrics of economic development and competitiveness utilizing the most current data from the Israel Central Bureau of Statistics, Jerusalem Institute of Israel Studies, Jerusalem Transportation Management Team, Organisation for Economic Co-operation and Development (OCED) and PitchBook.

A quantitative analysis using similar data sources identified the City's occupations and skill clusters, particularly as they relate to the creative class. We also examined indicators of Jerusalem's startup and innovation ecosystem.

We conducted several focus groups with individuals across industries, including arts and culture, technology, government, tourism, civil society organizations, academia and various religious and ethnic groups.

Finally, we held a stakeholder workshop with representatives of the government, nonprofit and private sectors to obtain a qualitative assessment of Jerusalem's strengths, weaknesses, challenges and assets.

These five issue areas—the university system, the startup and tech economy, a robust art and culture industry, economic and social inclusion and a unique civil society—form the framework for understanding Jerusalem's creative economy. Moving forward, the City, by investigating these questions, will be better equipped to attract and retain its Creative Class.



Courtesy of the Office of Jerusalem Mayor Nir Barkat



Photo courtesy of Shutterstock.com

Our Approach // continued

WE FOCUSED ON FIVE KEY QUESTIONS:

- **The Role of the University:** Jerusalem is home to Hebrew University, one of the world's foremost academic institutions and a center of cutting-edge research. *How can the City leverage this extraordinary asset in order to retain human capital and foster tech growth?*
- **Talent Attraction and Retention:** After University, much of Jerusalem's top talent leaves the City. *What infrastructure—physical, social and cultural—is required to attract and retain the Creative Class, both locally and globally?*
- **The Role of Creativity and the Arts:** Jerusalem is a cultural mecca, home to world-renowned museums, symphonies and art venues, and many internationally celebrated writers and intellectuals live within its borders. Its history and authenticity also lend themselves to a robust street culture and create a desirable sense of place. *To what extent is the City able to tap into its unique cultural capital and make it an economic driver?*
- **Tolerance, Diversity and Inclusion:** Much of Jerusalem's historical and religious significance has contributed to an otherwise segregated population. But for Jerusalem to be competitive, it must tap the creative potential of all residents—Jews, Orthodox, Secular, Christians and Arabs alike. *What steps are necessary for Jerusalem to become a tolerant, inclusive economy that is poised for economic growth?*
- **Civic Engagement:** Jerusalem has a very active, engaged civil society, one that forges relationships based on interest areas rather than traditional political, religious or ethnic boundaries. These are the City's new problem solvers: non-secular organizing entities who feel an extreme sense of purpose and commitment to Jerusalem. *How can the City leverage these groups as a way to break down walls between neighborhoods and their people and create a sense of openness for all residents alike?*

Jerusalem by the Numbers

Jerusalem is a city of more than 829,000 residents, representing 10 percent of Israel's total population. It is twice as large as nearby Tel Aviv and continues to grow at a rate of 7.2 percent, on par with national average but twice as quickly as Tel Aviv. Recently, much of Jerusalem's population growth can be attributed to the Arab population, which grew by 11.3 percent between 2009 and 2013. Meanwhile, Jerusalem's Jewish population grows at a rate of just 5 percent, less than half that of the Arabs and lower than the citywide average.

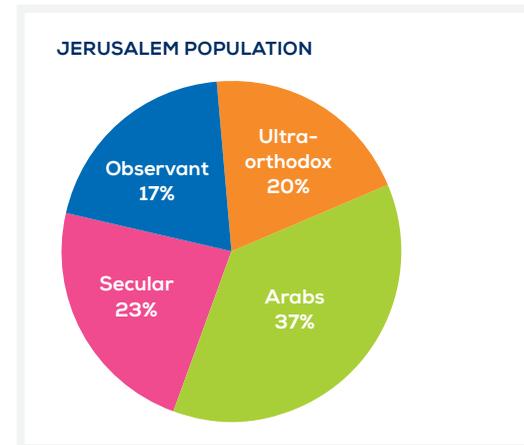
There is also a distinction between the Jewish and Arab labor market participation rate. While they account for just 60 percent of the population, Jewish residents make up more than three-fourths of Jerusalem's workforce, compared to just one-fourth among the Arab community.

These numbers are perhaps misleading without first understanding that Jerusalem's overall labor market participation rate is the lowest among Israel's largest cities. Only 45.9 percent of residents participate in the workforce, well below the 57.4 percent national average. That notwithstanding, Jerusalem's unemployment rate is only slightly higher than the national average, standing at 6.7 percent, but remains nearly 2 percent higher than that of Tel Aviv.

Jerusalem's contribution to the nation's Gross Domestic Product is 11 percent, an impressive share given Jerusalem's below-average labor market participation rate.

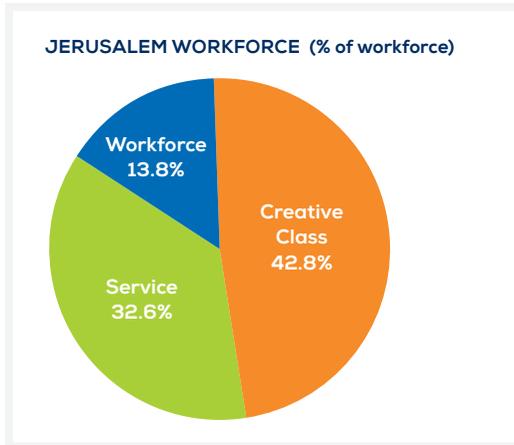
Jerusalem's Creative Class

We assessed Jerusalem's workforce across three broad occupational classes: the Creative Class, the Working Class and the Service Class. Whereas the Creative Class represents highly skilled innovators and creators, the Working Class includes those whose jobs are in manufacturing, production, construction and transportation. The Service Class is comprised of low-wage, low-autonomy occupations such as food service, janitors and groundskeepers, personal care attendants, clerical workers and security guards.



Source: Jerusalem Development Authority 2014

Jerusalem by the Numbers // continued



Source: Jerusalem Transportation Management Team 2013

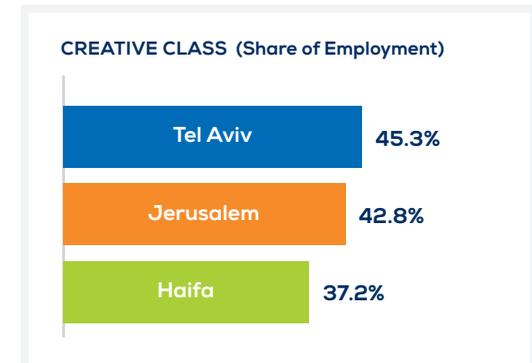
These Classes further break down as follows:

- Among Jerusalem's workforce, 43% are in the Creative Class, 32% are members of the Service Class and 14% are in the Working Class.
- The Working Class includes those employed in manufacturing, production, construction and transportation and is comprised almost exclusively (97%) of men.

- Women are more highly concentrated in the Creative Class (60%) and in the Service Class (54%), which typically includes low-wage, low-autonomy jobs such as food service workers, personal care attendants, security guards and clerical workers.
- Approximately 46,500 workers make up Jerusalem's working sector, which is 12% smaller than the national average.
- Jerusalem's Service Class is 6% larger than the national average and relative in size to the Service Classes in Tel Aviv and Haifa.
- Jewish residents make up almost 90% of the Creative Class in Jerusalem.

With the Creative Class ushering in the next era of economic growth, our research finds that Jerusalem is well-positioned. Its 144,000 Creative Class workers give the city a concentration 17% larger than the national average. While this signifies strength

nationally, it is a stark contrast to nearby Tel Aviv, whose Creative Class is 24 percent higher than the national average. To put this into a global context, Jerusalem's Creative Class share is larger than that of New York, Montreal or Miami.



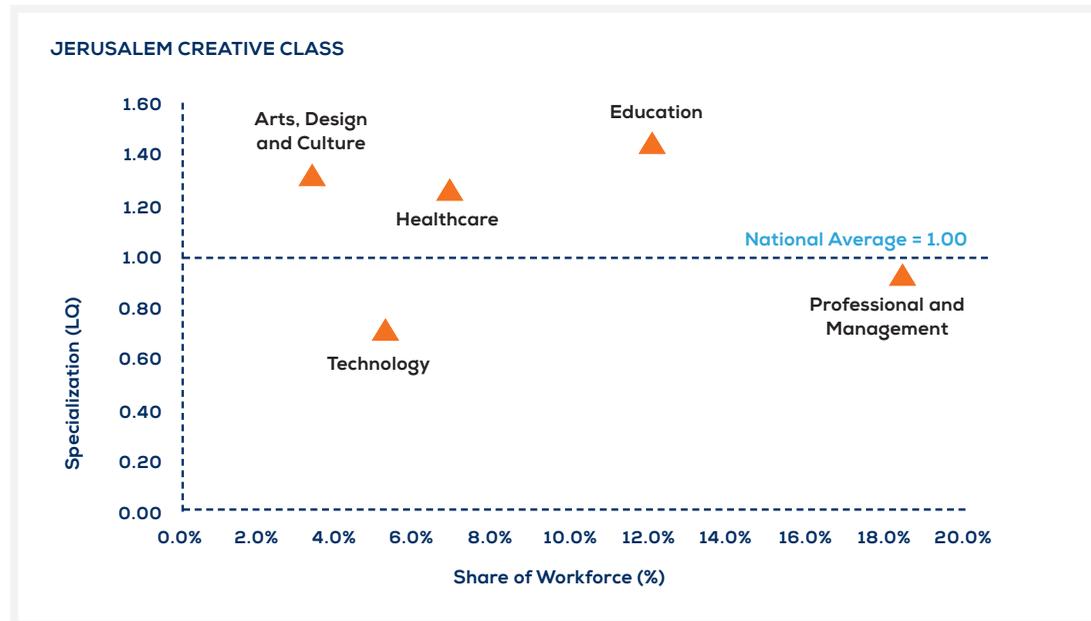
Source: Jerusalem Transportation Management Team 2013

More than 144,000 workers make up Jerusalem's Creative Class – 17% larger than the national average.

Jerusalem by the Numbers // continued

Jerusalem's Creative Class consists of five core occupational categories:

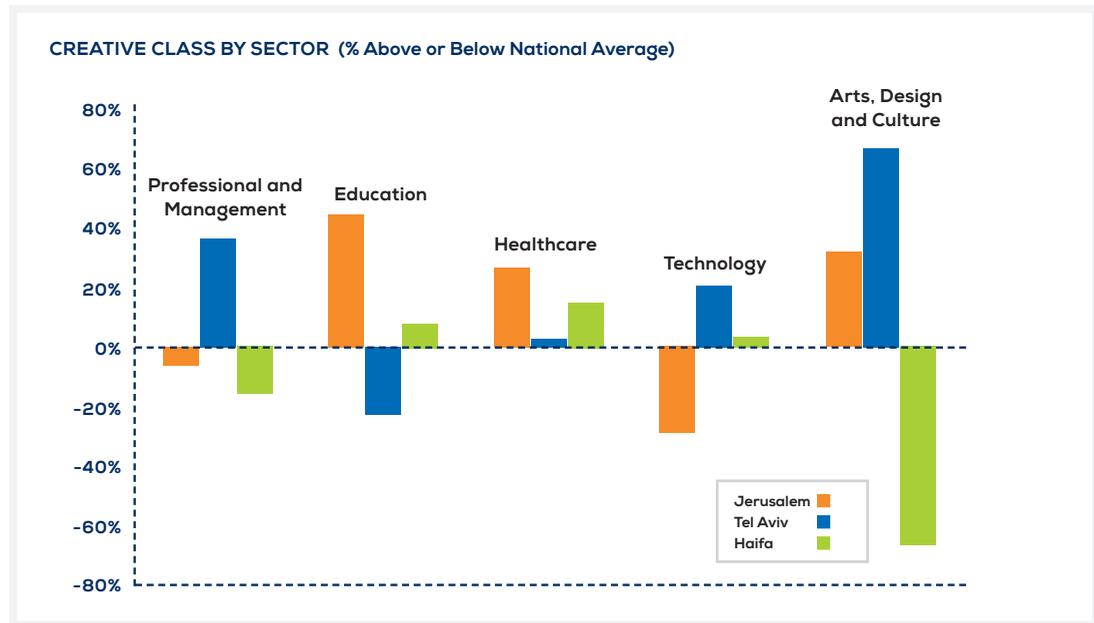
- **Professional and Management:**
62,000+ workers
(6% below national average)
- **Education:**
40,300 workers
(45% above national average)
- **Healthcare:**
23,000 workers
(27% above national average)
- **Technology:**
17,400 workers
(29% below national average)
- **Arts, Design and Culture:**
11,000 workers
(32% above national average)



Source: Jerusalem Transportation Management Team 2013



Jerusalem by the Numbers // continued



Source: Jerusalem Transportation Management Team 2013

The table above shows how Jerusalem's Creative Class stacks up in each of these core occupational categories relative to its peers, Tel Aviv and Haifa, when compared to the national average.

Jerusalem's Creative Strengths

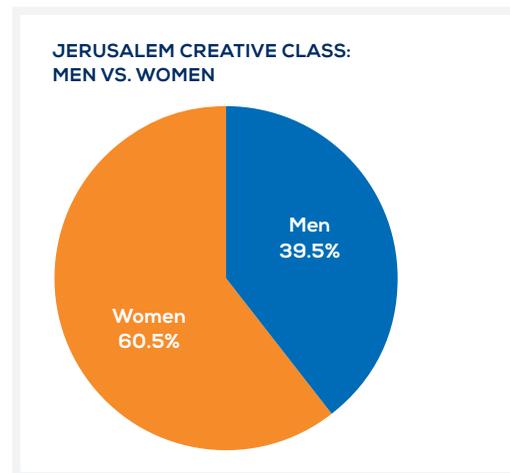
Unquestionably, Jerusalem's greatest creative economy strengths are within the Education and Arts, Design and Cultural sectors. The concentration of authors, journalists and writers is indicative of this strength—there are three times as many in Jerusalem than the national average. The Healthcare sector is also well-represented and provides an opportunity for continued growth.

Women play an important role in Jerusalem's Creative Class. Nearly 88,000 women belong to the Creative Class, representing 60 percent of the City's creative workers and 54 percent of its entire workforce. More women belong to the Creative Class in Jerusalem than anywhere else in Israel. This is largely explained by the fact that ultra-Orthodox men do not participate in the workforce, requiring women to serve as their families' primary breadwinners.

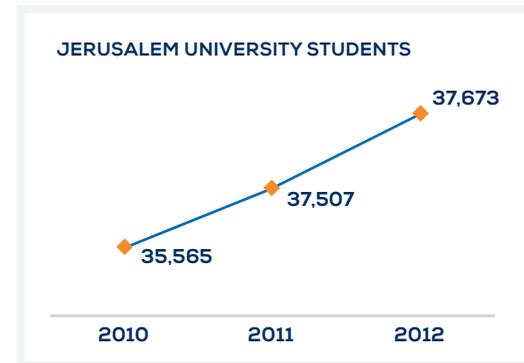
Women makeup 60% of Jerusalem's Creative Class.

Jerusalem nurtures some of the country's best and brightest. Home to nearly 38,000 college students (15 percent) of the students in Israel—a number that rose 6 percent between 2010 and 2012—Jerusalem is a quintessential university town. Students

overwhelmingly study arts (230% above the national average), physics (+210%), literature (+203%), medical professions and medicine (+69%), biosciences (+45%), humanities (+24%) and education (+13%).



Source: Jerusalem Transportation Management Team 2013

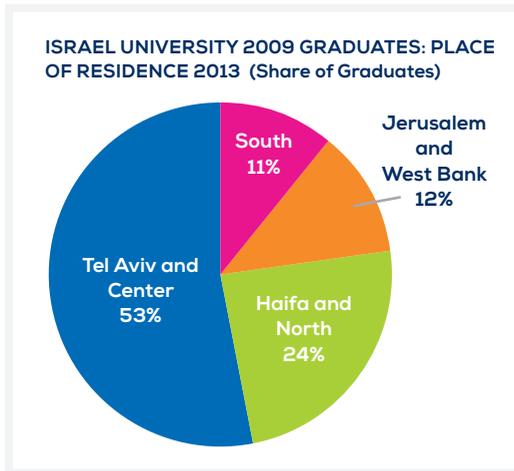


Source: Jerusalem Development Authority 2010-2012

With access to such talent, Jerusalem's creative economy should be thriving. But whereas Jerusalem excels in importing students, it tends to export them upon graduation. A study by the Jerusalem Development Authority finds that fewer than half (43 percent) of students who studied in Jerusalem in 2009 still lived there by 2013.

Jerusalem's Creative Strengths // continued

Jerusalem struggles to retain its college graduates, who regularly choose to begin their careers elsewhere.

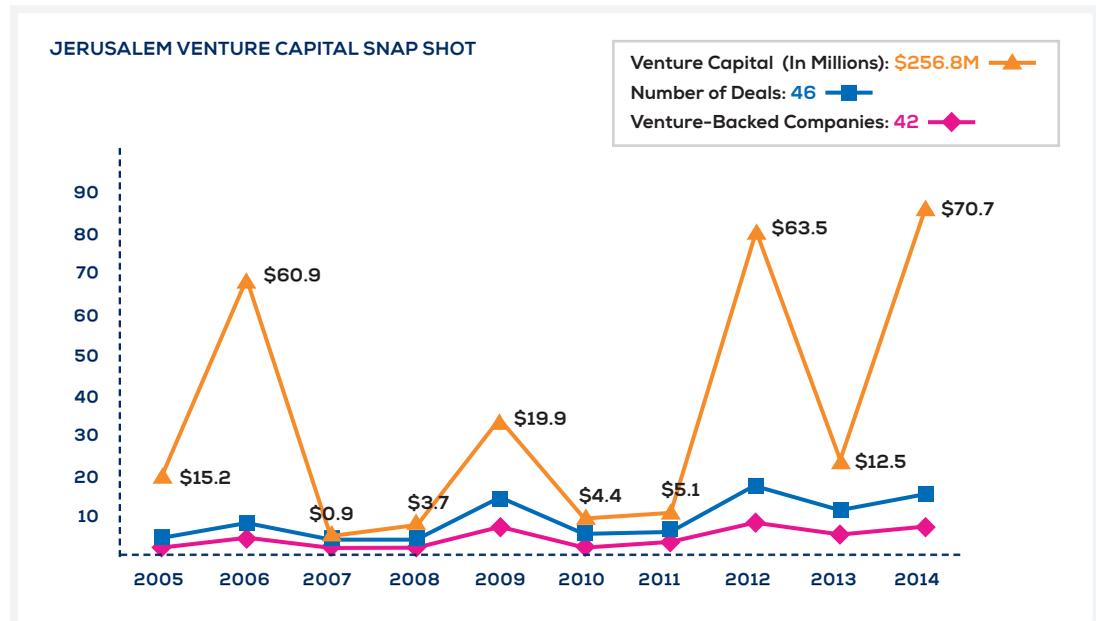


Source: Jerusalem Transportation Management Team 2013

Jerusalem is home to nearly 38,000 college students.

This challenge is reflected in Jerusalem's emerging technology and startup ecosystem. OECD data find that in 2011, Jerusalem accounted for 146 patents (9 percent of all patents in Israel). In the 10 preceding years, Jerusalem had 1,602 patents, compared to 3,817 in Tel Aviv and 2,111 in Haifa. Its relative weakness versus Tel Aviv and Haifa is likely

why Jerusalem businesses have attracted a disproportionately low share of venture capital. According to PitchBook, Jerusalem had just seven new venture-backed companies in 2014, accounting for \$70.7 million (USD) and 6.4 percent of the Israeli total. In five years, Jerusalem attracted \$156.2 million in venture capital, just 8 percent of the total of Tel Aviv.

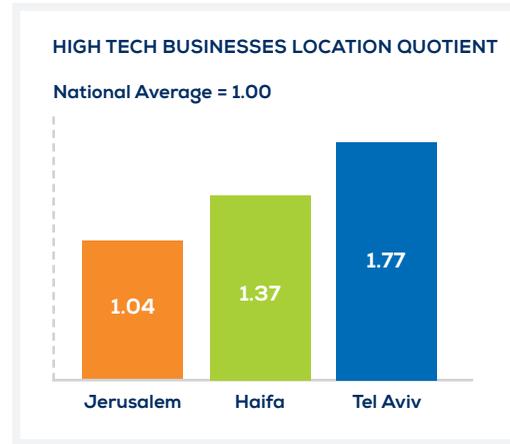


Note: Count measures HQ locations Source: PitchBook 2005-2014

Jerusalem's Creative Strengths // continued



Note: Count measures HQ location Source: PitchBook 2010-2014



Note: Count measures HQ location Source: PitchBook 2010-2014

Though Jerusalem has attracted less venture capital than its peers, it remains a robust high-tech business economy. More than 1,400 high-tech firms call Jerusalem home and employ 6 percent of its total workforce. While Jerusalem's share of high-tech firms is 4 percent larger than the national average, it pales in comparison to Tel Aviv's,

whose proportion of high-tech businesses is 77 percent more than the national average. As data show, Jerusalem's growing startup and technology culture is growing but it remains in the shadow of Tel Aviv and Haifa's robust innovation clusters.



Strengthening Jerusalem's Creative Economy

Creativity is what sparks new ideas, new commercial innovations. It leads to new businesses, new jobs, higher wages and economic growth. The Creative Class is increasingly defining the global economy. If Jerusalem is going to compete on a global level, attracting and retaining a talented workforce is critical.

We conducted a series of focus groups and stakeholder interviews to better understand the forces driving—and hindering—Jerusalem's creative economy. The focus groups revealed five components of Jerusalem's creative economy: the universities, its tech sector, tolerance, arts and authenticity and a strong civil society. Understanding these five components helps to map Jerusalem's Creative Class moving forward.

Positioning Jerusalem's Universities for the Creative Age

Strenuous "town and gown" relationships are not unique to Israel. Dating back to the Middle Ages, universities have often seen themselves as above, or separate from, the local community. While the benefits of cities—density, transportation, a vibrant marketplace—support university growth, rarely do universities feel reliant upon their host communities. Indeed, in many instances,

universities have become so self-contained that students and faculty seldom leave campus.

Hebrew University is no different. It actually sits behind a wall and, for the most part, does not engage with the city. "There's a big gap," says Chen Levin, CEO of Xact Robotics, "between what the academia perceives its role is in the development of the city and what it should be."

The University of Pennsylvania (UPenn) is perhaps the most widely recognized case of a university investing in its neighborhood. In the mid-1990s, UPenn suffered because its West Philadelphia neighborhood was unsafe and economically blighted. Under the leadership of President Judith Rodin, the university launched a decade-long effort to improve the long-term social and economic health of West Philadelphia as a mechanism for

"There's a big gap between what the academia perceives its role is in the development of the city and what it should be."

CHEN LEVIN, CEO, XACT ROBOTICS

increasing UPenn's overall competitiveness. Efforts included investing in local schools, purchasing from local suppliers and participating in Campus Compact, an initiative aimed at linking the school to Philadelphia's downtown through an innovation corridor.

UPenn's efforts were not standalone; organizations like Campus Philly also played a role in attracting and retaining talent. Campus Philly, a nonprofit organization, does so by creating pipelines for students to connect with businesses and local community-building organizations, thereby becoming fully entrenched in the community by graduation.



Strengthening Jerusalem's Creative Economy // continued

Though it is less actively engaged in direct city planning, Hebrew University already plays a significant role in tech transfer. Impressively, when Hebrew University opened Yissum, it was only the third university in the world to ever establish its own tech transfer company. "We have 50 years behind us...quite a big arsenal of success, and we know how to do the business," explains Dana Gavish Fridman, Director of Marketing of Yissum. "Yissum brings tens of millions of dollars every year to the University in royalty money and in research money. We do about \$14 million every year in research by faculty members for companies." More than 80 startup companies have been born inside Yissum. The challenge remains leveraging Yissum's strengths to keep this technology, talent and entrepreneurship in Jerusalem as companies grow and move their products to market.

Perhaps this is because Hebrew University remains focused on academic research and pure science. Students learn the theoretical at the expense of the practical, and there are few opportunities for students to develop entrepreneurship skills and even fewer

connections to private industry. The success of graduates from universities like MIT and Stanford are largely due to the universities' integration with technology, research and development firms. By providing students with hands-on experience, they become entrenched in the local tech ecosystem and are more apt to stay upon graduation. Firms in the host cities benefit, too, as they have direct access to top talent. It is a mutually beneficial relationship that Hebrew University and Jerusalem would be well-served by adapting. Dr. Eyal Sheke, Founder and CEO of Civan Advanced Technologies, puts it eloquently: "Our academic institutions [in Jerusalem] need...not look back on history, but look forward at what the possibilities can be."

The Bezalel College of Art and Design is further along in its effort to integrate into the community and is already moving to the City Center. It has increasingly aligned its mission to support Jerusalem's place-making efforts. "The raison d'être of the academy is creative because everything that we are doing is focused on the creation of new things, sometimes with traditional tools,

Strengthening Jerusalem's Creative Economy // continued

"Capturing that energy, allowing people to live here, work here and to practice entrepreneurship is what the future must be about."

ELIE WARTMAN, VENTURE CAPITALIST

sometimes with ideas that are leading-edge," says Dor Lin, Bezalel College's Director General. "We are very active in startups, including research centers. But we are also generating basic creative ideas to promote and develop the City." Without a doubt, its universities are one of Jerusalem's greatest strengths. But this strength will remain underutilized unless these universities become more actively engaged in developing career paths and industry connections to retain its gifted graduates. Venture capitalist and serial entrepreneur Elie Wartman echoes this sentiment: "Capturing that energy, allowing people to live here, work here and to practice entrepreneurship is what the future must be about. I think the

well where we can draw from is this very broad student body...coming from not just Hebrew University but from all our institutions, such as Bezalel Academy of Art and the Jerusalem College of Technology."

Jerusalem's universities need not undertake these efforts in silos. The University of Pittsburgh and Carnegie Mellon, for instance, have collaborated to create a shared economic development and technology effort that is propelling their local economy forward. Jerusalem's incredible density and close proximity of academic institutions provides an opportunity for its universities to lead joint efforts to tackle complex economic and social challenges.

Nurturing Jerusalem's Startup Ecosystem

From new inventions software, robotics and biotechnology to improvements in manufacturing systems and processes, technology makes economies and societies more efficient and productive.

Cultivating the technology ecosystem in Jerusalem requires a unique combination of infrastructure and cultural assets. In the 1980s and 1990s, as technology parks were being built, nobody expected that the next wave of tech entrepreneurs would want to be in the urban core. Today's most successful tech cities are those that provide its top talent with vibrant, mixed-use districts where they can live, work and play in close proximity to other innovators.

This presents a challenge for Jerusalem, where the physical infrastructure lacks the energy or centrality present in cities like Tel Aviv. Specifically, Jerusalem lacks the type of real estate in highest demand by tech companies. Its big footprint office parks are isolated and dull, lacking the amenities and social "buzz" found so regularly in Tel Aviv. "You need readily available real estate for startups to grow and scale," explained Elie Wartman in a focus group with the startup community. "I've been involved in creating thousands of startup jobs, spent 10 years as



a venture capitalist, and the biggest hurdle in creating a startup community in Jerusalem is physical infrastructure.”

Beyond physical infrastructure, Jerusalem lacks the social infrastructure that tech entrepreneurs so desire. Jerusalem’s tech community is highly fragmented and in desperate need of mechanisms that will build connections and cohesions. The existing startup culture lacks a soul or identity. Meanwhile, Tel Aviv is rife with informal venues and tech meet-ups that regularly bring entrepreneurs into the same space where they can network, share ideas and collaborate.

Social connections are particularly important as companies try to scale their businesses from 2-3 employees into something more substantial. As entrepreneurs flock to Tel Aviv, so do investors, lawyers and accountants. This brain drain leaves Jerusalem with less-experienced workers. Hanan Brand, Founder and CEO of Made in JLM, stated, “Scaling a startup in Jerusalem is a challenge because we don’t have enough workers that have enough experience.”

Strengthening Jerusalem's Creative Economy // continued

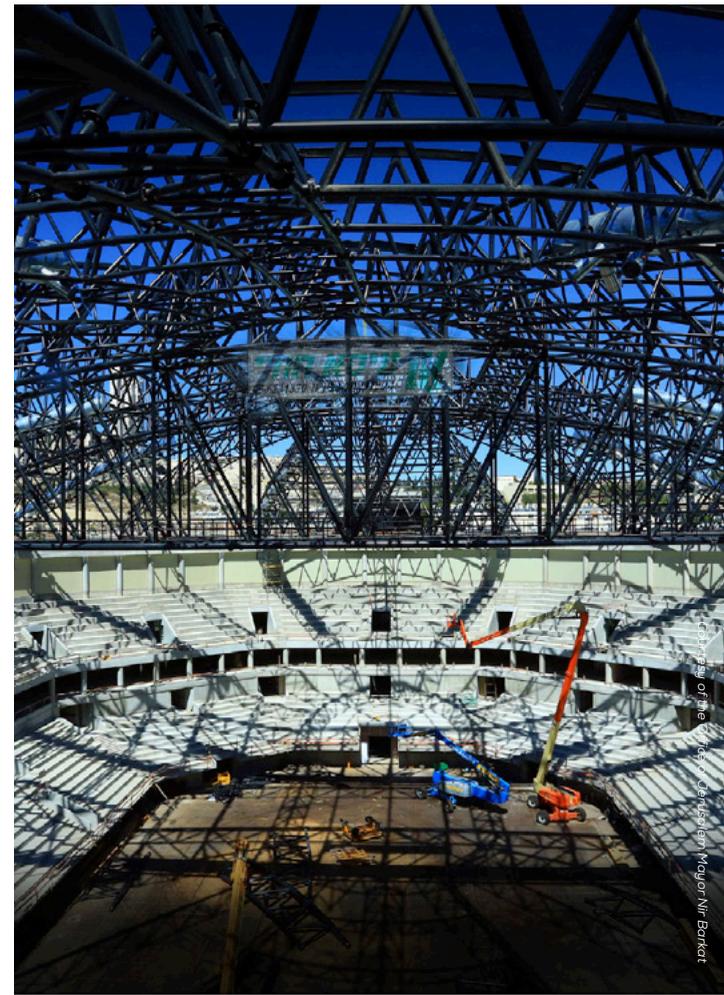
"Scaling a startup in Jerusalem is a challenge because we don't have enough workers that have enough experience."

HANAN BRAND, FOUNDER AND CEO,
MADE IN JLM

Tech wages are also lower in Jerusalem than in Tel Aviv, by as much as 20 percent. Meanwhile, the cost of living in Jerusalem is expensive. It's no wonder, then, that Jerusalem is bleeding its tech workforce in the shadow of Tel Aviv's thriving tech economy.

Worldwide, cities are making efforts to invest in branded innovation districts. In 2010, for instance, the City of Boston, which proclaims to have the nation's "first" dedicated innovation district, intentionally renamed a portion of its waterfront in order to attract firms who were otherwise being priced out of Kendall Square, the region's hottest cluster of technology and life science firms.

Doing so coincided with a downturn in the U.S. economy, in which many startup companies struggled to get by. Where others were frightened by a weak economy, Boston saw an opportunity and partnered with a local developer to provide no-cost space for MassChallenge, a now world-renowned business incubator. It was a win-win: the property would likely have sat vacant during this time period anyhow, and it drew entrepreneurs to an otherwise desolate area within the city. As these startup companies grew, they created a buzz that attracted other creative companies. In no time, Boston's Innovation District became one of the city's most desirable neighborhoods, one full of innovative companies that gather, create and share ideas with one another. A district similar to this would prove a boon to Jerusalem's startup economy.



Strengthening Jerusalem's Creative Economy // continued

Leveraging Jerusalem's Culture and Quality of Life

Creative Class workers today put a high value on quality of life. The 9-to-5 workweek no longer exists. People are increasingly mobile and able to work remotely, making one's sense of place all the more important. As the boundaries of work and home life blend together, creative workers are seeking out 24/7 environments where they can live, work and play in close proximity. This is a driving force behind the growth of urban areas, one that presents a challenge for more conservative cities.

Jerusalem has incredible strengths in arts, culture and design. "It's all here—film, the arts, and fashion," exclaimed Itzik Ozer, Manager of Technology and Business Development at Jerusalem Development Authority, and echoed by other focus group participants. Much of the culture stems from the 1960s and 1970s, when Jerusalem was the richest city in Israel. But today, the mention of Jerusalem conjures images of history, politics and religion. A widespread effort is needed to

rebrand the city as one that is contemporary, artistic and open to experimentation.

Focus group participants noted that, in years past, cultural events and performances were almost exclusively religiously oriented. It appears, at last, that the tide is beginning to shift. Nowadays, more non-secular events are drawing a different subset of the population. Even the most Orthodox young Jews are beginning to explore night life, culture and the arts, despite being condemned by their own communities. One of our focus group participants, a Hebrew University student who asked to remain anonymous, explained how participation in such cultural activities is still highly taboo: "The ultra-Orthodox community is very closed—intellectually, geographically. I have friends who are not religious anymore, but in order to see them it was like I was crossing the lines. I used to go into a building, take off my black clothes and switch into jeans and a t-shirt. Then I'd lurk around for a while to make sure no one was watching me... It was humiliating."

For all of the internationally recognized institutional culture that the city has to offer—the great museums, the symphonies, film festivals and so much more—Jerusalem has lower levels of community participation in arts and culture than most of Israel's other cities. As the Mayor's Advisor on Arts and Culture Nava Dissentshik put it, "The first Cinematheque was in Jerusalem, The Israel Museum, art schools... all of them are in Jerusalem." Part of the problem has been a lack of emphasis on the "elite" culture, and thus the young artists who graduate from Jerusalem schools found livelier, more congenial scenes to become a part of in Tel Aviv and other cities. Also, the atomized nature of Jerusalem's communities prevents grassroots, street-level initiatives from attracting wide audiences. The Jerusalem population buying power is not always sufficient to support expensive cultural events.

But in every challenge there lies opportunity. In the mid-20th century, Newcastle and Gateshead were two cities hit hard by deindustrialization and the closure of coal

Strengthening Jerusalem's Creative Economy // continued

mines across England. As industry fled, so too did many residents, leaving behind an abundance of low-cost real estate. While the local governments in Newcastle and Gateshead competed for business, artists slowly began to move into the former industrial buildings. One by one, Victorian industrial districts emerged as trendy, increasingly sought-after areas by creative companies and young professionals. In Ouseburn, for instance, a neighborhood two miles east of Newcastle city center, an artistic pioneer helped to transform 36 Lime Street into a cooperative that included 45 studios and workshops for artists. The Biscuit Factory gallery then opened in 2002, and by 2005 included two floors of studio space and housing for more than 30 creative professionals.

Recognizing that bottom-up transformation was already taking root in their communities, Newcastle and Gateshead finally put their competitive differences aside and formed a partnership that would use art and culture to further develop their regional economy. Millions of public and private dollars have since flooded these cities, funding projects like the

BALTIC Contemporary Art Gallery (£46 million) and the Sage Gateshead Music Center (£70 million). The BALTIC alone attracts more than 400,000 visitors annually.

Meanwhile, the arrival of the international Art Basel show has done wonders for Miami's creative economy. The contemporary art fair includes more than 1,000 galleries and exhibits from across the globe and brings 75,000 visitors along with it. Not only has the event sparked new business formation in downtown Miami, but it has led the City to adopt Cultural Arts Neighborhood District Overlay (CANDO), thereby offering incentive to developers to create affordable housing and workspace for Miami's Creative Class. Today, the city's art and cultural districts are flourishing. The Wynwood Arts District, formally incorporated in 2009, has been transformed from an area rife with vacant warehouse and industrial spaces into one with more than 70 art galleries, studios, museums and retail stores. The Miami Design District is now a vibrant hub of innovative fashion, design and architecture companies. As the Design District evolves, so do its offerings: new hotels,

"Everything—from the moment we reach the audience to the moment they leave the city—everything should be excellent, revealing, exciting, new, a different experience."

NAOMI FORTIS, EXECUTIVE DIRECTOR,
JERUSALEM SEASON OF CULTURE

residences, galleries, museums and public art installations are all underway.

Shifting the paradigm in Jerusalem will require a coordinated effort. "Everything—from the moment we reach the audience to the moment they leave the city—everything should be excellent, revealing, exciting, new, a different experience," says Naomi Fortis, Executive Director of Jerusalem Season of Culture. But much like Newcastle-Gateshead, there is already so much artistic and creative potential to tap into.

Doing so is particularly important, as venture capitalists credit New York's and London's arts, culture and design skill bases for their recent tech booms. To leverage these assets



Photo by Barak Aharon

Strengthening Jerusalem's Creative Economy // continued

"We need to open our doors, and we need to create platforms that enable all of these wonderful people to live here, create here and to do things."

ITZIK OZER, MANAGER OF TECHNOLOGY AND BUSINESS DEVELOPMENT,
JERUSALEM DEVELOPMENT AUTHORITY

in Jerusalem will require new, more open thinking. "We need to open our doors, and we need to create platforms that enable all of these wonderful people to live here, create here and to do things," proclaims Ozer.

Other quality-of-life issues present a mixed-bag. Jerusalem's natural and built environments have been celebrated for thousands of years. The weather is mild, and the culinary culture is unparalleled. "We have so many communities, which makes the food here so special," explains Ilanit Melchior, Director of Tourism for Jerusalem Development Authority.

Nearly 9 out of 10 Jerusalem residents who have jobs work within the city, which is twice the share of Tel Aviv, according to the Central Bureau of Statistics. Sixty-two percent of Jerusalem's workers have commutes of 30 minutes or less. An additional 5 percent work from home. On the other hand, focus group participants resoundingly complained about Jerusalem traffic and a persistent lack of parking. As businesses make their location decisions, Jerusalem's gridlocked traffic undermines its competitiveness. New mixed-use, transit-oriented development would mitigate some of these challenges. Currently, outmoded public amenities and infrastructure keep Jerusalem from realizing its full potential.

Security remains a risk for doing business in Jerusalem and, as a result, hinders the rate of new business formation. Terrorism and intifada threaten the small business owner, who could lose everything in the blink of an eye. These same security risks also hinder tourism—national and international visitors alike will almost always avoid traveling to places where their safety is compromised.

Bridging Differences to Create a Jerusalem for All

Tolerance is a key pillar of the creative economy. Innovation springs from the mixing and mingling of diverse people and new ideas colliding on the streets where serendipitous interactions take place and the next big discovery merges through unique collaborations. Cities that are open to new ideas attract creative talent from around the globe, broadening their technology and talent capabilities, and gain a substantial economic edge.

This issue is as economic as it is cultural. As people from different cultures and backgrounds combine their contrasting ideas, skillsets and cognitive styles, new ideas, inventions, systems and products emerge. Studies find that anywhere from one-third to one-half of the founders of U.S. high-tech companies have an immigrant on their founding team.¹

¹ Stuart Anderson, "Immigrant Founders and Key Personnel in America's 50 Top Venture-Funded Companies," *National Foundation for America*, December, 2011.



Strengthening Jerusalem's Creative Economy // continued

Jerusalem is home to five religions, and it is the blending—not the separation—of these groups that is critical. Seamless diversity means living together, not separately. Ido Levit, a cultural entrepreneur who has programmed such projects as Balabasta and Winter Solstice in Jerusalem, puts it most succinctly when he says, “The thing missing most in Jerusalem is tolerance. We have so many people, but they are all living separate lives in their different areas.” Jerusalem is demographically diverse, but it is balkanized.

Much of this segregation is a result of Jerusalem's long history of religious turf wars. Significant tension remains between the Jewish and Arab communities. Pockets of terrorist activity create a security risk that prevents people from intermingling with those who are unfamiliar. At the same time, there's a growing divide between the more traditional, conservative residents and a younger, increasingly non-secular generation.

Our focus groups and interviews indicated that many high-skilled and well-educated

secular Jews felt more comfortable living in Tel Aviv, which is more cosmopolitan and less-conflicted. Young people are eager to leave; those who stay have trouble finding a community of friends, according to Adi Yefet of the Israel New Tech Project at the Israel Ministry of Finance. “The issue of finding a husband is really not a joke,” she explains. Jerusalem is not a city where young singles mix easily. On the other hand, to committed, mostly older, Orthodox and settled Jerusalemites, Tel Aviv represents a forbidden subculture. In reality, the different characters of Tel Aviv and Jerusalem are complementary, and each would be stronger if it celebrated the other's differences.

Jerusalem's segregation is further exemplified by the fact that the ultra-Orthodox (20 percent of Jerusalem's population) and Arab populations (37 percent of Jerusalem's population) remain virtually unrepresented in official and street-level culture. Despite representation of ultra-Orthodox Jews on the city council (there are no Arabs), there is little economic or civil engagement from these communities.

Strengthening Jerusalem's Creative Economy // continued

"In some ways, we live in two separate Jerusalems, the one we fantasize about and dream of—a pluralistic city of peace where different cultures come together—and the one we live in, which is very poor and where war and conflicts arise every couple of months."

ARIEL LEVINSON, ASSISTANT PROFESSOR
AND PH.D. CANDIDATE IN HEBREW
LITERATURE, HEBREW UNIVERSITY

Arabs are particularly segregated. Most live in East Jerusalem, where few city resources reach. Even the most basic infrastructure and public services in East Jerusalem need upgrading, which leads to a distrust for local government. There is no Arabic university in East Jerusalem, so most leave for Palestine or Bethlehem to attend college. The few who do enroll at Hebrew University soon find that dialogue between the Jews and Arabs is practically nonexistent.

"In some ways, we live in two separate Jerusalems," says Ariel Levinson, an assistant professor and Ph.D. candidate in Hebrew Literature at Hebrew University, "the one we fantasize about and dream of—a pluralistic city of peace where different cultures come together—and the one we live in, which is very poor and where war and conflicts arise every couple of months."

As perhaps would be expected in a city where religion plays such an important role, Jerusalem's gay community is not as vital as it could be. "There are a lot of conflicts about the gay community here in Jerusalem," Barry Rosenberg, the Mayor's Advisor for Young Communities and Students, told CCG. "I don't think they feel haunted anymore, but they do not feel welcome. We have to change that."

What Jerusalem lacks in tolerance it compensates for with rich demographic diversity—a potential strength. Diversity brings together new energy, ideas and complementary skill-sets. "Tel Aviv's Startup Weekend," noted Hanan Brand, "was much less diverse than

Jerusalem's. [Jerusalem's] had women, seculars, ultra-Orthodox, non-religious, non-Christians and those from East Jerusalem working together." This intermingling is exactly what gives cities their dynamism in the first place.

Shaanan Streett, the lead singer of Hadag Nahash, one of Israel's most influential and popular bands, summarizes this concept: "Jerusalem is a city of global insanity, but its future is circumscribed by its walls. It is a closed city and it won't thrive unless it becomes more inclusive and tolerant of its own differences. It needs to become a mixing pot for creativity that's open to all ideas, ethnicities, religions and lifestyles, a place where everyone, gays and straights, Arabs, Jews, Muslims, Christians and seculars, can feel at home."



Courtesy of the Office of Jerusalem Mayor Nir Barkat



Photo by Naomi Chagnowski

Strengthening Jerusalem's Creative Economy // continued

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SHAANAN STREETT, LEAD SINGER,
HADAG NAHASH

From Civic Society to Creative Society

Social capital is a defining element of Jerusalem's civil society, which consists of remarkably active social networks. These networks are especially unique to Jerusalem and offer a tremendous opportunity to affect change at the local level.

Jerusalem's civil society plays an influential role in public and political arenas. Most civil society groups focus on interest areas—sports, tech, arts and so on—rather than political or other highly charged issues. One focus group member, for instance, spoke of his efforts to create a soccer league. These social groups give people a sense of identity and bring residents together almost like an extended family.

New Spirit is a bridge group for these organizations and, during one focus group, its Deputy CEO Yifat Zimran Koren described its mission:

“It's a choice to live in Jerusalem after the university. It's not something that you just do. You need to choose to live here because

Strengthening Jerusalem's Creative Economy // continued

there [are] a lot of things that militate against it. It's expensive to live here, and you don't have a lot of people around you that are like you, because it's a very diverse city. One way to encourage people to live here is by trying to change the city.

Our group [New Spirit] is a young community. They're not going to say 'we'll live here and whatever will be, will be.' They choose how our neighborhood [is] going to look, how our relationship with the neighborhood will be, what its culture will be like and its education system."

Jerusalem's civil society is uniquely focused on solving complex social challenges. The days of government intervention are waning. Whereas businesses in American and European cities are increasingly filling this role, Jerusalem's civil society has emerged as the city's problem solvers. In one recent example, as a snowstorm wreaked havoc on the city, members of Jerusalem's civil society turned out in droves to assist one another and participate in cleanup efforts.

Both the leaders and the members of these groups tend to be secular, but they understand that a core mission is to make inroads into other communities, including the ultra-Orthodox and Arab communities. That notwithstanding, focus group participants acknowledged that there remains a deep skepticism of these efforts, especially among the East Jerusalem Arabs. Even among the various civil society organizations, there is ongoing competition between neighborhoods.

There is reason to believe that some of these emerging networks may challenge and soften some of Jerusalem's traditional inter-group boundaries; a rising Creative Class can serve as an accelerator of social change.



Photo by (free photo credits of images from the Mayor's PR)



Photo by Stavroni Haters

Recommendations for a More Creative, Inclusive Society

Jerusalem's greatest assets are its history, authenticity and complexity—something that became abundantly clear through stakeholder interviews. The mix of European, Jewish, Ottoman and Arab influences in its architecture, its people and its way of life make Jerusalem as strong a melting pot as anywhere else. Home to all three Abrahamic faiths and the geographic heart of Judaism, Jerusalem will forever be considered sacred land. It will remain a magnet for pilgrims, tourists and Zionists alike. Authenticity, grit and even conflict are the hallmarks of creative cities—characteristics that cannot be manufactured or artificially imposed. Jerusalem represents all three.

The City is the seat of Israel's national government and much of its official culture. There exists a higher concentration of students here than anywhere else in the country. And though its tech scene lurks in the shadow of Tel Aviv's, it is significant and growing. Jerusalem's growing Creative Class is not only highly educated and entrepreneurial, it is extraordinarily civic-minded and committed to improving the city's quality of life.

But for all of that, our research suggests that even residents say it is not an easy city in which to live. It is expensive, its neighborhoods are insular and traveling from place to place is cumbersome. Jerusalem's nightlife and entertainment is dull compared to that of nearby Tel Aviv. Undertones of fear and tension remain, and security presents a real challenge. Threats of conflict and war continuously loom overhead.

And yet, the people who choose to live and work in Jerusalem are passionate about their city. "You can either hate it or you can love it, but you have to have an opinion about it," says Lior Shabo.

In order to ensure Jerusalem has a competitive creative economy, our research suggests a focus on five key issue areas.

Recommendations for a More Creative, Inclusive Society // continued

1. Bolster University-Community Connections: Fully integrate Hebrew University, the Jerusalem College of Technology, Bazelet Academy, the Musrara School of Art and other higher-education institutions into the community. These schools are producing some of the nation's top talent, but a lack of inroads to the local civic and business community results in students leaving upon graduation. Encourage cross-sector collaboration that helps to define career paths for students as they exit the university system, paths that lead to jobs with local businesses. To be sure, the universities must do their part, too. Programs that encourage entrepreneurship and practical experience are the vanguard of the new economy.

2. Nurture Startup Ecosystem: Invest in advanced technology and the infrastructure required to propel today's tech economy. It was often mentioned that Jerusalem's tech economy felt cold and unimaginative and lacked an identity, which discredits the emerging startup culture. To grow the startup economy, the City should formally commit to building a branded innovation district, with the facilities, programs and services known to foster growth, such as collaborative workspaces and access to capital. Presently, these resources are concentrated in Tel Aviv, which is why so many companies leave Jerusalem when ready to scale and grow. Such efforts would also bolster Jerusalem's existing Creative Class, which represents predominantly the arts, design and cultural industries.

3. Market Jerusalem's Authenticity to the World: Make larger-scale investment in marketing the broad panoply of Jerusalem to tourists and locals of all kinds. For all of the municipality's good efforts, it must focus on not just the symphony and major museum programs but also the street-level arts, those by the Arabs, the ultra-Orthodox and other nationally known figures. Jerusalem's artistic community is one of its greatest creative assets, and yet it is significantly underutilized. Frequently, the notion of Jerusalem's "authenticity" and "grittiness" arose during conversations. Jerusalem's history and diversity give it a sense of place that no modern or planned city can recreate. There is a subculture where people engage in unique ways or places, an indication of the city's already robust art and cultural scene. Partnering with institutions such as the Jerusalem Season of Culture and Nissan Nativ Acting Studio is one way to tap this potential. Another is by creating a central place, an acknowledged arts district, where tourists and interested residents will be exposed to the full breadth of Jerusalem's artistic scene.

4. Capitalize on Civic Engagement: Create platforms that support Jerusalem's already robust civil society, thereby fostering engagement across political, religious and economic lines. While diversity is one of Jerusalem's strongest assets, its potential cannot be fully realized without creating a more inclusive, more tolerant environment. East Jerusalem provides a natural starting point. This community has long survived as if on a parallel but separate track within the city. Inclusion of this community is critical. But



Courtesy of the Office of Jerusalem Mayor Nir Barkat



Photo courtesy of Shutterstock.com

Recommendations // continued

embracing diversity is not only important within city lines—Jerusalem should also strengthen its ties to Tel Aviv. Its proximity makes it more of an asset than a competitor. Such ties will become even more beneficial when the light rail comes aboard in 2018, thereby connecting residents in both cities and opening new opportunities for businesses and residents alike. Jerusalem and Tel Aviv must increasingly realize their individual roles as part of a greater regional economy, one that shares and fosters its collective talent. As more people flow between these two cities, and within each of the cities, greater tolerance by and between dissimilar groups will spark new levels of creative potential.

5. Build a Civil Society for the Creative Economy: Use the City's civil society to build an inclusive creative society for all Jerusalemites. Jerusalem's civil society, led by young, creative thinkers, provides the forum for aggregating people around specific areas of interest, such as arts or sports, rather than around traditional religious or neighborhood ties. In welcoming new ideas from across all walks of life—from Jews and Arabs to Muslims and Christians, from gays to straights, from the young and naïve to the old and wise—Jerusalem has the opportunity to serve as an international laboratory for shifting paradigms of intergroup relations.

About the Creative Class Group

The Creative Class Group (CCG) is a global advisory services firm composed of leading next-generation researchers, academics and strategists. CCG believes that every single human being is creative—and that it is only when we tap that great reservoir of overlooked and underutilized human potential that we can truly achieve economic progress and a more meaningful, more fulfilling way of life. CCG's approach centers on the research of the urban theorist and CCG founder Richard Florida, a world-renowned thought leader on issues such as economic competitiveness, demographic trends and cultural and technological innovation.





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creativity is the new economy."

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