



Transition Advisory Group Final Advice – New Industry Engagement Arrangements

Background

On 30 April 2021, Skills Ministers agreed to establish new industry-based clusters (Industry Clusters) with broad roles and responsibilities for skills and workforce development by December 2022. Industry Clusters will replace Industry Reference Committees (IRCs), Skills Service Organisations (SSOs) and Skills Organisation Pilots (SOs). The establishment of Industry Clusters will enhance the role of industry in the national training system with a broader role and greater accountability to industry. These new arrangements will empower industry to provide strategic leadership on skills and workforce challenges, such as reskilling and upskilling workers to meet emerging industry needs and jobs in demand, to ensure the Vocational Education and Training (VET) system meets employer needs by equipping learners with the necessary skills across a broad range of career pathways.

Skills Ministers recognised the need for an implementation and transition plan to ensure a smooth and timely transition to the new arrangements, while minimising disruption to training product development. Skills Ministers agreed to the establishment of a transition advisory group, to comprise key industry peak organisations, unions and government stakeholders to provide expert advice to support the implementation of the new industry engagement arrangements. In June and July 2021, the Transition Advisory Group met to consider a range of factors relating to establishment of the Industry Clusters, including Industry Cluster governance, organisational structures, functions and responsibilities, approaches to establish, transition and implement the new Industry Clusters, the proposed cluster groupings, stakeholder engagement and collaboration, and performance monitoring.

This paper outlines the key areas considered by the Transition Advisory Group and provides advice on approaches, processes and structures that will best support Industry Clusters to be set up for success.

Purpose

Australia's capacity to grow, compete and thrive in the global economy is dependent on employers and individuals accessing the right skills at the right time. The combined influence of COVID-19, automation and digital commerce are changing the way we work - and creating gaps between current and future relevant skills as a consequence. A strong national training system will be required to support Australia's future growth and prosperity in the face of these influences.

Successive reviews and recent stakeholder consultations have found that the VET system is fragmented and overly complex, making it difficult for employers and learners to navigate, leading to decreasing employer confidence in the system. While employer satisfaction in VET remains strong, it has fallen over the last decade from 86.3 percent in 2009 to 78.8 percent in 2019.¹ Additionally, two in five employers reported difficulty in recruiting during this period highlighting skills and labour shortages across the economy.

Stakeholders have clearly highlighted the critical need to broaden the role for industry to move beyond a narrow focus on training package development to add value across the economy and across all education pathways, including schools, higher education and the VET system. One of the core challenges in the current model has been this limited remit deterring participation from more senior industry leaders and reduced capacity in the system for more strategic input on workforce development and industry skill needs.

The Industry Clusters will be established “by industry - for industry”, effectively engendering a level of industry ownership at the senior leadership level from the outset. Under the new model, industry engagement will occur at both a *Strategic level* (in terms of engagement of industry leaders to assemble workforce intelligence and then distil this intelligence to prioritise the development of qualifications and training products) and an *Operational Level* (where industry practitioners will develop qualification and training products and work cooperatively with Registered Training Organisations (RTOs) to identify and implement improvements to ensure delivery also meets employer needs. A core performance requirement of these organisations will be quality engagement of a representative cohort of diverse stakeholders to ensure that key stakeholders in small businesses and niche industries – most of whom lack the capacity to engage in the current system – are given a proportionate voice across the system, thereby improving employer engagement and access to the system over time.

Feedback from stakeholders has also identified that the current arrangements are creating silos which limit collaboration across different industry groups leading to specialised qualifications with limited career pathways for graduates and limiting the workforce available to employers. A reduced number of Industry Clusters, from 67 Industry Reference Committees (IRCs) down to around nine to 15 Industry Clusters, with formal mechanisms to support cross-collaboration at the strategic and practitioner levels will better enable collaboration between sectors to address workforce issues. Evidence shows that cross-sector collaboration achieves better outcomes by obtaining multiple perspectives, learning from other sectors’ experience, and avoiding duplication of effort.

One of the challenges of the current system has been the time taken to deliver qualifications. While this issue is not necessarily endemic in the current system, the rapidly changing nature of work in the decade ahead means that the system must be more responsive to industry need. The proposed reforms seek to address this issue via a close coupling of the strategic industry dialogue on workforce need with the operational development of training standards and products. Effectively, the Cluster Organisations will provide a vehicle for industry to manage the end to end process – from needs identification to skills development and oversight of delivery outcomes. Contrary to current practice, the cluster organisations will be charged with responsibility to resolve the inevitable stakeholder disputes that arise as opposed to promoting the conflict to the approval body and/or government.

¹ National Centre for Vocational Education Research, 2019. Employers’ use and views of the VET system 2019. Adelaide: National Centre for Vocational Education Research.

Industry engagement reforms, along with qualification reforms, aim to address the complexity in the system by revising training product development processes and approval procedures to significantly reduce the time taken to develop and implement (i.e. deliver to learners) new training products. In order to streamline development and approval processes, the reforms reconsider the roles and responsibilities of key stakeholders in the system and improvements to governance. This includes giving the Industry Clusters responsibility for resolving disputes while focusing the independent approval body on ensuring that training products meet the relevant standards set by Skills Ministers. These system changes are expected to improve the speed to market of qualifications and training product development to better meet evolving industry needs, better align to skills in demand, increasing workforce productivity and delivering more learners into jobs.

Lessons learnt from previous models in VET

The Transition Advisory Group recognises the current reforms are the latest iteration of industry engagement models in VET that have evolved and developed over many decades since the establishment of Industry Training Advisory Bodies in the late 1980s, to ensure the system continues to produce nationally recognised training that met the changing needs of industry. The lessons learnt from current and previous industry engagement models have been carefully considered by the Transition Advisory Group to inform the design of the new Industry Cluster model. The Transition Advisory Group noted there were many positive aspects of the current arrangements for VET, and that Australia's VET system is recognised internationally for the strength of its industry engagement and capacity to deliver qualifications that align to jobs. It is important that reforms build on the strengths of previous and current models while avoiding the mistakes of the past. In particular, the Transition Advisory Group wanted to recognise one of the key strengths of the system: the enormous contributions of many passionate individuals who have dedicated their time and efforts over many years, often in a voluntary capacity, to ensure that the VET system could produce high quality training products that meet the needs of industry.

Key lessons to be considered, include:

- The need to address the structural issues with the current system that impact on timely and responsive training product development, such as policy and process inflexibility that limits the ability of industry to rapidly develop training products that address new and emerging skills, and the need to streamline the product approval process.
- The importance of empowering Industry Clusters to resolve disputes early in the development of training products. A key challenge in the current model has been that industry have not been empowered, or given the tools, to resolve disputes.
- The future state should, as far as possible, address identified governance issues experienced in other models, including improving the professionalism of boards, ensuring board members have appropriate expertise and industry connections, and adhere to best practice principles and guidance for board management, i.e. Australian Institute of Company Directors (AICD).
- The need to ensure structures, processes and guidance encourage cross-sector collaboration at both the strategic and practitioner levels to ensure consideration of whole of economy workforce needs and encourage the sharing of best practice, capability-building and continuous quality improvement across the system. This will become even more important as the nature of work is reshaped – contrary to historical sub-industry structures – by automation and digital commerce.

- A key challenge noted in previous models has been the lack of clarity about the roles and responsibilities of key entities across the VET system, the lack of robust performance measures and accountability mechanisms, and funding arrangements incentivising poorly aligned behaviours and activities. The design of the future model needs to consider these issues carefully and ensure there is clarity, rigour and the right incentives embedded from the start.

Importantly, these industry engagement reforms are being progressed in parallel with other reforms to qualifications and quality standards which will both complement and enhance the new Industry Cluster model and that together these reforms present an opportunity to deliver a more coherent, timely and responsive VET system to meet the needs of industry.

Approach to Industry Cluster implementation

The Transition Advisory Group has considered the benefits, issues and risks associated with key design options for the establishment and operation of Industry Clusters. The advice provided will ensure Industry Clusters are delivering against their intended purpose, providing greater ownership and autonomy for industry to meet identified skills priorities, while providing sufficient assurance of the use of public funding and supporting the national training system.

Functions

Industry Cluster functions

To enhance the role of industry in the national training system, Skills Ministers agreed that Industry Clusters will have four broad functions and responsibilities, including:

- Workforce planning, seeking to address workforce challenges through strategies to identify, forecast and respond to skills needs across a range of educational pathways, including VET and higher education.
- Occupational standards and training product development, including improving the quality, speed to market and responsiveness of training products. This includes piloting emerging products and testing new approaches to meet workforce, skills, and industry needs.
- Implementation, promotion and monitoring function, working to build an end-to-end approach to training product development and deployment, and working with the National Careers Institute to develop and promote career pathways into, within and across industries.
- Industry stewardship, acting as a source of intelligence on issues affecting their industries.

The Transition Advisory Group recognised the importance of clearly articulating the roles, responsibilities and functions of the clusters within in the broader VET system architecture and across the economy, as well as setting clear expectations and requirements for Industry Clusters in delivering and achieving these four functions. This was considered critically important to ensure Industry Clusters clearly understood their role and their relationships with other entities, and actors within the system and can articulate these expectations to stakeholders.

The Transition Advisory Group has considered how the key functions of the clusters could be operationalised ([Figure 1](#)). In considering the **workforce planning** function, the Transition Advisory Group recognised this as a critical intelligence and strategic piece that should provide value to industry, employers, unions, the National Skills Commission (NSC) and Skills Ministers, and inform the board's decision making around strategic priorities. It was considered the value of the workforce planning

function was more about how the intelligence and insights gained would be actioned by governments, industry and other stakeholders to drive change and improvement across the system. The Transition Advisory Group considered that the clusters' key role in this function is to facilitate a strong strategic focus from industry through the sub-committee structures, including through establishing strategic taskforces. It is not necessarily the role of the clusters to develop a strategic workforce plan for each industry. The Transition Advisory Group also considered it important that the clusters consider workforce strategies encompassing all educational pathways across the secondary and broader tertiary education sectors, including a critical role for the higher education sector.

In considering the **occupational standards and training package development** function, the Transition Advisory Group noted the importance of empowering the clusters to make decisions and direct the end-to-end training product development process from the identification of workforce needs, through developing occupational standards, and to training package development and delivery. Clusters would need to build capacity across the broad range of roles and responsibilities. These functions would encompass and build appropriate stakeholder relationships across the system to ensure quality and speed to market across the development process. This function would also give Industry Clusters the ability to pilot emerging products and test new approaches for training package development to meet identified workforce and skills needs. This was considered a critical aspect within the clusters' remit to drive innovation in occupational standards and training package development.

In relation to the **implementation, promotion and monitoring** function, the Transition Advisory Group considered the importance of clusters taking an end-to-end system approach that reduces the disconnect between training product development and longer-term workforce development, and consequent delivery 'on the ground'. It was observed this can be a challenge in the current system with considerable investment of time and resources being made into developing qualifications that are not delivered widely or at all. The clusters will need to develop close working relationships with training providers, employers and regulators on the shared development of training products and resources to improve training and assessment practices. Clusters should also build capability to use both nationally available data and evidence alongside local intelligence to monitor training outcomes and impacts to support continuous quality improvement in training delivery and assessment. This function would also give the clusters a strong role engaging with industry to create 'buy-in' from employers to encourage the use of the training system for skilling and upskilling workers and support for work placements. A strong relationship with the National Careers Institute was also considered valuable to support the development and promotion of clearly articulated, evidenced based career pathways into, within and across industries to support learners and workers find the right pathway for them.

The **industry stewardship** function establishes clusters as a key source of intelligence and advice regarding workforce issues affecting their industries, and clusters will collectively be well placed to contribute to a whole of economy perspective on workforce and skills needs. Clusters will also play a role in providing advice about the policies that guide the VET system and the extent to which they are fit-for-purpose to meet industry and learner needs. The Transition Advisory Group reflected on the need for clusters to develop broad and deep industry connections, and to build an understanding of the experiences of employers, training providers and learners to be able to deliver effectively on this function. Clusters will also need to work closely with each other, as well as national and jurisdictional government agencies.

Figure 1: Proposed Industry Cluster functions

| Function | Key objective | Related activities | Key deliverables to meet objectives |
|--|--|---|--|
| Workforce planning | To understand and address workforce challenges | <ul style="list-style-type: none"> Examining current, emerging and future workforce challenges Identifying strategies to address workforce and skills needs Prioritising a forward plan for training product development Drawing on and informing labour market analysis and other evidence developed by the National Skills Commission | <ul style="list-style-type: none"> Undertake extensive and ongoing consultation and engagement across relevant industries and employers (and across Industry Clusters) to identify workforce challenges. Draw on and develop relevant evidence, data and research, particularly from the National Skills Commission. Forecast current, emerging and future workforce and skills needs for relevant industries. Prepare a detailed plan for meeting workforce and skills needs across industry sectors through different education and training pathways (i.e. nationally-recognised training, other forms of training and higher education) and any required training product development. Feed into the work of the National Skills Commission to help build a robust picture of the national workforce. |
| Occupational standards and training product development | To develop training products that meet evolving industry needs | <ul style="list-style-type: none"> Developing training products, complying with the Training Package Organising Framework and Standards for Accredited Courses Testing new approaches to skills and workforce development | <ul style="list-style-type: none"> Identify skills needs (current, new emerging) across industry sectors to meet identified workforce and skills needs. Identify and prioritise which training products are developed, and whether they are full qualifications or micro-credentials, to meet identified workforce and skills needs - this will include drawing on National Skills Commission and other data sources on priority skills needs, and working to improve speed to market Develop training products that comply with the Training Package Organising Framework and Standards for Accredited Courses Working with training providers to develop shared training products that are relevant and deliverable to meet workforce and skills needs Pilot and evaluate innovative approaches to skills development across the training system, including drawing on and informing qualification reform work to strengthen education and training pathways. |
| Implementation, promotion and monitoring | To drive improvements in the development and delivery of training and assessment | <ul style="list-style-type: none"> Building employer engagement in the national training system Collaborating with employers and education and training providers Identifying and promoting relevant career pathways, working with the National Careers Institute Supporting end-to-end development and delivery of training | <ul style="list-style-type: none"> Build buy-in across industry by promoting opportunities for employers and learners. Form partnerships with training providers and across the training sector to connect national training products with delivery of training 'on the ground' and longer-term workforce development. Develop resources for training providers, trainers, assessors and employers to improve training and assessment practices, including in-workplace assessment. Develop learning materials and other resources to support registered training organisations in delivering training to meet workforce and skills needs, particularly within small or 'thin' markets such as regional, rural and remote areas. Map learning pathways, encourage work placements and support transition points across the education lifecycle via collaboration with the National Careers Institute, schools and higher education providers. Establish mechanisms to monitor employer and learner outcomes from training delivery, including identifying where RTOs are getting good outcomes, to identify opportunities to strengthen the quality of training delivery and pathways. |
| Industry stewardship | To provide a strong, strategic industry voice | <ul style="list-style-type: none"> Providing intelligence on industry workforce issues Establishing feedback loops across the training system Providing strategic advice to Ministers on workforce and skills needs, policies and standards, and system improvements Working with other Industry Clusters | <ul style="list-style-type: none"> Maintain broad, deep and ongoing industry connections to understand the experiences and needs of employers, training providers and learners, including building feedback loops between industry and education and training providers. Collaborate with other Industry Clusters and national and jurisdictional agencies. Provide advice and evidence on workforce and skills issues affecting their industry sectors, contributing to a whole-of-economy perspective on workforce and skills needs for governments, the National Skills Commission and other stakeholders. Provide advice on national policies and standards and whether they are fit-for-purpose for industry and learners. Feed all this information into workforce planning, occupational standards and training product development, and delivery and promotion activities, to supplement national, jurisdictional and industry-specific data and evidence. |

Industry engagement architecture

To ensure that the VET system is fit-for-purpose and enables industry to drive end-to-end processes, the Transition Advisory Group considered the features and functions of the new industry engagement arrangements and the roles and responsibilities of stakeholders.

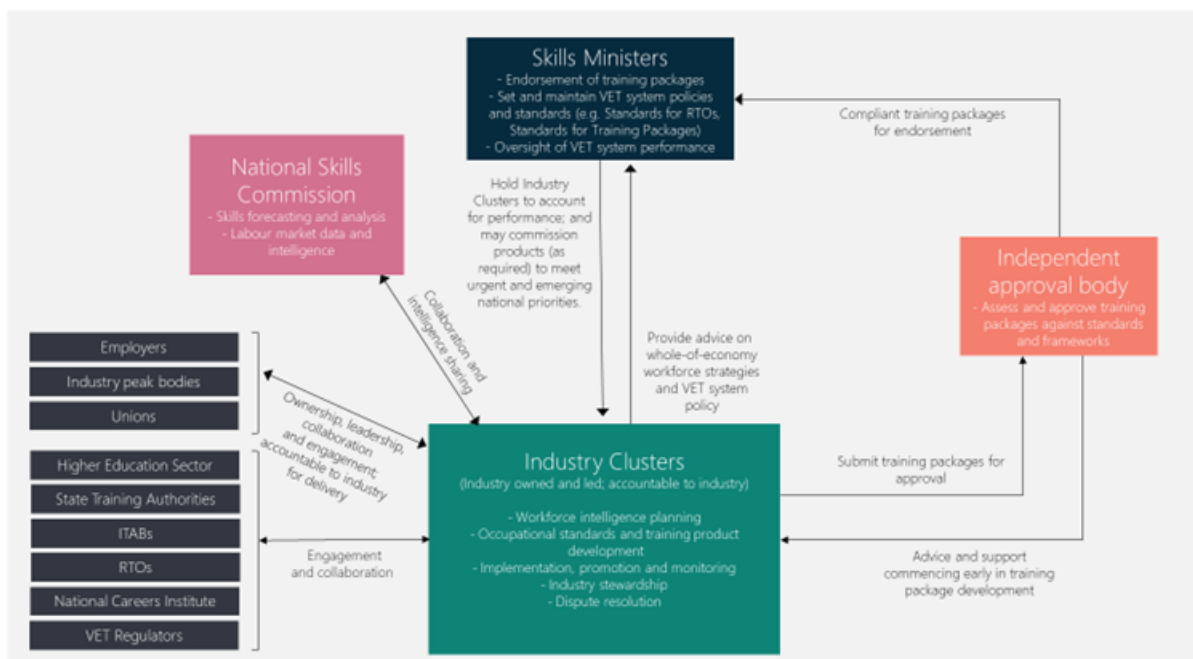
The Transition Advisory Group advice recognises that Skills Ministers have already made a number of decisions in regard to the industry engagement architecture, including to:

- provide Skills Ministers with responsibility for policy setting, owning the Training Package Organising Framework, monitoring performance of the system, and retaining authority for endorsing major updates to training packages; and
- establish an independent approval body to replace the Australian Industry and Skills Committee (AISC) with a narrower role to assess training product compliance against the Training Package Organising Framework.

While noting the decisions of Skills Ministers, in order to further address the time taken to approve needed changes to training packages, the Transition Advisory Group expressed a preference for the new independent approval body to endorse training products rather than Skills Ministers. However, as an alternative, members suggested that once Ministers had confidence in the new arrangements, consideration could be given to better differentiate between ‘major and minor reviews’ in terms of what Skills Ministers endorse. The Transition Advisory Group would welcome further engagement on this issue, including a potential role for industry in the work of the independent approval body.

Figure 2 represents the proposed system architecture and the roles and responsibilities of key entities, decision makers and stakeholders.

Figure 2: New industry engagement architecture



Governance

Entity types and structures

To ensure Industry Clusters are truly industry-led entities with greater ownership and autonomy to address skills needs across the economy, the Transition Advisory Group considered a range of options for legal structures and types of entities that could be established. The Transition Advisory Group considered that, on balance, Industry Clusters would be best served by being established as not-for-profit companies, limited by guarantee, incorporated under the *Corporations Act 2001*. This structure would ensure that boards were focused on delivering on the purpose and public good that the entity was established to produce and not focused on generating a profit. This structure also ensures any revenue generated by the organisation outside of Commonwealth funding would need to be reinvested into the organisation in accordance with the purposes for which it was established, assuring the integrity and transparency of public funding. The Transition Advisory Group considered that while this might be the ideal structure, there should be flexibility for entities to put forward a business case for consideration if they identified another legal structure would better meet the needs of their industries.

The Transition Advisory Group also considered a range of options for membership structures to ensure industry ownership of the clusters, cautioning against any approach being too prescriptive. It was noted that the membership model adopted for each cluster may need to be tailored to address the unique features of the industries represented by the cluster, ensuring the clusters are governed in a manner that balances the interests of all relevant industry stakeholders.

Boards

The Transition Advisory Group acknowledged the need to ensure Industry Clusters were established with high performing boards that were well regarded with the majority of board members drawn from their industries. It was not considered necessary that board members were drawn from all sectors within their cluster and it was recognised that for some clusters a representational board would mean too many members to be manageable or effective in delivering on the strategic direction required for the cluster. It was considered that the issue of ensuring all industries and employers, including small business, had a seat at the table, could be best managed at the strategic taskforce and technical advisory sub-committee level.

In considering the broader structure of the clusters, the Transition Advisory Group was of the view that the role of the board should be based on the traditional role and functions of a board, including setting the strategic direction for the organisation, and a focus on finance, risk, strategy, assurance, performance and operating consistently with the AICD's Not-for-Profit Principles. A combination of industry-specific expertise with deep connections to industry and professional board expertise was considered ideal to be able to support independence while still ensuring industry confidence in the cluster. To ensure boards are high performing, the Transition Advisory Group recognised the need for boards to be comprised of high calibre individuals with a track record of shaping strategic direction; experience in building a new organisation; capacity to build and sustain relationships; board or senior leadership experience; and demonstrated support from and connections to their industry. It was considered important that boards were actively engaged and informed about the work of the organisation, and this needed to be considered in the design of the operating model.

Conflicts of interest

With the expanded remit for Industry Clusters across all aspects of identifying and addressing workforce challenges, the Transition Advisory Group carefully considered the heightened potential for real and perceived conflicts of interest. To mitigate against these risks, the Transition Advisory Group considered it prudent to preclude board members and cluster organisations from owning Registered Training Organisations (RTOs) and Group Training Organisations (GTOs). If an RTO/GTO owned by an Industry Cluster was perceived to be receiving favourable treatment, this could create challenges and tensions between the cluster and other training organisations, stifling the collaboration needed to deliver on key functions in the cluster's remit. Clusters needed to be able to demonstrate trusted neutrality to operate effectively. For individuals who had an interest in RTOs/GTOs, the Transition Advisory Group was of the view that this did not necessarily preclude them from being board members, subject to board members declaring and managing the conflict of interest.

Consideration was also given to whether Industry Clusters could be allowed to provide consultancy or other services to industry on a fee for service basis. This was considered desirable within certain parameters, as it would assist the clusters with providing a value proposition to industry and to build relationships across their sectors. The parameters would include ensuring the service offered aligned with the organisation's core purpose, and there were guidelines around proper pricing for services, similar to rules applied to TAFEs and universities. The Transition Advisory Group acknowledged the Government should set expectations with Industry Clusters around their key functions and contractual requirements to provide sufficient assurance of the use of public funding.

Structure

Composition of Industry Clusters

Nine industry cluster groupings ([Figure 3](#)) have been proposed to replace the 67 Industry Reference Committees (IRCs), six Skills Services Organisations and three Skills Organisation Pilots, with the aim of strengthening engagement and collaboration and breaking down silos. The Transition Advisory Group considered the current proposed model grouped by the Australian and New Zealand Standard Industrial Classification (ANZSIC) codes based on key business activities. The Transition Advisory Group recognised the groupings based on ANZSIC codes was a stronger organising framework, offering more cohesion in the groupings, than the previous version used in consultation with the sector, but noted that flexibility was needed for industries to self-select into which cluster they best aligned with. The Transition Advisory Group was of the view that providing industries with the autonomy to determine their own cluster alignment as part of the approach to market would empower industries and facilitate greater industry buy-in to the new arrangements. It acknowledged that for cluster alignment, there should be a coherent relationship between the Industry Clusters and the industries it represents. The Transition Advisory Group further noted that in settling the final form of the cluster groupings, the amount of funding available to each cluster would be determined by a range of metrics (e.g. level of complexity, volume of work, and size and diversity of industry), including the final number of clusters to be established.

Given that the skill needs of specific industries may change over time, it was suggested that there was a need to incorporate periodic reviews of cluster operation to ensure a continuing good level of alignment of all industries with their cluster grouping – and provide for movement of specific industries between clusters as necessary. In addition, it was also important for cluster accountability

for there to be mechanisms for industries to move to a different cluster if they were concerned that their current cluster was not performing or adequately addressing the needs of their industry.

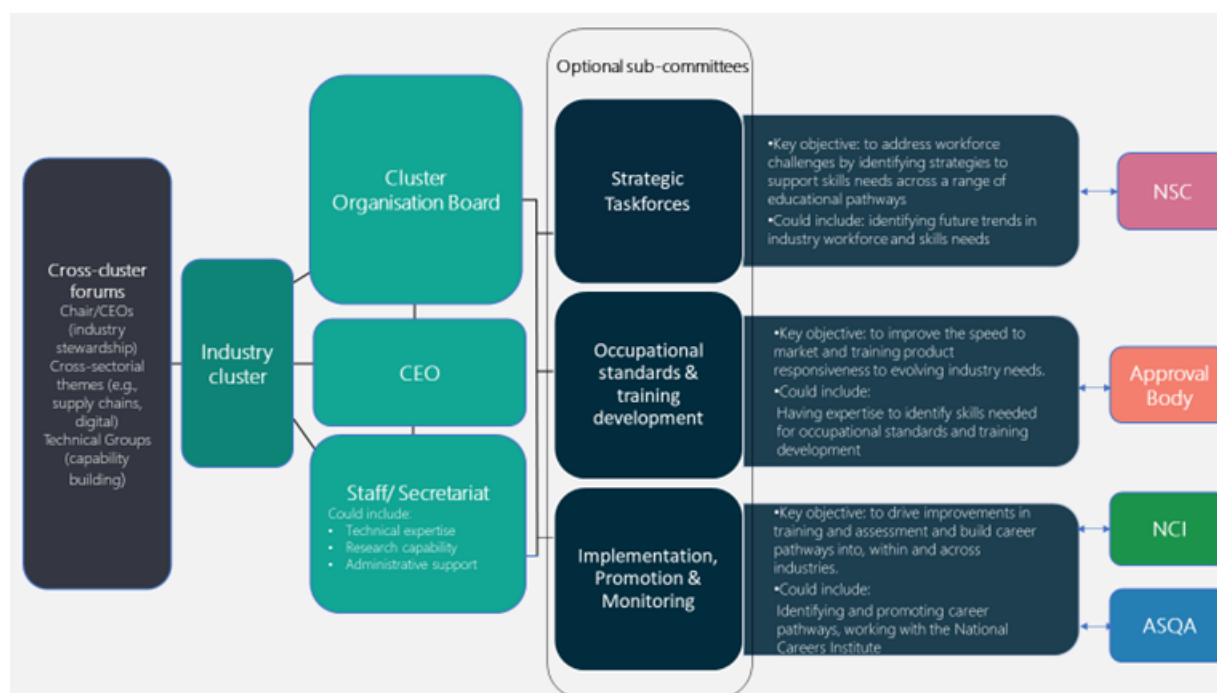
Figure 3: Nine industry cluster model – based on ANZSIC codes

| | | |
|--|---|---|
| <p>Agribusiness and Food Production</p> <p>Industries in this cluster are involved in primary production (i.e. plants and animals) or food production operations (e.g. food and beverage processing/manufacturing). This would include emerging industries around water and environmental management.</p> | <p>Early Educators, Health and Human Services</p> <p>Industries in this cluster offer community services and support such as aged care, disability services, mental health, early childhood education and health and para-professional support (e.g. nursing and dental).</p> | <p>Manufacturing, Print and Textiles</p> <p>Industries in this cluster are involved in ‘heavy’ manufacturing activities (e.g. machinery, equipment, chemicals or polymers) or ‘light’ manufacturing activities or services (e.g. textiles, furniture, wood or print). This cluster would also cover emerging industries covering advanced manufacturing such as bio-printing driverless automotive technologies, and defence and space technologies.</p> |
| <p>Arts and Personal Services</p> <p>Industries in this cluster provide ‘High Street’ human services (e.g. hairdressing, floristry, travel, hospitality, sport and recreation). The cluster also serves the creative economy (e.g. fine art, ceramics, music, dance, theatre and screen).</p> | <p>Finance, Technology and Business</p> <p>Industries in this cluster are engaged in professional services or otherwise supporting the needs of a successful business (e.g. marketing, accounting, HR, digital literacy and information and communication technologies). This cluster would also cover emerging areas around cyber security, financial technologies, artificial intelligence and the internet of things.</p> | <p>Mining, Resources and Energy</p> <p>Industries in this cluster are involved in mineral exploration and extraction operations or the use of resources in the production of energy. This cluster would also consider emerging technologies for renewable energy and storage.</p> |
| <p>Building, Construction and Property</p> <p>Industries in this cluster provide property services (e.g. real estate) or small or large-scale construction services. These include traditional building and construction trades (e.g. plumbing, tiling, carpentry) as well as large scale civil infrastructure services (e.g. road, dam, bridge and tunnel construction).</p> | <p>Government, Education and Public</p> <p>Industries in this cluster are directly involved in public service (e.g. local government, police, corrective services) or otherwise involved in providing a public good (e.g. training and education, foundation skills).</p> | <p>Wholesale, Retail, Transport and Logistics</p> <p>Industries in this cluster are involved in the supply of goods and services. They include warehouse and distribution operations as well as transport and logistical support or retail services. Emerging industries covered by this cluster would include online sales and distribution, as well as air and space transport and logistics.</p> |

Cluster operating model

The Transition Advisory Group recognised that the clusters needed autonomy to determine the organisational and taskforce/sub-committee structures that would best meet the needs of their industries and enable them to deliver on their critical functions. However, it was considered that some guidance should be provided and that an example of the operating model (figure 4) could provide guidance for Industry Clusters when creating their own operating model.

Figure 4: Example of a cluster organisation structure



Strategic Taskforces and Technical Advisory sub-committees

The Transition Advisory Group considered the role of the strategic taskforces to be pivotal to bring a strong, strategic industry voice to the work of the cluster, leading work drawing on intelligence and insight across industry to inform and advise on the strategic approach of the cluster's board and other sub-committees. It was considered critically important that the strategic taskforces could attract senior leadership from employers within their sectors, to ensure the individuals around the table are well versed in the workforce challenges for their industries and can provide considered, robust and strategic input.

Diverse stakeholder views and representation would be able to be captured at the taskforce and sub-committee levels across respective industry sectors and stakeholders. Taskforces and sub-committees need to be pitched to the right stakeholders at the right level, aligned with their expertise and interests and playing to their strengths. The Transition Advisory Group were of the view that there needed to be separate streams of work for the strategic discussions as well as the discussions at the practitioner level through the sub-committee structures. Sub-committees related to training product development and delivery would need to include individuals with technical expertise alongside a broad range of stakeholders from across the VET system, higher education system and employers.

The Transition Advisory Group discussed the need to provide both flexibility and guidance for Industry Cluster boards to establish enduring or temporary taskforces and committee substructures depending on the function and objectives of each committee, noting that there may be multiple strategic taskforces or technical committees required within a Cluster. Committees could be time limited, partially or wholly disbanded or replaced based on decisions of the cluster organisation. Providing boards with greater flexibility to establish their own committees, would enable Industry Clusters to meet the aims of the four functions in a responsive and strategic manner with guidance about establishment being clear on expectations and principles for the operation of sub-committees.

Guidance should be framed as identifying the outcomes required rather than detailing how work should be structured and undertaken or how many taskforces or sub-committees are required to ensure cluster innovation was not stifled. The board would have flexibility to determine their level of engagement with the sub-committees and provide a key mechanism by which leaders of industry supported by the cluster organisation are engaged (and engage others). Taskforces and sub-committees would report to the board and the board would be responsible for the performance of the sub-committees.

The Transition Advisory Group recognised the importance of feedback loops between sub-committees and external bodies such as the National Skills Commission, the National Careers Institute and the Australian Skills Quality Authority (ASQA), in addition to feedback loops with employers, RTOs, higher education providers and learners, and this communication needs to go in both directions to facilitate continuous improvement in the VET system.

CEO and secretariat

In addition to recruiting a high calibre CEO, the Transition Advisory Group supported the need for a secretariat/operational function within the cluster organisation that comprises the staff needed to deliver on the key functions of the Industry Cluster and provide technical expertise and administrative support to the sub-committees. The level and quantity of staff would be proportional to the size and depth of the Industry Cluster and could increase/decrease as sub-committees are established and closed. The Transition Advisory Group considered that it was critical that a strong technical and research capability be built within the secretariat to support the work of the various sub-committees.

Cross-cluster forums

The Transition Advisory Group noted the importance of establishing cross-cluster forums and mechanisms to share intelligence, discuss economy-wide issues, deliver on cross-sector projects and develop communities of practice to build capability of clusters. Cross-cluster forums should be established at the both the strategic and practitioner levels. It was recognised that cross-cluster collaboration was a key limitation of the current system and formal mechanisms would be required to avoid siloing occurring between clusters, to drive cross-cutting work and shape workforce priorities at a national level. Government may also wish to consider mechanisms for engagement with cluster Chairs and CEOs to ensure alignment of national policy objectives with the needs of industry.

Stakeholder engagement

The Transition Advisory Group considered the challenges of effective stakeholder engagement for Industry Clusters and the importance of clusters adopting a flexible, as opposed to prescriptive, approach for effective collaboration and engagement. To strengthen the levers for engagement across industries, Industry Clusters need to be charged with developing their own stakeholder mapping, articulating how they will engage and work through issues with stakeholders at all levels and at critical points throughout an end-to-end system, from the strategic identification of workforce needs to delivery of job-ready graduates into employment. It was also considered important that clusters provide transparency around the engagement processes and channels they would be using to ensure stakeholders are clear about touchpoints for engagement with the clusters and when and on what issues their views would be sought.

In considering stakeholder engagement throughout the training product development process, the Transition Advisory Group recognised the critical importance of early and frequent engagement with stakeholders across the system, particularly to ensure identification and resolution of key issues as early as possible in the development process. Early engagement of the national approval body in the training product development process was considered important, particularly for products that are high risk or complex. Over time, it was expected Industry Clusters would develop better data and monitoring of metrics around impact, significance, extent and likelihood of key issues to support their analysis of expected future challenges. The Transition Advisory Group also advised that it was critical state training authorities were engaged early in the training product development process.

The Transition Advisory Group was of the view it was critical for Industry Clusters to have primary responsibility for resolving issues and disputes across all of their functions, to ensure clusters are accountable to the industries that they serve. It considered the importance of building capability and mechanisms (formal and informal) within the cluster to resolve disputes prior to the approval and endorsement of training products.

Establishment

Approach to market

The Transition Advisory Group considered a range of different options for approaching the market to establish Industry Clusters and the risks and benefits of each approach. The Transition Advisory Group considered an open approach to market delivered in two stages was the preferred approach, as it would provide clusters with greater autonomy to self-organise and establish a specific purpose industry-based organisation with appropriate sub-structures. Enabling Industry Clusters to self-organise will empower industry to deliver and lead their own identified skills and workforce priorities.

The first stage of the process would commence with an initial Expression of Interest (EOI) for industry groups/individuals to bring forward proposals to establish an Industry Cluster. The EOI proposal would require applicants to demonstrate that they had the support of industries within their remit, the necessary technical and research experience, the capacity to establish strategic dialogue with a representative cohort of industry stakeholders, and provide strategic direction for their cluster. Conducting an initial EOI as part of a two-stage process was considered important to provide flexibility where applications had not quite hit the mark in terms of industry coverage or had weaknesses in

their proposal. This would enable the Department of Education, Skills and Employment (the Department) to work with applicants to address gaps and facilitate applicants joining up their proposals with other applicants if required.

In the event that the initial EOI process did not produce either suitable applicants, or coverage of all industries, the Transition Advisory Group considered the Department could then opt to directly source existing entities or identify suitable high calibre individuals (including through an Executive Search service) to form interim boards and/or re-constitute to establish cluster organisations.

The second stage of the process would require the successful applicants from the EOI, once their organisation was established or re-constituted, to submit a formal proposal demonstrating their capability to deliver on the core functions set out in the program guidelines, including how they would meet performance requirements. A two-stage process was considered desirable to provide transparency and flexibility around the establishment process, provide sufficient time for organisations to be established before taking on broader functions, and ensure industry buy-in from the start.

Initial support to establish Industry Clusters

In order to support any new organisations to get established quickly and focus on strategy (rather than focusing on administrative aspects of establishment), the Transition Advisory Group highlighted the importance of providing a range of initial supports. The provision of initial support should include a range of options such as support with setting up bank accounts, registering the company, information and communication technology, drafting constitutions and recruitment. It was recognised that the support required would vary depending on the organisational maturity of clusters. The Transition Advisory Group suggested a catalogue of support be made available to enable cluster organisations to determine the support they might require.

Performance framework

The Transition Advisory Group recognised that a robust performance framework was critical to manage performance and that for accountability to government as the primary funder, the framework should be tied to levers under the funding arrangements. This was acknowledged as a significant gap in the current arrangements with IRCs not subject to a performance framework or Key Performance Indicators (KPIs) leading to a lack of clarity around purpose and strategy and a lack of rigour around decision-making. It was considered important that the framework was carefully structured to ensure the right behaviours were incentivised through a focus on outcomes, rather than focusing on outputs and processes. To ensure high performing Industry Clusters, the Transition Advisory Group considered that the focus of key performance indicators under the framework should be on the achievement of outcomes and the impact of the clusters' activities across the economy. The key performance indicators should be aspirational and include stretch targets to ensure the organisations are focused on continuous improvement.

To ensure that Industry Clusters are responsive to their stakeholders, the Transition Advisory Group recognised the critical importance of clusters being accountable to the industries that they serve. The clusters should be required to develop a compact with their respective industries as part of their strategic plans that clearly outlines what industry can expect from the cluster to enable industry to hold them to account.

Transition – training product development arrangements

The Transition Advisory Group considered two broad approaches for how the transition of training product development work to Industry Clusters could be managed, these approaches were:

1. Keeping in place all existing architecture (i.e. IRCs and SSOs) until the end of 2022, with all training packages to be transitioned to new Industry Clusters towards the end of next year. Under this approach, IRCs and SSOs will continue to undertake training package reviews as per usual, although some time-limits will be put in place with respect to the commissioning of new projects in order to mitigate the risk of unfinished projects being handed over to the Industry Clusters.
2. Requiring Industry Clusters to assume responsibility for training package development work (including any unfinished training package projects) as soon as they are operational. Under this approach, the establishment of an Industry Cluster will trigger the wind-down of relevant IRCs and SSOs will need to cease work on training product reviews and commence work on a handover plan.

For a successful transition to the new industry arrangements, the Transition Advisory Group considered the need for a smooth wind-down of existing arrangements, with clear start and end dates and that minimises (as far as practicable) a significant lag in training product work being undertaken. It acknowledged that Industry Clusters may require some time to become fully operational and the importance of undertaking workforce planning to support future training package development work.

In addition, the Transition Advisory Group recognised the importance of keeping IRC members engaged and in place during the transition period, including the need for good quality engagement and transparent communication to minimise the risk of disengagement (noting Industry Clusters will likely be reliant on IRC members to support their own work on training product development). At the same time, the Transition Advisory Group cautioned that having IRCs operating in parallel with Industry Clusters could be a source of conflict that will require deft management.

The Transition Advisory Group was of the view that the first approach was the most effective at managing the potential transition risks. However, it considered that any approach to transition needed to maintain flexibility for Industry Clusters (with the requisite capability and industry connections) to commence training package development work prior to 2023. Where existing projects are being finalised by IRCs over the course of 2022, Industry Clusters should also be engaged in this process, where appropriate. Finally, Industry Clusters that are still building capability should have the option of delegating new training package development work to IRCs during the 2022 transition period, provided the relevant IRC agrees to this. These measures will help to ensure continuity and minimise disruption to training package development during the transition period.